How to Know Your Agreement Will Work
Without Triggering It

BUY-SELL AGREEMENTS
for Closely Held and Family Business Owners

Z. Christopher Mercer, ASA, CFA, ABAR

Foreword by Tom Deans, Ph.D.
Author of *Every Family's Business*

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Praise for Buy-Sell Agreements
for Closely Held and Family Business Owners

Buy-Sell Agreements for Closely Held and Family Business Owners presents this most important topic in an understandable fashion. The book will assist business owners in getting their ownership affairs in order before the issue of a buy-out erupts, as it often does, at the least opportune time, damaging the business and the relationships among the owners.

Roger J. Grabowski, ASA
Managing Director, Duff & Phelps

This is the business owner's self-defense manual. Reading it could be the most cost-effective hour or two you've ever invested. Don't dare sign a buy-sell agreement until you've read and pondered the questions posed in this book. Your life('s work) may depend on it!

Stephan R. Leimberg
Chief Executive Officer and Publisher, Leimberg Information Services, Inc.

Having advised clients on buy-sell agreements for more than 30 years, both from a legal and life insurance funding perspective, I have seen the financially devastating consequences of poor planning. Chris Mercer's book is the best treatise on this topic and is a must-read for any attorney, financial/insurance planner, or business owner working on buy-sell agreements.

Kelly Finnell, J.D., CLU, AIF®
Author, The ESOP Coach: Using ESOPs in Ownership Succession Planning
President, Executive Financial Services, Inc.

As a lawyer who works mostly with closely held and family-owned businesses, I've seen many buy-sell agreements, and I've drafted my share of them. I can say unequivocally that this is the most useful analysis of the subject I've encountered. The book is relatively compact, but it's not in the least superficial or truncated. On the contrary, Chris Mercer has produced a uniquely practical handbook for business owners and their advisors which is thorough and comprehensive, but at the same time is clear, straightforward, and understandable. In direct and non-technical terms, Mercer thoughtfully explores the pros and cons of competing approaches, and unflinchingly expresses his specific recommendations. Anyone who owns or advises a privately owned business needs to read this book.

Jared Kaplan
Senior Counsel, McDermott Will & Emery

A must-read for business owners and their advisors. The book identifies and explains all the issues of buy-sell agreements in clear, understandable terms.

Gerald A. Shanker, CPA/ABV
Founding Member, Kreinces Rollins & Shanker, LLC

This book is very well-researched, easy to understand, and contains numerous helpful examples. It reminds us in great detail how many of the components of a buy-sell agreement cause more problems than they solve. I particularly liked the charts that succinctly presented the advantages and disadvantages of the important elements of a good buy-sell agreement. Also, this book is not just for valuation analysts. Business owners should read it too. It is also a must-read for CPAs, financial planners, attorneys, and anyone else who advises business owners.

James R. Hitchner, CPA/ABV/CFF, ASA
Managing Director, Financial Valuation Advisors
Chief Executive Officer, Valuation Products and Services
President, Financial Consulting Group

The biggest problem with a buy-sell agreement is it is never looked at once it is signed. Based on today's circumstances, will it act the way you expected? Most don't. Chris Mercer's book will give you big picture ideas without legal mumbo jumbo.

Larry H. Colin
Author/Producer, FAMILY, Inc.

Your buy-sell agreement is the most important business document you are likely to ever create. It is in every owner's direct interest to make certain it works exactly as intended – before it is intended to be triggered. Chris Mercer's previous book on buy-sell agreements is the "industry standard," and we recommend it to the hundreds of business advisors who belong to our exit planning organization. This new book is likewise destined to be a "standard" for business owners. It is premised on the criticality of establishing an accurate business valuation regardless of the circumstances which trigger an owner's departure. In a straightforward and easily understood style, it describes what owners need to do today to prevent unintended, and perhaps financially ruinous, consequences tomorrow.

John Brown
Author, How To Run Your Business So You Can Leave It In Style
President, Business Executives International

As the founder of one successful business and current participant in a family-owned bank, I thought I was something of a veteran when it comes to business. When I read Chris Mercer's *Buy-Sell Agreements for Closely Held and Family Business Owners*, I realized that there is still a great deal to learn. The book is an in-depth and candid look at buy-sell agreements, which we all have and seldom think about. What I realized in reading the book is that the things that we don't think about naturally, without help like in Chris' new book, are the things that can really go wrong.

Kenneth B. Lenoir
Executive Vice President, Evolve Bank & Trust Company
(former Founder, Chairman, and CEO of First Mercantile Trust Company)

As a "recovering" tax attorney and a current advisor to many family businesses, I found myself chuckling as I read Chris Mercer's book, *Buy-Sell Agreements for Closely Held and Family Business Owners*. The chuckles were a bit rueful, however, for Chris Mercer says straight out what I seldom could say to my clients – that they were letting themselves be intimidated by the complexities of buy-sell planning into passivity on the single most important agreement they may ever sign. I imagine many lawyers will buy copies of this book and use it as homework for their clients.

Not only is it accurate and amazingly readable, but it also places the focus exactly where it should be – on the owner and his or her willingness to address tough issues head on. Many business owners would rather talk about a prenuptial agreement with a fiancée than a buy-sell agreement with his partner. After all, discussing the future dissolution of a successful working relationship requires talking about death, disability, divorce, and, toughest of all, whether we will be able to afford to buy the other out at a "fair" price.

My advice to professionals is to give the owners of a closely held business this book and several days to read it. The next meeting will be more productive, more realistic, and there will be no talk about "just" preparing a "standard" buy-sell agreement. The book imparts two great lessons. First, there is no such thing as a "standard" buy-sell agreement. Second, and even more striking, defining a "fair price" to govern far into the future is far more challenging than the owners ever imagined. This last lesson comes home with a vengeance since Chris Mercer is a skilled business appraiser and his writing shines a light into the murk of valuation language and options. Indeed, the most illuminating parts of the book deal with the logical quagmire amateurs can sink into when trying to define "value" without the (very necessary) aid of a qualified appraiser to lead the discussion and calculation of valuation throughout the life of the agreement.

Stephen G. Salley
Senior Partner, GenSpring Family Offices

For shareholders of closely held businesses, this book presents a comprehensive and understandable discussion of the essential elements of buy-sell agreements and how to correct deficiencies that commonly occur. We have followed the author's very appropriate advice to make sure you have an ironclad, foolproof system to keep the price current by getting an annual appraisal.

W. J. "Bill" Rankin, CPA
Chief Financial Officer, Blue Bell Creameries, L.P.

Chris Mercer has seen the world of valuation through many eyes. His experience and broad insights to the process of valuation adds a dimension that few can compare. He brings knowledge from a combination of multi-business landscapes and industries. This is a must-read for family-owned and closely held business entities. No one is more qualified to write on these subjects than Chris Mercer.

Alan Hughes
President, Clear Processes, LLC
(Retired Division Manager, Dealer Development, John Deere Co.)

A buy-sell agreement is one of the most critical agreements in any closely held business. It must be done right to avoid serious disputes among business owners when one of the owners dies, quits or is terminated, becomes disabled or divorced, or gets into financial trouble. Chris Mercer does a masterful job in *Buy-Sell Agreements for Closely Held and Family Business Owners* of discussing the key issues in a thoughtful and easy-to-read manner. With more than 30 years of expertise in the field, Chris explains why the failure to have a solid buy-sell agreement may be devastating to a business and its owners, and provides very practical tips on how you can greatly improve your buy-sell agreement.

Nathaniel L. Doliner
Shareholder, Carlton Fields, P.A.

In a word, "Wow!" *Buy-Sell Agreements for Closely Held and Family Business Owners* contains the most in-depth discussion of the "whys" of buy-sell agreements that I've ever read. Chris Mercer has focused his laser beam mind upon probably the hardest and most under-served area of business planning: buy-sell agreements. Read this book!

L. Paul Hood, Jr.
Attorney at Law

Chris Mercer has the unparalleled capacity and intellectual capital to drill deeper on this topic than anyone. His perspective and premises are sound and the sub-topics covered on buy-sell agreements will give you the entire spectrum. I would not think about going into buy-sell agreement negotiations without reading this book again, cover-to-cover, the night before. Don't miss this one – it will only cost you if you don't read it!

Don Hutson
Speaker and Co-author of the
Wall Street Journal and New York Times #1 Best-Seller,
The One Minute Entrepreneur
Chief Executive Officer, U.S. Learning

The concept of regular (annual) valuations to update buy-sell agreements is really useful. As a consultant helping businesses focus on strategy and growth and having been involved in a buy-sell agreement dispute as a business owner, I can attest to the great value of incorporating this concept into the governance of the business. Not only does it help business owners focus on business value creation, but when used regularly as part of buy-sell agreement updates, it helps the business keep these essential agreements updated and current. This has the benefit of increasing owner/partner alignment by avoiding unpleasant disappointments or disagreements about business value in the future.

Dr. Brian Cassell, DVM
Founder and Managing Partner, Dynamic Veterinary Concepts
Executive Director, MOON, An Innovation Veterinary Collaborative

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How to Know Your Agreement Will Work Without Triggering It

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is sold with the understanding that neither the author nor the publisher is engaged in rendering legal, accounting, or other professional service. If legal advice or other expert assistance is required, the services of a competent professional person should be sought.

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Preface

Every successful closely held or family-owned business with two or more owners has a buy-sell agreement – and if it doesn't, it should.

Buy-sell agreements govern how ownership will change hands if and when something significant, often called a trigger event, happens to one or more of the owners. These agreements are intended to ensure the remaining owners control the outcome during critical transitions. They specify what happens to the ownership interest of a fellow owner who dies or otherwise departs the business, and mandate that a departing owner be paid reasonably for his or her interest in the business.

Buy-sell agreements *are supposed to work* by:

- Providing a market for the shares (or partnership interests or member interests) in the event an owner dies or has to leave the company.
- Establishing the price and terms for the market so future transactions under the buy-sell agreement occur in an orderly and reasonable fashion.
- Specifying or otherwise assuring financing (or life insurance or cash) is available to acquire shares in the event an owner departs.

Unfortunately, based on my experience working with closely held and family businesses for more than 30 years, most buy-sell agreements won't accomplish their objectives in an orderly and reasonable fashion. My first book on the subject, *Buy-Sell Agreements: Ticking Time Bombs or Reasonable Resolutions?* (2007) addressed the problem primarily from the viewpoint of business advisors.

This book was based on reading many buy-sell agreements, since most of the companies I have valued have or had buy-sell agreements. I have been involved with many buy-sell agreements following trigger events. Trigger events, as we will see, are those (mostly) bad things that cause buy-sell agreements to be put into operation, including death, disability, firings, and numerous others.

We will talk in this book about valuation processes involving one, two, or three business appraisers for determining the price for buy-sell agreement transactions. I have been the first or second appraiser selected by the sides in many valuation processes. And I have been the third appraiser selected by the first two appraisers in many more situations.

These experiences all inform my understanding of buy-sell agreements and how they work from business and valuation perspectives. In addition, I have personally been a party to several buy-sell agreements at Mercer Capital and at other companies where I have been an investor.

This book, *Buy-Sell Agreements for Closely Held and Family Business Owners: How to Know Your Agreement Will Work Without Triggering It*, is written for all business owners who have or will have buy-sell agreements for their companies. I have seen enough explosions following the triggering of buy-sell agreements to know that badly crafted agreements can be disastrous for all involved. However, you can know in advance your buy-sell agreement will work – and it doesn't have to be triggered to find out. This book explains how.

Understand the Dangers of Your Current Agreement

Buy-sell agreements have three basic types of pricing mechanisms.

Fixed-price agreements. You and the other owners agree on a price and set that price in the agreement.

FIXED-PRICE AGREEMENTS

Description

- You and the other owner(s) agreed on a price.
- That price of your agreement is likely years out of date.
- There are three possibilities regarding the price you set:
    - The value today is lower, perhaps far lower, than the realistic value.
    - The value today is higher, perhaps far higher, than the realistic value.
    - The value is the same as it was back then.

You haven't agreed on a way to update the price.

Realities Seldom Discussed

- If the value is unrealistically low, you are betting that the other guy will die first and you'll get to buy at the low price.
- If the value is unrealistically high, you are betting that you'll be the one to leave the business so you and your family can benefit.
- The other guy(s) are making just the opposite bets.

Why take a chance that you'll be on the wrong end of that bet?

Formula agreements. You and the other owners agree on a formula to calculate the price.

FORMULA PRICE AGREEMENTS

Description

- You and the other owner(s) established a formula to calculate price.
- Chances are, no one has calculated it lately.
- Chances are, it can give an unreasonable result now.
- Combined with changes in the company and the industry:
  - The formula price may be higher than a realistic value today.
  - The formula price may be lower than a realistic value today.
  - The formula price is realistic today.

You haven't agreed on ways to make necessary/appropriate adjustments.

Realities Seldom Discussed

- If the value is unrealistically low, you are betting that the other guy will die first and you'll get to buy at the low price.
- If the value is unrealistically high, you are betting that you'll be the one to leave the business so you and your family can benefit.
- The other guy(s) are making just the opposite bets.

Why take a chance that you'll be on the wrong end of that bet?

Valuation process agreements. You and the other owners agree that if the buy-sell agreement is triggered, you will bring in one or more business appraisers to determine the price.

VALUATION PROCESS AGREEMENTS

Description

- You and the other owners agreed to let business appraisers set the price for your agreement if and when it is triggered.
- No one has the foggiest idea what will happen or what the price will be.
- No one knows what "kind of value" the appraiser will provide:
  - It could be the value of an illiquid interest.
  - It could be the value of the entire enterprise pro rata to ownership.
  - It could be reasonable and what you thought you agreed to.
  - It might not be reasonable and what you thought you agreed to.

No one will know until the end of a lengthy and uncertain process what the outcome will be.

Realities Seldom Discussed

- You are betting that the ultimate price will be favorable (or at least reasonable) for you.
- The other owners are betting that the ultimate price will be favorable (or at least reasonable) for them.
- The company is betting that the process will work and that the price set will be affordable.

Everyone is betting and someone will lose.

Your company's buy-sell agreement has one (or possibly a combination) of these pricing mechanisms. This reality will hold true whether the agreement is between the owners and the company (an entity agreement) or between you and your fellow owners (a cross-purchase agreement).

A Word to the Wise

The bottom line is whether your buy-sell agreement has a fixed-price, is a formula agreement, or contains a valuation process, chances are that you, the other owners, and your company are in for a surprise when it is triggered.

Buy-Sell Agreements for Closely Held and Family Business Owners is written so you can prevent your flawed agreement from exploding and harming you, your fellow owners, all of your families, and even the company itself – and you can do this without triggering the agreement.

How to Read this Book

The cost of this book is insignificant. What is important is your time. If you invest the time to read it, I promise you will gain understanding and learn tools to eliminate this danger from your business and your life.

I recommend that you read this book aggressively.

- Highlight relevant facts or issues for further study.
- Raise questions or make comments in the margins to focus your thinking about buy-sell agreements generally, or about your agreement specifically.
- If you have an existing buy-sell agreement, read it in conjunction with this book. If you have a partnership or LLC, the buy-sell provision may be included in the basic agreement. Raise questions in your agreement and add to your notes. The *Buy-Sell Agreement Audit Checklist*, written for use with this book, is available for you to download at

www.buysellagreementsonline.com. Order the checklist, which sells for $9.95, and enter the discount code "FREE" to download the checklist at no cost.

- If you are initiating a buy-sell agreement at the time you are reading this book, make notes relating to your situation. Then, consolidate your notes on the *Buy-Sell Agreement Audit Checklist* before discussing them with legal counsel or other business advisors. If they are participating in the process with you, work through the checklist together.
- Share the book with your fellow shareholders and use the outline and the *Buy-Sell Agreement Audit Checklist* to facilitate the discussion.
- Have a valuation professional read your buy-sell agreement from valuation and business perspectives and identify potential problems.
- Have your financial planner or tax attorney read the buy-sell agreement to determine if it is consistent with your personal estate planning.

Use this book as an active tool to help you, your lawyers, and other advisors craft workable agreements. Is your buy-sell agreement a ticking time bomb? Or will it provide a reasonable resolution to the future transactions it contemplates? The problem is up to you to resolve.

PART I

Why Your Buy-Sell Agreement Won't Work

Chapter One

Your Buy-Sell Agreement Won't Work

Let's talk about buy-sell agreements. In particular, let's talk about your buy-sell agreement. As part of our conversation, you can listen in on a discussion I am having with a business owner named Sam. I will act as his consultant, Pete, which was my father's nickname for me.

Sam owns 40% of a successful closely held company. He and his long-time business partner set up a buy-sell agreement when they started their business almost 20 years ago. My purpose in talking to Sam is to help him understand the actual issues he has with his buy-sell agreement and to encourage him, together with the other owners of the business, to take action. Sam, like you in all likelihood, passively assumes that his buy-sell agreement will work. In reality, it's like a time bomb.

Pete:	**"Sam, I just buried a small bomb in your yard. It isn't large enough to kill you, your wife, or another member of your family, but it would certainly maim you or them if one of you stepped on it."**
Sam:	"Where is it?"
Pete:	**"I'm not going to tell you where it is. But don't worry. Chances are it is so well-hidden that no one will ever step on it."**

Sam:	"What do you mean, 'chances are'? That's a chance I can't take! If it were just me it would be one thing, but you're talking about hurting my wife and family!"
Pete:	**"Like I said, don't worry. Maybe no one will ever step on it. Maybe it will never explode."**
Sam:	"You must be crazy! I'll bring in a bomb squad and dig up the entire yard to get rid of it!"
Pete:	**"Now Sam, you know I'm just kidding about the bomb. However, your buy-sell agreement might very well be a ticking time bomb and you just don't know it. How about taking some time to talk about your buy-sell agreement – say, dinner tomorrow night?"**
Sam:	"Sounds good to me. See you then."

If you knew there was a bomb in your yard that could harm you and your family, you would not stop until you found it and had it disarmed.

If you are like most owners of private businesses, your investment in the business represents a substantial portion of your net worth – maybe almost all of it. So when I talk about a bomb in the company yard, I'm talking about a bomb that can determine the timing of and return you get on your largest investment.

There is no bomb in your yard, but you almost certainly have one lurking within the words on the pages of your buy-sell agreement. If you haven't done anything to fix it, you and your fellow owners need the equivalent of the bomb squad. By inaction, you have placed yourself, your families, and your company in real danger. This analogy is the clearest way I can communicate to you the importance of disarming this bomb before it explodes.

The conversation continues at dinner the next evening.

Pete:	**"Sam, how many owners are there in your business?"**
Sam:	"We have four owners. My long-time partner, George, and I own 80% of the business between us. William and Don, who we brought in about 10 years ago, now own 10% each."
Pete:	**"How long has it been since you had a conversation with George about your buy-sell agreement?"**
Sam:	"It has been quite a few years."
Pete:	**"And how about with William and Don?"**
Sam:	"Well, we never really talked about it other than to tell them they had to sign the agreement if they became owners."
Pete:	**"Sam, I can't tell you how important it is for you guys to talk to each other about it."**
Sam:	"I know. You keep saying that. But it is just hard to talk about the buy-sell agreement. Things get kind of testy when the topic comes up, so we just keep putting off talking about it."

The Problem Lies with the Owners

A buy-sell agreement is an agreement between a company and its shareholders. For purposes of simplicity, we typically refer to business enterprises as “the company” or “the corporation” in the text. Business owners will generally be referred to as “shareholders” or “owners.”

Buy-sell agreements are prevalent throughout the corporate world. They are common when businesses have multiple shareholders, partners, or joint venture participants. Virtually every company of any size with two or more shareholders has a buy-sell agreement. They are important business and legal documents. Your company has a buy-sell agreement – or needs one – otherwise you probably wouldn’t be reading this book.

Buy-sell agreements are too often overlooked by the owners. They almost always get triggered unexpectedly. Who expects to die, to be fired, or to become disabled? These things happen to other folks – until one of them happens to you.

Chances are, your buy-sell agreement is flawed and will not work like you think it will or should work. You may think this is a bold or presumptuous statement since you know I have not seen your agreement. Nevertheless, it is likely a true statement, as you will see. My perspective is that of a businessman (and business owner) and a valuation expert who has read many buy-sell agreements, who has participated in many processes where buy-sell agreements have been triggered, and who has been a party to several buy-sell agreements personally.

Most of the problems in buy-sell agreements relate to business objectives considered (or not) and the valuation mechanisms or processes found (or found lacking) in them.

I’m not a lawyer and am not blaming lawyers for likely problems in your agreement. On the contrary, most lawyers really attempt to work with their clients to develop good buy-sell agreements. Too often, in fact, what may have been a good buy-sell agreement when first written becomes obsolete with the passage of time.

As Pogo famously said, "We have met the enemy and he is us."

The blame for most of the business and/or valuation problems with buy-sell agreements almost always rest on the shoulders of company owners.

- Only the owners can state their business objectives.
- Only the owners can negotiate with fellow owners regarding personal objectives and desires.
- And only the owners can articulate what they want to happen when those future events contemplated by their buy-sell agreements actually happen.

Most of us think or act like nothing can ever happen to us. But things happen to us all, and things will happen to you and/or your fellow shareholders. Remember, bad things do happen to good people.

Your company's buy-sell agreement will determine a number of critical things:

- Who can be a shareholder and who can or will buy shares under the agreement.
- What will happen when trigger events occur.
- What price will be paid and how (under what terms) it will be paid.

And finally, the agreement determines how much money *the other owner(s)* will receive when something happens to them. After all, nothing will ever happen to you – until it does!

How Buy-Sell Agreements Come Into Existence

Business lawyers and business persons with any experience know companies and their owners need buy-sell agreements to protect the interests of the corporation and their shareholders. However, as important as buy-sell agreements are, many are created almost as an afterthought, particularly from the viewpoint of shareholders in private businesses.

When transactions are consummated or companies are created, the shareholders tend to think their work is complete. After all, they have agreed on the economics of the investment and their relative ownership positions. They should be able to get down to business.

At this point, an experienced business attorney says to the shareholders, "Now, we have to put a buy-sell agreement in place. You do want to take care of things appropriately if one of you should die, don't you? You need to agree on a buy-sell agreement to determine what happens if one of you quits, is fired, retires, dies, or is disabled. These are things that can happen."

The attorney goes on to say, "And you want to control who you do business with in the future, don't you? The most likely way to do that is to prepare a right of first refusal agreement. So let's talk about the important issues this raises for your consideration and agreement."

At this moment, the pace of communication between the attorneys and the owners frequently begins to slow. Investors are weary of negotiations and ready to move on with their business proposition. They typically don't want to spend any more money on legal or other professional fees, and many definitely don't want to talk about their own mortalities, the potential of future fallouts, retirements, or disabilities. They also know that a real discussion of a buy-sell agreement would be difficult and potentially divisive based on one or more actual or potential opposing characteristics within the shareholder group.

POTENTIAL OPPOSING SHAREHOLDER CHARACTERISTICS THAT MAKE DISCUSSING BUY-SELL AGREEMENTS DIFFICULT

Characteristic	Shareholder 1	Shareholder 2
Age	Younger	Older
Ownership	Noncontrolling	Controlling
Involvement	Active	Inactive
Personal Outlook	Optimistic	Pessimistic
Investment Type	Sweat Equity	Real Money
Investment Amount	Smaller	Larger to Much Larger
Personal Guaranties	None	Substantial

FIGURE 1

Then, someone volunteers to the attorney and other owners, "We've all been in business, and we know what buy-sell agreements are all about. You have one in your word processor, don't you?"

The attorney replies, "Yes, we have several templates that provide a basis for discussion about the particular needs and circumstances of your business and its ownership. But we need to adapt the template to this situation." The attorney is attempting to deliver an extremely important message.

Nevertheless, the shareholder replies, "You've been here the entire time we've been putting this deal together and you know us, so just give us a basic buy-sell agreement so we'll have one. You have a boilerplate version, don't you?" Then, he tempts fate: "There'll never be a problem, anyway!"

Your attorney drafts an agreement (or agreements if there is an accompanying right of first refusal to be put in place) subject to the review and approval of all of the parties. The shareholders glance at them and sign the dotted line. The agreements go into the corporate records and personal lockboxes until trigger events happen – and trigger events will almost certainly occur.

A good number of buy-sell agreements are also initiated in the context of gift and estate tax planning for owners. While buy-sell agreements can facilitate such planning, their development with gift and estate tax aspects is no less difficult than the process outlined above. Competent tax and corporate counsel will be required.

The Solution Lies with the Owners

If there are problems with your buy-sell agreement, now is the time to identify and address them. Get your buy-sell agreement out of the safe or filing cabinet or attorney's office and keep it with you for reference as you read this book.

The solution for the problems with your buy-sell agreement lies with you and the other owners.

- Think about why your company has a buy-sell agreement and what it is helping the shareholders to accomplish.
- Think about your own personal objectives and concerns about the agreement.
- Talk with the other owner(s) and with appropriate company officers and directors.
- Follow the advice of this book and begin a thorough review of your buy-sell agreement from business, valuation, and legal perspectives.
- Engage appropriate professionals to help define and refine corporate business objectives, as well as the intersections between corporate and personal objectives.

The bottom line is that the time for action is now. The company and all parties will be bound by what I call "the words on the pages" of the agreement. Once it is triggered, it is too late to fix anything because the interests of the parties will have diverged, rendering it almost impossible for them to find agreement over issues that arise.

THIS BOOK IS FOR YOU

Private ownership of businesses is a wonderful thing. We can own, operate, and enjoy the fruits of our investments of capital and labor through our businesses.

If you own 100% of a business, you can do anything you want to with it. You can operate it and eventually sell it if you wish. That would be a good thing. Or, you can run it into the ground. You can run it until you drop from the saddle. If you die, you can leave it to your spouse or your children – even if they don't have the foggiest idea what to do with it. Or, you can leave it to your creditors. None of these may be a good plan, but you can do it.

The fact is, by the time most businesses get to be of significant size or have significant value, they have multiple owners. And your business probably has more than one owner. You are likely interested in this book on buy-sell agreements because of that.

Buy-sell agreements are simple in concept. They set the terms for buying and selling corporate shares when certain things happen. But many believe that most of the things buy-sell agreements are designed to protect against will never happen to us. And if we don't actually believe it, we act as if we do.

This is precisely why this book about buy-sell agreements is for you, your fellow shareholders and directors, and your company, whether it is a corporation, a partnership, a limited liability corporation, or anything else.

My challenge to you is to use it as a tool to prevent your buy-sell agreement from exploding on you and your other owners. You can know your buy-sell agreement will work without triggering it.