

TOPDOCS COMPREHENSIVE BUY-SELL AGREEMENTS



Features

Developed in conjunction with our legal practice, Topdocs Legal, the Topdocs Comprehensive Buy-Sell Agreement suits a wide range of requirements and can be tailored to your specific needs

One way to protect your interests and minimise disruption to the business when a co-owner departs or exits the business is to enter into a Buy-Sell Agreement.

What is a Buy-Sell Agreement?

A Buy-Sell Agreement, also known as a buyout agreement or business will, is a contract between the co-owners of the business and governs the situation if a co-owner dies, is forced to leave or chooses to leave the business.

The agreement ensures that continuing co-owner(s) are bound to manage the exit of the former co-owner by pre-agreed terms, which may include buying out the interests of the former co-owner. It establishes a clear and precise sequence of events necessary to decide what is to happen to an exiting principal's equity and any subsequent transfer of the business interests including valuation and timing.

The agreement predetermines those exit events that you wish to cater for, and it recognizes the need for funding.

Topdocs Comprehensive Buy-Sell Agreement

Topdocs' Comprehensive Buy-Sell Agreement is a more complete business succession agreement which can be tailored to your specific needs, takes into account the constitutional documents currently in place and can vary any of the features outlined for the Standard Buy-Sell Agreement, used for insurance funded exit events.

The Topdocs Comprehensive Buy-Sell agreement deals with the insurance funded events relating to Death, Disablement and Trauma, but also deals with the following:

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■ Non-insured exit events such as:

- Voluntary retirement or resignation
- Bankruptcy
- Conviction for a serious criminal offence
- Expulsion of a principal by a specific majority
- Forced exit due to a specific majority of owners wishing to offer the business for sale to an identified purchaser
- Related party transfers
- Approved third party transfers

■ Funding of non-insured events by pre-agreed finance or instalment arrangements (which may be the same or different from the funding arrangements agreed when covering for a shortfall in insurance proceeds for insured events);

■ Extinguishment internal debit and credit loan accounts with the business or a proportion of external loans;

■ Succession risks on reduction in revenue and goodwill after the loss of a principal;

■ Distribution of profits prior to settlement;

■ Restrictive covenants on exit;

■ Advice on the ownership of insurance policies; and

■ Advice on the deductibility of premiums, tax exemption of insurance proceeds as well as tax consequences of the transactions effected by settlement.

Summary

A Buy-Sell Agreement protects your investment and ensures the survival of your business should one of the business owners or a key person die, become totally and permanently disabled or suffers a critical illness. The agreement allows you to plan for the future succession of your business.

Prior agreement on issues such as mechanisms by which equity is valued, under what circumstances a business owner

can leave or be expelled and the rights of the equity holders, can circumvent lengthy and costly legal disputes.

Planning ahead to agree on a commercial strategy in dealing with these issues is smart business practice and will save costs and frustration in the longer term.

More information

To learn more about the Topdocs Buy-Sell Agreement, [visit the website](#) or call the team at Topdocs on 1300 659 242.