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Business Succession: A Ten Step Checklist

I. Establishing Goals & Objectives

Identify the need for a succession plan. _____

Develop the vision, goals, and objectives of the business. _____

Determine the importance of family involvement in leadership and ownership of the company. _____

Establish personal retirement goals and cash flow needs. _____

Identify family members' goals. _____

Determine the need for an outside facilitator. _____

Establish team of professional advisors (attorney, CPA, bankers, financial advisors, insurance specialist). _____

II. Decision Making

Involve Family Members in the decision-making process. _____

Establish a method for dispute resolution. _____

Document the succession plan in writing. _____

Communicate your succession plan to family/stakeholders. _____

III. Successors

Identify your successors – both managers of the company and owners of the business. _____

Identify active and non-active roles for all family members. _____

Identify required training for the successor(s). _____

Provide necessary training to the successor to ensure the future of the business. _____

Will the retiring owner remain involved in the business? If so, define the role. _____

Provide counsel and support to successors. _____

IV. Estate Planning

Address tax implications to the owner and business upon sale or transfer of ownership. _____

Does your estate have enough liquidity to pay for estate taxes? _____

Have you considered a buy-sell agreement? _____

Develop estate and personal financial plan for owner, spouse and succeeding generation. _____

Provide for active and non-active family members. Will non-active family members receive an equitable share of assets? _____

V. Consider the Transfer Methods and Corporate Structure

Various options should be generated and considered to address as many family and business needs as possible. At a minimum, one needs to consider the following and document your conclusion:

Method of transfer may include outright purchase, gift, bequest, or a combination thereon. _____

If the business is to be purchased, financing options need to be considered, including financing from an external party or by the selling party. _____

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If the business will be purchased, ensure the business can generate adequate after-tax cash flows to support debt and interest payments. _____

Tax strategies and implications. _____

Legal implications. _____

Business structure options (e.g. corporation, LLC, partnership, etc.). _____

Business agreements. _____

Insurance needs (health, life, disability, etc.) have been considered. _____

VI. Contingency Planning

Identify potential problem areas. _____

Dispute/conflict resolution mechanisms have been considered and addressed in business agreements. _____

Develop "What If" scenarios including action plans (including possible disability of yourself and your successor). _____

Do you have a plan in case you become permanently disabled? _____

VII. Business Valuation

Obtain appraisal to determine fair market value of business and real estate. _____

VIII. Exit Strategy

Determine method of transfer. _____

Establish a timeline for implementation of the succession plan. _____

Publish the plan so that affected individuals are aware. _____

Communicate regularly with all affected parties. _____

IX. Implementation/Follow-Up

A timetable has been established and is being followed. _____

Review the plan on a regular basis and update as necessary. _____

X. Document Maintenance

At a minimum, all the following current documents are maintained in a file:

Legal will; _____

Power of attorney(s); _____

Property deeds, title insurance, leases, rental agreements, etc.; _____

Mortgages and notes payable; _____

Tax returns, financial records, and financial statements for the last seven years; _____

Bank, brokerage, savings, and retirement account information; and _____

Contact listing of all professional service advisors. _____