# As Your Business Evolves, Make Sure Your Buy/Sell Agreements Keep Pace

*By C. Richard Colvin, Attorney & Chair Of Strauss Troy's Corporate | Business Practice Group*

*About The Author:*
*Richard Colvin serves as chair of Strauss Troy's Corporate /Business Practice Group. He practices in the areas of corporate law, business law and business litigation. He has broad experience in corporate transactions including, but not limited to, corporate organization, tax free reorganizations, contract negotiations, mergers, acquisitions and entity formations.*

Change is a certainty in both life and business.

Significant events such as death, divorce, resignation or retirement of a company owner, known as "*Dissolution Events*", not only affect the life of that individual, but also the lives of the other shareholders or members of the business.

All of these Dissolution Events are common occurrences, and in some cases, certainties. But if not properly planned for, they can effectively destroy a closely-held business. At a minimum, they could expose the organization's owners and employees to avoidable crises, all of which could have been prevented with a well-crafted Buy/Sell Agreement.

Buy/Sell Agreements are documents that help manage the orderly transition of the ownership in an organization when a Dissolution Event occurs. These documents minimize the uncertainty for everyone involved. Buy/Sells can either be stand-alone agreements or can be part of a Shareholder or Operating Agreement. Regardless of form, they are a crucial component of every organization. Buy/Sells are the manifestation of the owners' agreement on how to continue the business under life's turbulent events.

In most cases, startup organizations simply don't have Buy/Sell Agreements. As organizations grow, and the relationship between the owners becomes more complicated and their lives more intertwined, it's increasingly more difficult to agree on how to face these events. This difficulty often paralyzes the owners, and they simply ignore the issue.

Dissolution Events can be easily planned for in a Buy/Sell Agreement; however, failure to do so can spell disaster for the company. When drafting these agreements, owners will sometimes want to deal with each Dissolution Event separately. In doing so, many complex questions arise such as:

- Will the company continue beyond the death of an owner?
- What happens to the ownership of the company with each one of these events?
- Does the ownership get passed to a spouse, child or heir in the case of death?
- Who buys the shares and for how much?

These are just a few of the many issues that the company's ownership must resolve. The answers to these questions are often complex, but experienced legal counsel can help a business plan effectively.

For example, insurance can fund the purchase of an interest in the company in certain Dissolution Events. "Key man" policies are another tool that can help minimize the effect of an owner's death on the organization. Life insurance policies can fund the acquisition of the deceased owner's shares in the company. Disability insurance can also be acquired for the owners of the organization.

However you choose to structure or fund your Buy/Sell Agreement, as a company owner, you owe it to yourself, your organization, your family and your employees to sit down, consider your options and get a Buy/Sell Agreement in place. As the company grows and matures, the relationship between the individual shareholders will certainly become more complex, and the Buy/Sell may have to be modified, changed or adapted to new circumstances.

Regardless of where a company is in its life cycle, Dissolution Events will eventually occur, and a good Buy/Sell is essential to facilitate not only the orderly transition of the ownership in the company, but its continued success. Careful planning will facilitate, not only result in, a harmonious relationship between owners, but also the continued success of the business that you have worked so hard to create.

***For a review of your organization's Buy/Sell Agreements or help in drafting one, contact Richard Colvin at crcolvin@strausstroy.com or 513-768-9705.***