

# BUY-SELL AGREEMENT

This is a customizable starting template, not a finished legal document. Replace every [BRACKETED] field with your specifics, delete or adapt any clause that does not fit your deal, and have a licensed attorney in the governing jurisdiction review it before you or anyone else signs. CyberSygn is not a law firm and this template is not legal advice. This document type carries significant legal and/or financial consequences and varies substantially by jurisdiction. Having a licensed attorney review it before use is strongly recommended.

This Buy-Sell Agreement (this "**Agreement**") is entered into as of [EFFECTIVE DATE] (the "**Effective Date**") by and among:

[COMPANY LEGAL NAME], a [STATE] [ENTITY TYPE, e.g. corporation / limited liability company] (the "**Company**"); and

the owners of the Company who sign below, each an "**Owner**" and together the "**Owners**" (each Owner's ownership interest, whether shares, units, or partnership interests, an "**Interest**").

The Company and the Owners are each a "**Party**" and together the "**Parties**."

**Recitals.** The Owners collectively own all of the outstanding Interests in the Company. The Parties wish to provide for the orderly transfer of an Owner's Interest on certain trigger events — such as death, disability, withdrawal, attempted transfer to an outside party, divorce, bankruptcy, or termination of employment — to preserve continuity of ownership, avoid unwanted co-owners, and provide a fair and predictable mechanism for valuing and paying for a departing Owner's Interest. In consideration of the mutual promises below, the Parties agree as follows.

## 1. Restrictions on Transfer

**1.1 General restriction.** No Owner may sell, assign, pledge, gift, or otherwise transfer all or any part of that Owner's Interest except as expressly permitted by this Agreement. Any attempted transfer in violation of this Agreement is void and of no effect.

**1.2 Permitted transfers.** An Owner may transfer an Interest without triggering the purchase rights in Section 2 only: (a) to a trust or entity wholly controlled by and for the benefit of the Owner; or (b) as the other Owners unanimously approve in writing, provided in each case the transferee agrees in writing to be bound by this Agreement.

**1.3 Legend.** Each certificate or record evidencing an Interest will bear a legend referencing the transfer restrictions in this Agreement.

## 2. Trigger Events and Purchase Rights

**2.1 Trigger events.** A "**Trigger Event**" occurs with respect to an Owner (the "**Selling Owner**") on the earliest of: (a) the Owner's death; (b) the Owner's permanent Disability (defined in Section 6); (c) the Owner's voluntary withdrawal or retirement; (d) termination of the Owner's employment with the Company, with or without cause; (e) the Owner's bankruptcy or insolvency; (f) a divorce or other proceeding that would award any portion of the Interest to a non-Owner; or (g) any attempted transfer not permitted by Section 1.

**2.2 Right of first refusal on lifetime transfers.** If an Owner receives a bona fide offer to purchase an Interest that the Owner wishes to accept, the Owner must first offer the Interest to the Company, and then to the other Owners pro rata, on the same price and terms, by written notice. The Company and the Owners have **[NUMBER, e.g. 30]** days to elect to purchase.

**2.3 Purchase on death or disability.** On a Trigger Event under Section 2.1(a) or (b), the Company has the first right, and the other Owners have the second right (pro rata), to purchase the Selling Owner's entire Interest at the price determined under Section 4 and on the terms in Section 5. **[SELECT: this right is an obligation (mandatory buyout) / an option (optional buyout) — discuss with counsel, as this drives funding and tax treatment.]**

**2.4 Purchase on other trigger events.** On any other Trigger Event, the Company and the remaining Owners have the option (but not, unless stated, the obligation) to purchase the Selling Owner's Interest at the price and on the terms in this Agreement.

**2.5 Pro-rata and oversubscription.** If the Owners collectively elect to purchase more than the available Interest, each purchasing Owner buys in proportion to that Owner's existing Interest, with unallocated amounts reallocated among those still wishing to purchase.

### 3. Notice and Closing

**3.1 Notice of trigger event.** The Selling Owner (or that Owner's representative) must give the Company prompt written notice of a Trigger Event. The Company will then notify the other Owners.

**3.2 Exercise period.** The Company and the Owners must exercise their purchase rights by written notice within **[NUMBER, e.g. 60]** days after notice of the Trigger Event.

**3.3 Closing.** The purchase closes within **[NUMBER, e.g. 30]** days after the purchase price is determined. At closing, the Selling Owner delivers the Interest free of liens, and the purchaser delivers the purchase price or the first installment under Section 5.

### 4. Valuation of the Interest

**4.1 Agreed value method.** The purchase price of an Interest is its fair value determined by **[SELECT ONE OR COMBINE: (a) an agreed value the Owners restate annually and attach as a schedule; (b) a formula based on book value or a multiple of earnings, stated as [DESCRIBE FORMULA]; or (c) an independent appraisal under Section 4.2].**

**4.2 Appraisal.** If valuation is by appraisal, or if the Parties cannot agree, each side selects a qualified appraiser; if the two appraisals are within **[e.g. 10%]** of each other, the price is their average; otherwise the two appraisers select a third appraiser whose determination, within the range of the first two, is binding. Appraisal costs are shared **[equally / as the Parties agree].**

**4.3 Insurance proceeds.** Where life or disability insurance funds a buyout, the Parties will account for insurance proceeds in setting or paying the price as described in Section 7, and any proceeds exceeding the purchase price are handled as **[the Parties agree].**

### 5. Payment Terms

**5.1 Form of payment.** The purchase price is payable **[in cash at closing / as a down payment of [%] with the balance financed under this Section].**

5.2 **Promissory note.** Any financed balance is evidenced by a promissory note of the purchaser bearing interest at **[RATE, not to exceed the maximum permitted by applicable law]** per year, payable in **[NUMBER]** equal **[monthly / quarterly / annual]** installments over **[NUMBER]** years, with the right of prepayment without penalty.

5.3 **Security.** The financed balance **[is / is not]** secured by a pledge of the purchased Interest, which the purchaser holds subject to the note until paid.

## 6. Definitions

6.1 **Disability.** "**Disability**" means an Owner's inability, due to a physical or mental impairment, to perform that Owner's customary duties for the Company for a continuous period of **[e.g. 180 days]** or for **[e.g. 180 days]** in any 12-month period, as determined in good faith and consistent with applicable law.

6.2 **Fair value.** "**Fair value**" means the value determined under Section 4, which the Parties agree is a reasonable and binding measure of the worth of an Interest for purposes of this Agreement.

6.3 **Representative.** "**Representative**" means an Owner's executor, administrator, guardian, trustee, or other person legally authorized to act for the Owner or the Owner's estate.

## 7. Funding and Insurance

7.1 **Insurance.** The Company **[or the Owners]** may purchase and maintain life and/or disability insurance on the Owners to fund obligations under this Agreement. The owner and beneficiary of each policy are as set out in **[Schedule [X]]**.

7.2 **Use of proceeds.** Insurance proceeds received on a Trigger Event will be applied toward the purchase price for the affected Owner's Interest, and the Parties will cooperate to keep policies and beneficiary designations consistent with this Agreement.

7.3 **Lapse or insufficiency.** If insurance is unavailable, lapses, or is insufficient, the purchase obligation remains, payable under the terms of Section 5, and no Party is relieved of its obligations by a shortfall in coverage.

## 8. General Provisions

8.1 **Spousal consent.** Each Owner will obtain the written consent of that Owner's spouse (if any) to this Agreement, in the form attached, to bind any community-property or marital interest.

8.2 **Term and termination.** This Agreement continues until terminated by written agreement of all Parties, the bankruptcy or dissolution of the Company, or a single Owner becoming the sole Owner.

8.3 **Governing law and venue.** This Agreement is governed by the laws of the State of **[STATE]**, without regard to its conflict-of-laws rules. The Parties submit to the exclusive jurisdiction of the state and federal courts located in **[COUNTY, STATE]**.

8.4 **Entire agreement; amendment.** This Agreement is the entire agreement among the Parties on its subject and supersedes prior discussions. It may be amended only by a writing signed by all Parties then bound.

8.5 **Severability and waiver.** If any provision is unenforceable, the rest remains in effect. A Party's failure to enforce a provision is not a waiver.

8.6 **Counterparts and electronic signature.** This Agreement may be signed in counterparts and by electronic signature, each of which is an original and all of which together form one agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

COMPANY

OWNER

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

Printed name: [NAME]

Printed name: [OWNER NAME]

Title: [TITLE]

Title: [TITLE, or N/A]

Date: \_\_\_\_\_

Date: \_\_\_\_\_

OWNER

OWNER

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

Printed name: [OWNER NAME]

Printed name: [OWNER NAME]

Title: [TITLE, or N/A]

Title: [TITLE, or N/A]

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**Spousal Consent (if applicable).** The undersigned spouse of an Owner consents to this Agreement and agrees to be bound by it as to any marital or community-property interest in the Interest.

Signature: \_\_\_\_\_

Printed name: [SPOUSE NAME]

Date: \_\_\_\_\_

Template provided by CyberSygn. Not legal advice. CyberSygn is not a law firm. Consult a licensed attorney in your jurisdiction before relying on this document.