


1  **KEYS TO INCLUDE IN YOUR PARTNERSHIP AGREEMENT**

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3  **If there are 50 things you need to think about in a transaction.....**

4  **Key elements to a partnership agreement**

5  **Goals of Partner Compensation**

- Motivate partner behavior to achieve desired strategic and financial results
- Create motivation for top performance by rewarding modified behavior
- Build a strong partner team through retention of the best performers, removal of non-performers, and attracting new talent

6  **Types of Compensation Plans**

- Equal
- Equity based
- Pure formula
- Committee based

7  **Types of Compensation Plans**

**Equal**

- Often used in new partnerships
- Promotes collegiality
- Requires substantially equal contribution to be sustainable
- Long term, often fails to promote high performance

8  **Types of Compensation Plans**

**Equity based (base or the whole package)**

- Genesis is often equal in a newly formed partnership
- Promotes a clear return on equity
- Hard to sustain, unfair as contributions change
- No reward for personal performance

9  **Types of Compensation Plans**

**Lockstep**

- Based on seniority
- Often similar to equity based as equity normally accrues based on seniority
- Disguised as unit based plan where units accumulate over time
- Over time tends to reward for past performance more than current

10  **Types of Compensation Plans**

**Pure formula**

- An accountant's dream

- Relies mostly on pre-determined, objective measures
- Promotes clarity and certainty
- Leaves out hard to measure, subjective elements of performance
- Can be manipulated in many cases

11 ☐ Types of Compensation Plans

Cross evaluation

- Relies on each partner to evaluate other partners and allocate compensation
- Has appearance of fairness-democratic
- Requires knowledge by all partners of other partners' contribution
- Tends to lump most partners into an average rating at the expense of recognizing outliers

12 ☐ Types of Compensation Plans

Leader driven

- Managing partner decides
- Requires strong managing partner and trust in their decision making ability
- Most flexible and can be very effective
- Often lacks transparency which can lead to mistrust and lack of needed feedback

13 ☐ Types of Compensation Plans

Committee driven

- Appropriate for large firms
- Works well when knowledge of all partners' contributions is not readily available to each partner or the managing partner
- Allows for flexibility and fair vetting of issues
- Can lack needed transparency
- Can be inefficient

14 ☐ Equity: what does it mean

15 ☐ Different types of Partners?

16 ☐ Governance

17 ☐ Governance

18 ☐ Retirement

19 ☐ Retirement

20 ☐ Retirement

21 ☐ Death/Disability

22 ☐ Termination

23 ☐ De-Merger Clauses

24 ☐ Miscellaneous

25 ☐ Other Thoughts

26 ☐ Transitioning Clients

27 ☐ For more information