Principals & Owners Summit 2019
Succession Planning Overview

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Succession Discussion

Focus Group Succession Survey:

- Undergoing Succession
- Succession in the next 2 to 5 Years
- Succession in the next 5 to 10 Years
- Currently Have a Plan
- Working on Developing a Plan
- Don’t Have a Plan
- Share any Comments Including Successes, Challenges, etc.
Consultant Succession Considerations

Specific Considerations Key to Consulting Engineers:

- Banking Requirements, Covenants, etc.
- The FAR
- Earnings Club vs. Capital Appreciation Club
- Open and Closed Ownership Models
  - Having a plan and good communication is critical
  - Manage Leverage (Short Term, Long Term Debt, Equity and Working Capital)
  - Manage Cash Flow
  - Potential to Keep Off Balance Sheet, Etc.
  - Other?
### Designing a Succession Plan
#### Web of Details

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<th>Planning Considerations</th>
<th>Common Options</th>
<th>Triggering Events</th>
<th>Funding Mechanisms</th>
<th>Tax &amp; Other Considerations</th>
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<td>Management Goals and Objectives</td>
<td>Internal Transition with Key Employees</td>
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<td>Stock Sale vs. Asset Sale</td>
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<td>More Time is Better (5 to 10 Years)</td>
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<td>Earn-out</td>
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<td>Life Insurance</td>
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<td>Cost/Benefit Analysis Modeling, Cash Flows, Tax, Etc.</td>
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<td>Disability Insurance</td>
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<td>Simple/Complex</td>
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Ingredients of a Successful Plan

• Must be based on the owner’s objectives
• Experienced team of advisors to design and implement the plan
• Cash flow and a quantified business value
• Strong management team in place
• Time
Succession Considerations

OWNER OBJECTIVES

MAXIMIZING AND PROTECTING BUSINESS VALUE

OWNERSHIP TRANSFERS TO THIRD PARTIES

OWNERSHIP TRANSFERS TO INSIDERS

BUSINESS CONTINUITY

BUSINESS AND PERSONAL FINANCIAL RESOURCES

PERSONAL WEALTH AND ESTATE PLANNING

COMPREHENSIVE EXIT PLAN
What Do I Want?

- When do I want to leave the business?
- How much income or capital do I want in excess of my financial security need?
- Who will succeed me?
- Do I want my family to receive this level of income if I don't survive?