



Dear Client,

Welcome to our Succession Management Program (SMP) and thank you again for engaging FP Transitions to help you develop a plan for the future of your practice. Working together, our goal is to help you understand the benefits of a well thought out transition plan, craft a plan with you that intelligently transitions the ownership of your business, assist in bringing that plan to life, and then support you as the plan progresses.

The plans we develop are as individual as our clients, and are uniquely tailored to fit you, your business, your employees, and the regulated industry in which we work. To meet these ambitious goals, we ask you to read the guidelines below before our first meeting. Please let us know if you have any questions or concerns about these guidelines, or anything else, when we first meet (or at any time as the process unfolds).

On behalf of everyone at FP Transitions, thank you for entrusting us with such important work.

Sincerely,

*David Grau Sr., JD
President and Founder, FP Transitions*

GUIDELINES FOR A SUCCESSFUL ENGAGEMENT

- a)** You will receive a slide deck which contains useful illustrations and tools for our conversations. Please read through the entire slide deck before our first meeting. While we usually do not cover all of the slides, understanding what is possible can help you tell us what you are thinking, are interested in discussing, or have questions about.
- b)** The Succession Management Program (SMP) is actually about a lot more than just “succession planning.” First, every plan we develop and design is unique to our client’s needs and goals; this is NOT a *one-size fits all* kind of program. Second, we will consider a wider range of plans than just succession to ensure that we are addressing your needs and to help you think through the best options for what you’ve built and how you’ve built it.
- c)** Participation in SMP does not commit you to any particular course of action. We realize that an internal succession plan is not for everyone. You are in control of your own destiny and can change course at any time. Accordingly, for some clients, our recommendation will be that you



explore alternatives to an internal succession plan. In those cases, we will discuss other transition strategies with you, but the decision on which avenue to take is always yours.

- d)** We take a team approach to our work. This means that you will not work with just one person from start to finish. The details in most planning engagements require a variety of skills, expertise, experience, and perspectives. Having a diverse but well-coordinated team helps us deliver better advice and direction.
- e)** Our process works best with open, honest, and continual communication. We cannot know what you want or need unless you tell us. Some of our questions may seem personal, but we ask them for a reason. Also, please communicate with us immediately if your needs are not being met for any reason, if you don't understand what we're doing or why, or if you do not feel in control of the process.
- f)** We understand that life sometimes gets in the way of a professional engagement and for that reason we allow up to one year from the date of engagement to complete the work in Phase One. In most cases, however, the work in Phase One can and should be finished in four-to-six months. In order to deliver comprehensive advice and service on a flat-fee system, we run a "soft-clock" on our engagements allowing for around 30 hours of total support – usually more than enough time to do the work needed. On occasion, however, some engagements can become significantly more time consuming. Your consultant will help you understand how we handle demands for more time to meet your needs and goals.
- g)** Phase Two can encompass a wide variety and number of transactions ranging in complexity from the creation of entities, to statutory mergers, asset sales, stock redemptions, tax-free exchanges, and promissory notes. The minimum fee for Phase Two is the same as what you paid for Phase One, and includes the core supporting documents for an internal succession plan with up to four new owners, and relevant consultations with our legal team. More complex plans and additional transactions may incur additional charges, but always on a flat-fee, pre-arranged basis.
- h)** Tax efficiency and minimization of tax surprises are important goals for our clients. We will help you to understand, at a high level, the tradeoffs between various corporate forms and different transactions, but we do not replace the roles of your personal tax and legal professionals, with whom we are happy to consult when appropriate. In fact, we're fairly insistent on carefully coordinating our work with your CPA or accountant to ensure that we are all on the same page.
- i)** Your active participation in the process is mandatory. We cannot develop your succession or transition plan without your commitment to contribute the time and effort to make it happen. Initially, we require a significant amount of information from you to guide the conversations. You will then spend several hours meeting with our consultants, either in person or over the phone, to develop your plan, refine the plan, work through any issues with your tax and legal



advisors, and explain the offer to your successors or merger partners. We will be there with you all the way, but cannot move forward without your active participation.

- j)** If you have not already done so, please read our book *Succession Planning for Financial Advisors: Building an Enduring Business*. The knowledge you will gain will make our engagement much more efficient and understandable. If your time is limited, please read at least the first three chapters before our first consultation. If you are in the market to buy a practice, or are considering a sale of your practice to a third party, our second book, *Buying, Selling & Valuing Financial Practices: The FP Transitions M&A Guide* is our course book on mergers, acquisitions and sales to a third-party. Both books are available on Amazon.com in hardcover or Kindle form.
- k)** In most cases, the planning process begins with what we call “concepting,” akin to flying over the landscape at 30,000 feet in order to see the geography and as far to the horizon as is possible. Once a clear direction is established, the concepts will be explored in more depth and with more detail. The final planning process, however, will likely be determined by our team of analysts, who will take the concepts that support your goals, any valuation results and input data, and your capabilities and time frame, then figure out the most logical path forward given your specific fact pattern and “numbers.” The reality of your cash flow structure, tax environment, growth rates, overhead, profitability, and even your compensation systems, will all lend shape and structure to your specific plan.
- l)** Finally, we include a Comprehensive Valuation Report (CVR) with every engagement. The data we collect for the CVR, and the valuation derived, are sufficiently detailed in most engagements to complete your plan. Sometimes, however, depending on what you’ve built and how you’ve built it, and your goals for the future, a full appraisal is warranted. Appraisals are far more time consuming and detailed than a valuation and, accordingly, have a separate cost element. Your consultant will guide you through the best course of action as your plan unfolds, but always with an eye on creating a sophisticated plan, not a complicated plan, and within the scope of our flat-fee engagement whenever possible.

Please feel free to ask questions and discuss these guidelines during our first meeting. If you need help in the meantime, please contact Samantha Foster at 1-800-934-3303 x 2052, or Samantha.Foster@fptransitions.com.