

## Buy-sell agreements: How to choose

Has your company prepared and actively reviewed a buy-sell agreement? These important documents are imperative in implementing a smooth transition process for all closely held companies. Buy-sell agreements are an important consideration for all businesses, not just those that are planning to change hands in the near future.

What to consider:

- Who are the key personnel involved in the transition?
- How will the agreement affect your spouse, children and key employees?
- The agreement can be a redemption (company buys shares), cross purchase (other shareholders buy shares) or hybrid (option for cross purchase or redemption).
- Triggering events may include: Death, Disability, Termination of Employment, Retirement, Bankruptcy, Divorce, Attempted sale to an outsider
- What is the funding vehicle?
- Valuation considerations:
  - Type of valuation (fixed price, formula, outside appraiser)
  - Definition of value (fair market value)
  - Valuation date (as of date the company will be valued)
  - Cost (who pays?)
- Review the agreement annually to ensure it meets current needs.



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