

VENTURE SMARTER

BUY-SELL AGREEMENT TEMPLATE FOR LLC MEMBERS

[LLC NAME]

This Buy-Sell Agreement ("Agreement") is made effective as of [DATE], by and among the Members of [LLC NAME] ("Company"), a limited liability company organized under the laws of [STATE].

RECITALS

WHEREAS, the Members desire to ensure orderly succession and continuation of the Company's business;

WHEREAS, the Members wish to provide for the purchase and sale of membership interests upon certain triggering events;

WHEREAS, the Members wish to establish fair valuation methods and payment terms;

NOW, **THEREFORE**, in consideration of the mutual covenants contained herein, the parties agree as follows:

ARTICLE I: PARTIES AND MEMBERSHIP INTERESTS

1.1 Members and Ownership. The Members of the Company and their current membership interests are:

Member Name	Address	Units	Ownership %
[MEMBER 1]	[ADDRESS]	[NUMBER]	[%]

[MEMBER 2]	[ADDRESS]	[NUMBER]	[%]
[MEMBER 3]	[ADDRESS]	[NUMBER]	[%]
TOTAL		**[TOTAL]**	**100%**

1.2 Bound Parties. This Agreement binds all current and future Members, their heirs, executors, administrators, and assigns.

ARTICLE II: TRIGGERING EVENTS

2.1 Events Requiring Sale. A Member's interest shall be subject to purchase under this Agreement upon occurrence of any of the following events (each a "Triggering Event"):

Death

- [ ] Death of a Member

Disability

- [ ] Total and permanent disability lasting more than [NUMBER] consecutive days
- [ ] Inability to perform essential job functions for [NUMBER] days in any [NUMBER]-day period
- [ ] Determination of disability by [SOCIAL SECURITY ADMINISTRATION / INSURANCE COMPANY / PHYSICIANS]

Voluntary Withdrawal

- [ ] Voluntary resignation or retirement from the Company
- [ ] Notice of intent to withdraw as a Member

Involuntary Separation

- [ ] Termination of employment for cause (if Member is also employee)
- [ ] Removal as Member by vote of other Members
- [ ] Material breach of Operating Agreement or this Agreement

Bankruptcy and Insolvency

- [ ] Filing of voluntary bankruptcy petition
- [ ] Involuntary bankruptcy not dismissed within [NUMBER] days
- [ ] Assignment for benefit of creditors
- [ ] Appointment of receiver or trustee over Member's assets

Divorce

- [ ] Final divorce decree requiring transfer of membership interest
- [ ] Court order awarding interest to non-member spouse

Proposed Transfer

- [ ] Attempt to sell, transfer, or assign membership interest to third party
- [ ] Receipt of bona fide offer from third party

Breach of Obligations

- [ ] Violation of non-compete agreement
- [ ] Breach of confidentiality obligations
- [ ] Fraud or criminal conduct affecting the Company

ARTICLE III: VALUATION

3.1 Valuation Method. The purchase price for a Member's interest shall be determined as follows:

Primary Method: [SELECT ONE]

- [ ] **Book Value Method**: Fair market value based on Company's books using [CASH / ACCRUAL] accounting
- [ ] **Capitalization of Earnings**: Average net income for past [NUMBER] years multiplied by [NUMBER]
- [ ] **Revenue Multiple**: Gross revenue for past [12 MONTHS] multiplied by [NUMBER]
- [ ] **Formula Method**: [SPECIFY FORMULA]
- [ ] **Independent Appraisal**: Fair market value determined by qualified business appraiser

3.2 Appraiser Selection. If appraisal method is used:

- [ ] Appraiser shall be certified business valuator with [NUMBER] years experience

- [ ] Parties shall mutually agree on appraiser within [NUMBER] days
- [ ] If no agreement, each party appoints appraiser; those two appoint third appraiser
- [ ] Appraisal shall be completed within [NUMBER] days of Triggering Event
- [ ] Cost of appraisal shall be [SHARED EQUALLY / PAID BY PURCHASING PARTY]

3.3 Valuation Date. The valuation date shall be:

- [ ] Date of Triggering Event
- [ ] Last day of month in which Triggering Event occurred
- [ ] Last day of fiscal quarter prior to Triggering Event
- [ ] [OTHER: SPECIFY]

3.4 Adjustments to Value. The following adjustments shall be made:

Discounts Applied:

- [ ] Minority interest discount of [%] (if applicable)
- [ ] Lack of marketability discount of [%]
- [ ] [OTHER DISCOUNT]

Premiums Applied:

- [ ] Control premium of [%] (if majority interest)
- [ ] [OTHER PREMIUM]

3.5 Assets Excluded. The following assets shall be excluded from valuation:

- [ ] Life insurance proceeds used to fund purchase
- [ ] [SPECIFY ANY EXCLUDED ASSETS]

ARTICLE IV: PURCHASE RIGHTS AND OBLIGATIONS

4.1 Order of Purchase Rights. Upon a Triggering Event, purchase rights shall be exercised in the following order:

First Right: Remaining Members

- Remaining Members shall have first right to purchase the departing Member's interest
- Purchase in proportion to their ownership percentages, or as otherwise agreed

- Right must be exercised within [NUMBER] days of notice

Second Right: The Company

- If Members decline, Company may purchase the interest
- Company must exercise right within [NUMBER] days after Members' decline

Third Right: Third Party (If Applicable)

- If Members and Company decline, departing Member may sell to third party
- Sale must be at price no less than [%] of appraised value
- Third party must be approved by [MAJORITY / SUPERMAJORITY] of remaining Members

4.2 Notice Requirements.

- Departing Member (or estate) must provide written notice within [NUMBER] days of Triggering Event
- Notice must include all material facts and proposed terms (if third-party offer)
- Notice must be sent to all Members and Company via [CERTIFIED MAIL / EMAIL]

4.3 Option Exercise Period.

- Remaining Members have [NUMBER] days to accept purchase option
- Acceptance must be in writing
- If multiple Members accept, purchase in proportion to ownership unless otherwise agreed

4.4 Mandatory vs. Optional Purchase.

Mandatory Purchase Events (Company/Members MUST purchase):

- [ ] Death of Member
- [ ] Bankruptcy or insolvency
- [ ] Breach of non-compete or confidentiality
- [ ] [OTHER MANDATORY EVENTS]

Optional Purchase Events (Company/Members MAY purchase):

- [ ] Disability
- [ ] Voluntary withdrawal
- [ ] Retirement
- [ ] [OTHER OPTIONAL EVENTS]

ARTICLE V: PAYMENT TERMS

5.1 Payment Structure. Payment for purchased membership interest shall be made as follows:

Payment Option: [SELECT ONE OR CUSTOMIZE]

- [ ] **Lump Sum Payment:** Full payment within [NUMBER] days of closing

- [ ] **Installment Payment:**

    - Down payment: [%] due at closing
    - Balance: Payable in [NUMBER] equal [MONTHLY / QUARTERLY / ANNUAL] installments
    - Interest rate: [%] per annum on unpaid balance
    - First payment due: [NUMBER] days after closing
- [ ] **Insurance-Funded Payment:**

    - Payment from life insurance proceeds (death only): Within [NUMBER] days of receipt
    - Any shortfall: Paid according to installment terms above

5.2 Acceleration Clauses.

- Upon default in payment: Entire balance immediately due
- Upon bankruptcy of purchaser: Entire balance immediately due
- Upon sale of Company: Entire balance immediately due

5.3 Security for Payment.

- [ ] Purchased membership units serve as collateral until paid in full
- [ ] Personal guarantee by purchasing Members
- [ ] Letter of credit or surety bond
- [ ] [OTHER SECURITY]

5.4 Prepayment. Purchaser may prepay all or any portion without penalty.

ARTICLE VI: FUNDING MECHANISMS

6.1 Life Insurance.

Insurance Requirement:

- [ ] Each Member shall maintain life insurance policy of at least $[AMOUNT]

- [ ] Company is owner and beneficiary of policies
- [ ] Members shall cooperate in obtaining and maintaining policies
- [ ] Insurance proceeds shall be used to purchase deceased Member's interest

Policy Details:

Member	Insurance Company	Policy Number	Death Benefit
[MEMBER 1]	[COMPANY]	[NUMBER]	$[AMOUNT]
[MEMBER 2]	[COMPANY]	[NUMBER]	$[AMOUNT]
[MEMBER 3]	[COMPANY]	[NUMBER]	$[AMOUNT]

6.2 Disability Insurance.

- [ ] Each Member shall maintain disability insurance with [WAITING PERIOD] elimination period
- [ ] Policy shall provide for lump-sum buyout payment upon permanent disability

6.3 Sinking Fund.

- [ ] Company shall establish reserve fund for buyout purposes
- [ ] Company shall contribute $[AMOUNT] [MONTHLY / ANNUALLY]
- [ ] Fund shall be maintained in [TYPE OF ACCOUNT]

6.4 Funding Shortfall. If insurance or reserves are insufficient:

- [ ] Purchasing parties pay shortfall according to payment terms in Article V
- [ ] Extended payment terms may be negotiated

ARTICLE VII: CLOSING PROCEDURES

7.1 Closing Date. Closing shall occur within [NUMBER] days after:

- Purchase price is determined
- Financing is secured (if applicable)
- Purchaser exercises option

7.2 Closing Documents. At closing, the following shall be executed:

- [ ] Assignment of membership interest
- [ ] Amended Operating Agreement (if needed)
- [ ] Amendment to this Buy-Sell Agreement
- [ ] Promissory note (if installment payments)
- [ ] Security agreement (if applicable)
- [ ] General release of claims
- [ ] Non-compete agreement (if not already in place)
- [ ] Confidentiality agreement renewal

7.3 Member Representations. Selling Member represents and warrants:

- Good and marketable title to membership interest
- No liens, encumbrances, or claims against interest
- No pending litigation affecting interest
- Full disclosure of all material facts

7.4 Covenant Not to Compete. Departing Member agrees:

- Not to compete with Company for [NUMBER] years within [GEOGRAPHIC AREA]
- Not to solicit Company customers or employees
- To maintain confidentiality of proprietary information
- [OTHER RESTRICTIVE COVENANTS]

ARTICLE VIII: SPECIAL PROVISIONS

8.1 Right of First Refusal on Third-Party Offers.

If Member receives bona fide offer from third party:

1. Member must provide written notice to Company and Members within [NUMBER] days
2. Notice must include all terms and conditions of offer
3. Remaining Members have [NUMBER] days to match offer
4. Company has additional [NUMBER] days if Members decline
5. If all decline, Member may sell to third party on same terms within [NUMBER] days

8.2 Drag-Along Rights.

- If Members owning [%] or more agree to sell Company, remaining Members must participate
- Sale must be on same terms and conditions for all Members
- Selling Members must provide [NUMBER] days notice

8.3 Tag-Along Rights.

- If Member(s) owning [%] or more sell to third party, other Members may participate
- Tag-along Members receive same price per unit
- Tag-along right exercised within [NUMBER] days of notice

8.4 Spousal Consent.

- Married Members' spouses must execute consent acknowledging this Agreement
- Consent binds spouse to all terms in event of divorce or death

ARTICLE IX: DISPUTE RESOLUTION

9.1 Valuation Disputes.

- Disputes over valuation shall be resolved by [MEDIATION / ARBITRATION / INDEPENDENT APPRAISER]
- Each party appoints one appraiser; those two select third appraiser
- Average of three appraisals is binding

9.2 Other Disputes.

- All disputes shall first be submitted to mediation
- If mediation fails within [NUMBER] days, binding arbitration under AAA rules
- Arbitration shall be held in [CITY, STATE]
- Prevailing party entitled to reasonable attorneys' fees

9.3 Temporary Injunctive Relief. Either party may seek injunctive relief in court for:

- Breach of non-compete provisions
- Misappropriation of trade secrets
- Violation of confidentiality obligations

ARTICLE X: GENERAL PROVISIONS

10.1 Amendment. This Agreement may be amended only by written consent of Members owning [%] of membership interests.

10.2 Governing Law. This Agreement shall be governed by the laws of [STATE].
10.3 Severability. If any provision is invalid, remaining provisions remain in full force.

10.4 Entire Agreement. This Agreement supersedes all prior agreements regarding purchase and sale of membership interests.

10.5 Binding Effect. This Agreement binds Members, heirs, executors, administrators, successors, and assigns.

10.6 Notices. All notices shall be in writing to addresses listed in Article I or as updated.

10.7 Counterparts. This Agreement may be executed in counterparts.

10.8 Attorney Review. Each Member acknowledges opportunity to consult legal counsel.

10.9 Independent Legal Advice. Each Member has obtained (or waived) independent legal advice.

ARTICLE XI: INSURANCE COMPLIANCE

11.1 Annual Review. Members shall annually review and update:

- Insurance coverage amounts
- Beneficiary designations
- Policy ownership
- Adequacy of coverage relative to Company value

11.2 Notice of Lapse. Insurer shall notify Company immediately if:

- Premium payments are missed
- Policy is in danger of lapse
- Coverage is reduced or terminated

11.3 Cooperation. Members shall:

- Submit to required medical examinations
- Provide requested information to insurers
- Maintain policies in good standing
- Not borrow against cash value without consent

SIGNATURES

IN WITNESS WHEREOF, the Members have executed this Buy-Sell Agreement as of the date first written above.

MEMBER 1:

[MEMBER 1 NAME] Date: _____
MEMBER 2:

[MEMBER 2 NAME] Date: _____
MEMBER 3:

[MEMBER 3 NAME] Date: _____

SPOUSAL CONSENT

The undersigned spouses acknowledge having read this Agreement and consent to all of its provisions. The undersigned agree that their community property interest (if any) in their spouse's membership interest is subject to this Agreement.

SPOUSE OF MEMBER 1:

[SPOUSE NAME] Date: _____
SPOUSE OF MEMBER 2:

[SPOUSE NAME] Date: _____
SPOUSE OF MEMBER 3:

[SPOUSE NAME] Date: _____

EXHIBITS

Exhibit A: Insurance Policy Details and Beneficiary Designations
Exhibit B: Current Company Valuation (Updated Annually) **Exhibit C:** Payment Schedule Template **Exhibit D:** Non-Compete and Confidentiality Agreements

This template is for informational purposes only and does not constitute legal advice. Consult with qualified legal and financial advisors to ensure this Agreement meets your specific needs and complies with applicable laws.