

Entrepreneurship © 2013
Chapter 19: Exit Strategies—Glossary

buy-sell agreement. Legally binding contract that controls when an owner can sell interest in the partnership, who can buy the owner's interest, and what price will be paid. Also known as a *buyout agreement*.

dissolution documents. Documents filed in a court notifying everyone that the business is closing.

employee buyout (EB). Owner sells the company to its employees.

employee stock option plan (ESOP). Trust fund set up to contribute new shares of stock or cash to purchase existing shares of the company on behalf of the employees.

gradual sale. Occurs when the new owner finances the purchase with a long-term payment plan, making payments to the seller, while the seller transitions out of the business.

harvest strategy. Planned method for extracting the cash from a business, brand, or product line. Also known as an *exit strategy*.

lease agreement. Contract that provides the lessee the temporary rights to the business.

liquidation. Sale of all assets of a business, including inventory, equipment, and buildings.

outright sale. Business is sold in full and ownership is transferred immediately.

succession plan. Plan detailing what will happen to the company in the event of the owner's death, retirement, or decision to leave the company.

Workers Adjustment and Retraining Notification Act (WARN). Requires that employees working for companies that employ more than 100 workers be given 60 days notice, in writing, of any closing of a company.