

Business

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Wayne PAL is a major player in serving community youth.



Politics and co-workers make estranged bedfellows

DOW

413.21 Close
9,265.43

S&P 500

44.86 Close
985.40

NASDAQ

58.74 Close
1,770.03

ASK A LAWYER

Protections for a business owner

Q. I am a co-owner of a closely held business. There are no agreements in place that address the transfer of the ownership of the business. What can be done to protect my rights and the rights of my family if something happens to me?

Depending upon the type of entity, every business owner should enter into an agreement (i.e. buy-sell, shareholder, partnership or operating agreement) that, among a variety of other issues, should address the legal existence of the entity, the continuity of management, how the stock is to be valued, restrictions on involuntary transfers (i.e., divorce, creditors), and other issues concerning the management of the entity.

In addition, the agreement should set forth the shareholders' rights with regard to death, disability, retirement and other future dispositions of the stock by any shareholder by imposing certain restrictions and obligations on the shareholders and the company as allowed by law.

For instance, the agreement can provide for the remaining owners to acquire the interest of a deceased or withdrawing shareholder or partner. This would allow the remaining owners to control the business while providing liquidity to the withdrawing shareholder or family of a deceased shareholder.

Such agreements are a must for owners of closely held businesses. The owners of a closely held business or an S corporation may want to provide for future transfers of ownership and control of the entity within the family or to an existing owner.

For instance, provisions for future transfers of ownership and control may be structured by means of a buy-sell agreement whereby the stockholders of the corporation agree to restrict the transfer of their shares to family members, specific shareholders or to the corporation.

As a result, this will ensure that the ownership and control of the entity can remain as desired among a specific group of shareholders.

Tishya Signorelli is an attorney in the tax, trusts and estates department of Cole, Schotz, Meisel, Forman & Leonard PA, the largest law firm in Bergen County. She can be reached at tsignorelli@coleschotz.com, or (201) 525-6353. This column is not intended to offer legal advice, which can only be given after the attorney understands the facts of a particular matter and the goals of a client.

Do you have a business question for a lawyer? Send it to Business-News@northjersey.com.