

# Buy-Sell Agreements

*Planning for the Unexpected*



## **The Importance of a Proper Buy-Sell Agreement**

If your business has two or more owners, you need a Buy-Sell Agreement. It is an essential requirement to the long-term survival of your business.

### **What is a Buy-Sell Agreement?**

A Buy-Sell Agreement is simply a contract between two or more business owners. In the contract, the owners agree upon what happens to the company in the event of one owner's death, divorce or other life changing event.

### **What can happen if I don't have a Buy-Sell Agreement?**

Businesses without a well-drafted Buy-Sell Agreement often face an uncertain future. If an owner gets divorced, the business may become hostage to a custody battle. If an owner dies, the surviving business owners may inherit heirs for business partners who care little whether the business survives.

### **How Epiphany Law Can Help**

Your business needs protection from the unknown future. Your business needs to plan for the possibility that an owner may die, get divorced or simply leave the business. A Buy-Sell Agreement will provide your business with the needed security.

Epiphany Law understands the importance of a well-drafted Buy-Sell Agreement. Ensuring that critical events are properly covered is essential to the long-term survival of your business. Rely only upon an experienced business law attorney to handle this critical issue.





**Q What situations need to be addressed by a Buy-Sell Agreement?**

**A** Some examples of significant events in a business that are often addressed (called Triggering Events) include:

- Death
- Divorce
- Death of a spouse
- Disability
- Bankruptcy
- Transfers to outsiders
- Termination of employment
- Retirement

**Q How do you determine a purchase price?**

**A** To have an effective Agreement, the owners must agree upon a mechanism to set the future value of the business. Possibilities include:

- Book Value
- Multiple of Earnings
- Appraisal
- Annual Valuation by Owners

**Q How are Buy-Sell Agreements funded?**

**A** An effective Buy-Sell Agreement should address how the funds needed to buy out an owner will be provided. This funding needs to align with the Triggering Events. Often, insurance is maintained to fund purchases in the event of death or disability. Other situations are often covered by structuring a purchase over 5 to 10 years. Working with an experienced business attorney will ensure consistency between funding terms and the Agreement's Triggering Events.

**Rely on Epiphany Law as your source of business law expertise for your growing organization.**

