PacificCPE

COURSE
82603A

Buyout Agreements, Branding, and Business Licensing

Planning for ownership transitions before they become urgent is smart business practice. This course covers how to prepare effective buyout agreements, along with the often-overlooked areas of branding protection and regulatory compliance through licenses and permits. Tax and accounting professionals advising small business clients will find this material useful for broadening conversations beyond tax returns and into the legal and operational foundations that protect a client's business long-term.

CREDIT HOURS 2 | FIELD OF STUDY BUSINESS | EXAM QUESTIONS 10

Start Course ↓ | Final Exam Copy ↓

Assignment

- Study the full course materials included here.
- Complete the review questions after each chapter.
- Answer 10 final exam questions.
- Final exam is scored immediately, 70% or better passes.
- Certificate of completion is available in your account.
- Failed exams can be retaken free of charge.

Course Objectives

- Recall the characteristics of the various provisions found in a buyout agreement.
- Identify the characteristics of trademarks and trade names.
- Recall which levels of government typically have licensing and permit requirements.

Copyright Notice

© 2026 Pacific CPE, LP. All rights reserved.

This course and test have been adapted from supplemental materials utilizing the partial text of Legal Guide for Starting and Running a Small Business, 19th Edition © 2026 by the Editors of Nolo. All rights reserved. Reprinted with permission from Nolo, which owns the copyrights.

The materials in this course — including the text, illustrations, exhibits, examples, exam questions, and review questions — are the copyrighted property of Pacific CPE, LP. No portion of this course may be reproduced, stored in a retrieval system, distributed, or transmitted in any form or by any means (electronic, mechanical, photocopying, recording, or otherwise) without the prior written permission of Pacific CPE, LP, except for the personal, non-commercial use of the registered learner.

Pacific CPE, LP grants the registered learner a single-seat, non-transferable license to access this course for the purpose of completing the associated continuing professional education credit. Account credentials may not be shared.

This course is provided "as is" for educational purposes. While Pacific CPE, LP makes a reasonable effort to ensure the content is current and accurate, the materials should not be relied upon as a substitute for professional advice. Pacific CPE, LP disclaims all liability for any error, omission, or loss arising from the use of, or reliance on, the course content.

Publication Date: January 2026

TABLE OF CONTENTS

CHAPTER 01

Preparing For Ownership Changes With A Buyout Agreement 6

1.01 Major Benefits Of Adopting A Buyout Agreement 7

1.02 Where To Put Your Buyout Provisions 12

Test Your Knowledge 14

CHAPTER 02

Branding Your Business And Products 18

2.01 Business Names: An Overview 19

2.02 Trademarks And Service Marks 21

2.03 Strong And Weak Trademarks 23

2.04 How To Use And Protect Your Trademark 27

Test Your Knowledge 28

CHAPTER 03

Licenses And Permits 32

3.01 Federal Registrations And Licenses 34

3.02 State Requirements 35

3.03 Regional Requirements 38

3.04 Local Requirements 38

3.05 How To Deal With Local Building And Zoning Offi cials 41

Test Your Knowledge 43

Final Exam Copy 54
Glossary 46
Index .....

Chapter 1: PREPARING FOR OWNERSHIP CHANGES WITH A BUYOUT AGREEMENT

Chapter Objective

After completing this chapter, you should be able to:

- Recall the characteristics of the various provisions found in a buyout agreement.

If you're in business with others, it's possible that ownership changes could happen as the years go by. That's true whether you organize your business as a partnership, a limited liability company (LLC), or a corporation. Ownership changes might be the last thing you want to think about when the business is brand new. However, the fact is that many things can happen down the road—or maybe only a few steps away—to affect the ownership of your business. For example, you or a co-owner might:

- Decide to move out of state to pursue a new line of work
- Become physically or mentally disabled—or even die
- Seek to buy out a co-owner's interest in the business, or
- Want to sell to an outsider.

What happens then? Will the transition proceed smoothly and fairly? Or will there be discord and, possibly, lawsuits? The answer might depend on how well you've planned for the future. Without careful planning, the business itself may be in jeopardy. In an extreme case, all the time and money that you and the other owners have put into the venture might evaporate as the business falls apart.

Certainly, during the sunny, optimistic days when you're putting the business together, it's hard to focus on disruptive changes that you might face in the future. And it's equally difficult to do so when the business is humming merrily along. But planning ahead can save all involved from a ton of grief.

Most businesses with two or more owners should put together a "buyout agreement"—traditionally, these are known as "buy-sell" agreements. This principle applies regardless of the legal format you've chosen for your business. Partners in a partnership, shareholders in a corporation, and members of an LLC will all benefit from well-drafted buyout provisions.

The term "buyout agreement" doesn't mean a contract in which you promise to buy an outsider's business or an outsider promises to buy yours; that's a separate topic, covered in depth in Chapter 1 of course 82605A. A buyout agreement, in this context, is a binding contract among the owners of

your business that controls the buying and selling of ownership interests in that business, much like a "premarital" agreement for business owners. A good buyout agreement gives the continuing owners some control over the transaction when a departing member sells or gives away that member's interest in the business.

Often the agreement will regulate who can buy the departing owner's interest and at what price or, sometimes, whether the co-owner can sell at all.

Importantly, a buyout agreement helps ensure that you and your co-owners aren't forced to work with strangers or other people you won't get along with. It provides an exit strategy. It can help ensure that if a co-owner leaves the business, that person will receive a reasonable sum in exchange for the ownership interest—or if a co-owner dies, the heirs will be paid fairly.

Typically, a buyout agreement also gives the business and its continuing owners a chance to buy out an owner who's stopped working for the business or has died. This eliminates the possibility that active owners will be forced to share profits with an inactive owner or an unsuitable new owner. Some buyout agreements also say that if an owner dies, the surviving owners can force the deceased owner's estate representative or inheritors to sell back the deceased owner's interest to the company or to its surviving owners. Similar provisions might apply when an owner decides to retire after a certain period of time or becomes disabled and can't actively participate in the business.

MAJOR BENEFITS OF ADOPTING A BUYOUT AGREEMENT

If you don't have a buyout agreement, here are some issues that might come up:

- You might be forced to work with and share control of the company with an inexperienced or untrustworthy stranger who buys the interest of a departing owner.
- You could be forced to work with the spouse or other family member of a deceased or divorced owner. While this might work out just fine, there's also a substantial possibility that the family member will lack the necessary business skills or the right personal qualities for working with you and the other co-owners.
- If you leave the company or die, you or your survivors might be stuck with a small business interest that no outsider wants to buy—and for which no insider will give you a decent price.
- You and your co-owners might argue with a departing co-owner or the inheritors of that co-owner over what price should be paid for the interest that's changing hands. This can cause an angry deadlock that can wreak havoc on your business operations.

Now let's see how a buyout agreement can help your business avoid these situations.

Controlling Who Can Own an Interest in Your Company

An outsider who gains an ownership interest can disrupt the smooth flow of your business—especially in the case of major management decisions that require unanimous approval of the owners. Consider this example.

Who Doesn't Need a Buyout Agreement?

Although a buyout agreement can benefit most small businesses, there are situations where one isn't essential.

You're the 100% owner of the business. If you have a one-person business, obviously you won't have much interest in an agreement that controls who may own interests in the company, because you can do that yourself. But consider the possibility that you might want to plan for the future by agreeing to sell the business to a valuable employee who is willing and able to take it over. In that situation, you might decide to sign a buyout agreement with the employee. This will assure the employee of the of the expectation of taking over someday, and you'll know that you or your inheritors will receive payment when ownership of the company is transferred to the employee upon your death.

You own the business with your spouse. If you've been married a long time and have a good, solid marriage, you probably won't need a buyout agreement. It's unlikely that either of you will want to leave the company unless you both do. And if one of you dies, the other one probably will inherit the ownership interest. On the other hand, if you haven't been married long, or your future with your spouse is uncertain, a buyout agreement can make sense.

You own the business with one of your children. If you plan to transfer part or all of your business to your child, a buyout agreement isn't required. You can arrange the transfer through a regular contract or your will or a trust. But even here, you may want to sign a buyout agreement. It's always possible, for example, that your child will die or want to leave the business before you do. A buyout agreement can address this and other possibilities.

Example

Joe and Callie form a small corporation. Each receives 50%of the corporate stock. They don't foresee problems down the road so they don't bother with a buyout agreement. A few years later, Joe and Callie have a serious disagreement over how to expand the business. To avoid further hassles, Joe sells his shares to Andrew, whom Callie has never met before. The two quickly reach an impasse on management issues and the business comes to a standstill.

A buyout agreement can prevent this from happening by giving the owners the power to prevent outsiders from buying in. Sometimes this is accomplished by giving the remaining owner or owners

the opportunity to meet any outsider's offer for an interest in the company. This type of provision is called a "right of first refusal." To better understand its purpose, see what happens if Joe and Callie had a buyout agreement.

Example

Joe and Callie form a small corporation and they wisely create a buyout agreement to deal with what happens if one of them wants to leave the business. A few years later when they disagree on how to expand, Joe decides to sell his shares. Andrew offers to buy the shares for $10 each. The right of first refusal provision in their buyout agreement requires Joe to offer the shares to Callie at the same price. Rather than share control of the business with a stranger, Callie buys Joe's shares. The business continues to run smoothly and prospers.

A buyout agreement can also give the surviving owners the power to purchase the interest of an owner who's died if the surviving owners don't want the inheritors of the deceased owner to become co-owners of the business.

Providing a Guaranteed Buyer for Your Ownership Interest

As we've seen, a buyout agreement can protect your company by making sure that an outsider doesn't disrupt the business by becoming an owner without the approval of the existing owners. But a buyout agreement can also help you individually if you ever reach the point where you want or need to sell your ownership interest.

Obviously, it can be quite difficult to sell a less-than-100% share of a small business. There might be no market at all for a minority interest. A person interested in buying into a small business will normally not find it attractive to be in business with strangers and to have very little say in how the business is managed.

This lack of a true market for your interest can be a problem for you and your family. The time might come when you want to leave the business but your co-owners could be unwilling to pay you a fair price for your interest. If that happens, you might be stuck with a share of the company you can't sell. The same thing can happen if your heirs inherit your piece of the company.

Example

Oliver, Sophia, and William form a small corporation, each receiving one-third of the shares. They neglect to sign a buyout agreement. Three years later, Oliver dies unexpectedly. His wife and two children inherit his shares. They'd like to sell the shares to raise money for college and other living expenses but can't find an outside buyer. Knowing this, Sophia and William buy Oliver's shares for a pittance, leaving Oliver's family in dire economic straits.

A good buyout agreement can avoid an unfortunate outcome like this one by requiring the company or the remaining owners to pay a fair price if your inheritors want to sell your interest in the business. You accomplish this by putting a "right to force a sale" provision in your buyout agreement, which requires the company or the continuing owners to buy you out if you die, and sometimes under other circumstances. (The agreement can also provide that the company purchase life insurance on its owners to fund the future purchase of a deceased owner's interest.) This can protect you and your inheritors from taking a financial hit if the company or continuing owners refuse to buy your interest at a fair price or from becoming embroiled in bruising negotiations over what will happen to your ownership interest.

Let's see how a buyout agreement could have changed the grim outcome for Oliver's family in the above example.

Example

Oliver, Sophia, and William form a small corporation, each receiving one third of the shares. Wisely, they sign a buyout agreement containing a right to force a sale clause, which kicks in if one of them dies. The clause requires the surviving owners to buy the interest of an owner who has died, assuming the estate representative, trustee, or inheritors want to sell it.

Three years later, Oliver dies unexpectedly. His wife, as representative of his estate, invokes the right to force a sale clause. Because the agreement required the purchase of life insurance policies on each owner, Sophia and William can easily buy out Oliver's shares at the price in the agreement by using the insurance proceeds. Oliver's wife spends the money for college expenses for the children and other living expenses.

A buyout agreement can also require the company or remaining owners to buy your interest in other situations as well. For instance, you might want to retire or stop working, or you might become mentally or physically disabled. If you don't have a buyout agreement in these situations, there's no guarantee that you'll get a fair price for your business interest.

Setting a Fair Price and Providing a Workable Method for a Buyout