



Weatherby & Associates, PC Counselors at Law

Helping Families Preserve and Protect Assets and Values

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THOUGHT YOU'D LIKE TO SEE THIS:

Why a Buy-Sell ?

Keep reading and you'll have a better understanding of the problems inherent in closely held businesses, the inevitable conflicts that occur when no buy-sell is created, and the advantages in creating a binding arms' length bona fide agreement.

Bluntly stated, the death or long term disability of a shareholder in a closely held business may signal the death or financial crippling of the enterprise. The business (or practice) and the business owner (practitioner) often both die (or become permanently disabled) on the same day!

Here are some questions your client must be able to answer. Your client's response will help indicate to them the need for a fully funded buy-sell agreement:

- ✓ How would the business' creditors react if I or another shareholder died or became disabled for a long period of time?
- ✓ If I died or became disabled for a long period of time, would I want my family to retain the business or sell it? To whom? At what price? Under what terms? Could the executor I've named in my will sell my business at a profit? What would my strongest competitor offer my executor for the business the week after I die?
- ✓ Would I consider selling my business to key employees? Are there any that would want to buy it? Can they afford to buy it?
- ✓ Are there outsiders - such as friendly competitors - who might be interested in securing an interest in my business?
- ✓ When was the last time my advisors measured the federal estate tax ("going concern") value of my business? How did they arrive at that figure? Is it realistic - today?
- ✓ What would be the income producing ability of the business - assuming I weren't here to run and direct it?

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- ✓ Who will control my business at my death or disability? Can (will) that same person run the business? If not, what have I done to avoid conflicts of interest between the two parties? Who are those persons?
- ✓ What members of my family are in the business now or are likely to enter into it in the near future?
 - ∅ How long will it be before they are capable of earning a decent salary and contributing in a meaningful way to the profits of the business?
 - ∅ What part of my business is my son or daughter interested in?
 - ∅ Are the members of my family who will be working in the business not only physically capable but emotionally able - not only to work in the business - but to run it?
- ✓ What have I done to provide security - or to even things out - for those members of my family that will not be coming into the business?
- ✓ How comfortable would I feel being in business with my co-shareholder's widow? How comfortable would my co-shareholder be being in business with my widow?
- ✓ If my business partner was disabled for, say four to six months, would I want to continue his full salary during that time?
 - ∅ Would I be able to?
 - ∅ If that disability became permanent, how long could I afford to pay that salary?
 - ∅ What have I done to offset that potential cost and the cost of hiring a replacement?
 - ∅ How long could I handle the business - alone?
- ✓ What percentage of my salary - after my death or long term disability - will be paid by the business to my family or to me? For how long?

A business owned by two or more parties with no funded buy-sell agreement is a source of income in peril. Without a properly drafted document that provides an orderly, organized, and assured transition under pre-determined conditions, the result is often chaos, confusion, and bitter disappointment.

This risk can quickly, simply, and relatively inexpensively be alleviated or eliminated by a buy-sell agreement that is fully and properly funded.

AS ALWAYS, PLEASE FEEL FREE TO CALL TO DISCUSS THESE AND OTHER ISSUES OF IMPORTANCE TO YOU!

Sincerely,
Weatherby & Associates, PC



Henry C Weatherby