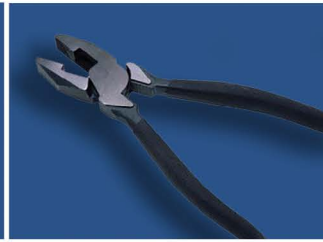


# Buy-Sell Funding Toolkit



## Buy-Sell Funding Fact Finder

*This Fact Finder is designed to provide you with a method to gather the necessary information to develop an effective Buy-Sell Funding strategy. Please note that we have also included questions as part of this data collector that can be used to open up your prospects to further dialogue to uncover additional issues for which you can provide solutions.*

### General Information

Date	FactFinder taken by	
Company Name	Tax ID Number	
Address		
City	State	Zip Code
Contact Name	Title	
Office Phone	Mobile	Email
Description of Business		

### Business Ownership

Name	Ownership Percentage	DOB	Sex	Smoker/ Non-Smoker	Family Member (Y/N)	Compensation	Health Issues, if any

### Business Entity

#### Corporation

- C Corporation
- S Corporation
- Limited Liability Company (LLC)
- Partnership

#### General

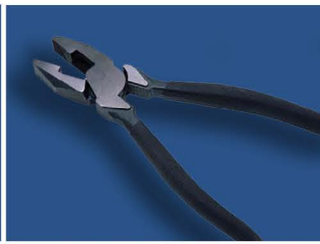
- Limited
- Limited Liability Partnership (LLP)
- Limited Liability Limited Partnership (LLLP)

#### Other

- Professional Corporation
- Sole Proprietorship
- Other

### Notes

# Buy-Sell Funding Toolkit



## Reasons for Buy-Sell Agreement

- Provide liquidity at death
- Create a ready market for the business
- Provide for orderly transfer of business
- Set a fair price for the value of the business
- Estate planning purposes
- Prevent unwanted third parties from becoming owners
- Provide for owners in case of disability
- Preserve S Corp status
- Other \_\_\_\_\_

## Events (to be) addressed in Buy-Sell Agreement

- Death of owner
- Disability of owner
- Normal retirement
- Termination of employment other than above reasons
- Divorce
- Bankruptcy or creditor claim against an officer
- Using business interests as collateral in an outside loan
- Other \_\_\_\_\_

## Value of the Business

How much is the business worth? \_\_\_\_\_

How was the business value determined?

- Owner's estimate
- Appraisal
- Book value
- Goodwill
- Capitalization of earnings
- Other \_\_\_\_\_

Last three (3) years Revenue / Profits

200\_\_ \$ \_\_\_\_\_ / \$ \_\_\_\_\_  
200\_\_ \$ \_\_\_\_\_ / \$ \_\_\_\_\_  
200\_\_ \$ \_\_\_\_\_ / \$ \_\_\_\_\_

## Will the business be sold or passed on at death?

- Have not yet decided

If passed on, to whom? \_\_\_\_\_

If sold, who would buy?

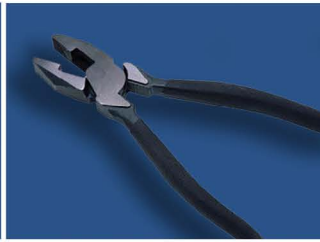
- Other owners
- The business itself
- To be determined at time of triggering event
- ESOP
- Control to business owners/interests to heirs
  - How structured/costs, etc.
- Third party
  - After being offered to other owners/entity first?
    - Yes No
  - Who is third party? \_\_\_\_\_
- Other \_\_\_\_\_

If business to be sold, how should it be paid for?

- All cash
- Some cash, balance over time
  - Terms, Interest Rate \_\_\_\_\_

## Notes

# Buy-Sell Funding *Toolkit*



## Do you have funds set aside for?

- |                                     |     |                 |
|-------------------------------------|-----|-----------------|
| <input type="checkbox"/> Death      | Y N | How much? _____ |
| <input type="checkbox"/> Disability | Y N | How much? _____ |
| <input type="checkbox"/> Retirement | Y N | How much? _____ |

## Do you have insurance for?

- |   |     |                 |
|---|-----|-----------------|
| <input type="checkbox"/> Death                                | Y N | How much? _____ |
| <input type="checkbox"/> Disability                           | Y N | How much? _____ |
| May I have copies of your insurance policies to review? _____ |     |                 |

If no insurance in place, why not? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Show insurance to fully/partially fund Buy-Sell Agreement for: Death / Disability / Retirement

\_\_\_\_\_

What types of benefits do you have in place at this time? \_\_\_\_\_

Retirement Plan? Yes No Type \_\_\_\_\_

Health Insurance      Group STD      Group LTD      Carve-out DI      Section 162 Bonus      Deferred Comp

Other \_\_\_\_\_

## Advisors

### Attorney

Name \_\_\_\_\_ Firm Name \_\_\_\_\_ Phone \_\_\_\_\_

### CPA

Name \_\_\_\_\_ Firm Name \_\_\_\_\_ Phone \_\_\_\_\_

### Other Advisor

Name \_\_\_\_\_ Firm Name \_\_\_\_\_ Phone \_\_\_\_\_

# Buy-Sell Funding Toolkit



## Questions to accompany the Buy-Sell Funding FactFinder

(Wording of questions, etc. will be influenced by whether a Buy-Sell Agreement is in place or contemplated.)

### Business Ownership

- Who started the company?
- What role do the owners play?
- Could you survive if one owner was no longer a part of business?
  - Which owner and why?
- What is ownership percentage based on?
  - Has it changed?
  - Will it change?
- How is compensation determined?
- Who are family members?
  - What is relationship?
- Are there any health issues with owners?
  - Is that a factor in business?

### Business Entity

- How or why was business entity chosen?
- Has it changed and why?
- Do you foresee it changing in the future and why?

### Reasons for Buy-Sell Agreement/Events

- Is there one most important reason?
- Have the owners talked about these reasons among themselves?
  - Among their families?
- Do you think that there might be estate tax issues?
  - Have you talked to anyone about this?
- Are there any estate planning issues that should be addressed in Buy-Sell Agreement?
  - Ability to gift, etc?

### Events addressed by Buy-Sell Agreement?

- If one of these events was not addressed, why not?
- How would the business pay an owner who was disabled?
- At what age do you expect to retire?
- Have there been any divorces?
  - How did they affect the business?
- Have there been any bankruptcies or claims?
  - How did they affect the business?
  - Any owners with outside business interests?
- Any business owners who have used business interests to collateralize a loan?

### Value of Business

- If I wrote a check today to sell the business to me, what would it have to be?
- How has the business value grown in the last 5 years?
  - What do you think it will be in 5 years, 10 years?
- Have you had a professional valuation?
  - How? What was value?
  - Who did it?
- What percentage of your net worth is tied up in the business?
- Do you have key employees?
  - What have you done to tie them to the business?
  - Would you like to tie them to the business/for how long?

### Last three years revenues/profits

- Why have the business profits gone up/down?
  - What do you expect will happen over the next 5 to 10 years?
- Is there one thing that will affect your business revenue and profits?
  - Can you control it?
- Is there one person who is most responsible for the revenue and profits?

### Will the business be sold or passed on at death?

- If you have not decided, why not and when will you?
- If passed on, to whom?
  - Are they part of the business now?
    - What is their job? How are they doing?
  - What is their relationship with other owners?
  - Are there family owners who are not in the business whom you would want to benefit from value of business?
- If sold to owners/business:
  - Is final percentage of ownership worked out now?
  - Are there skills that other owners lack?
    - Will others have to be hired to fill that skill-set?
- If sold to third party:
  - Why? What does third party bring to company?
  - Is third party part of company now?
  - What is being done to keep third party?
- If no funds set aside:
  - How will you pay?
  - Is there a plan set up?
  - If I can show you an efficient way to fund, would you be interested?
- If insurance is not in place:
  - Have you ever looked at purchasing insurance coverage? If you have, why didn't you buy?
  - If I can show you an efficient way to fund, would you be interested?
- If insurance is in place:
  - Who did you buy from?
    - What is relationship today with agent?
  - Do you know life insurance costs have come down dramatically in the last 10 years? Have you reviewed your policies lately?
  - The disability insurance marketplace has changed lately. Have you reviewed that coverage?

### Advisors

- How did you pick your Advisors?
  - Are they friends of any of the owners?
- Have they worked with you on your Buy-Sell Agreement?
- Can I contact your Attorney and CPA directly to discuss the Buy-Sell Agreement and funding?

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