

Cross Option Agreements

Protecting you and your business partners

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As a business owner have you thought about what would happen to your business if you or your business partners were to die unexpectedly?

A cross option agreement offers a solution to those left behind. Surviving shareholders have the right to buy the deceased shareholder's shares (a call option) and the executors of the deceased shareholder have the right to sell his/her shares to the surviving shareholders (a put option). At the same time as signing up to a formal cross option agreement, shareholders usually take out life insurance policies which are written in trust so that in case of a death, the surviving shareholders will receive the necessary funds to buy the deceased's shares.

The key benefits of cross option agreements are:

- It gives surviving shareholders the option to buy the deceased's shares, therefore retaining control of the business
- There is a ready-made market for the shares if the deceased's executors wish to sell the shares
- The deceased's family receive cash from the sale of the shares

A cross option agreement can also be used where shares are held, not just by the directors of the company, but also by their family members. In this case, on the death of a director/shareholder, the surviving director/shareholder will have the right/obligation to buy not only the deceased business owner's shares, but also the shares held by the deceased's family members.

If you would like to find out how cross option agreements could help protect your business, contact Tony Morris on **01625 531676** or email tony.morris@chlsolicitors.co.uk or Alicia Sullivan on **0161 747 7321** or email alicia.sullivan@chlsolicitors.co.uk

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