



**20. Farming: The Next Generation  
(Making Transition Actually Happen)**

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**Abstract/Summary**

*This session will review the "nuts and bolts" of bringing another generation into the active management and ownership of a farming operation. Employment agreements, stock options, buy-sell agreements, and entity operating agreements will be reviewed to give the operators an idea of strategies to use. A case study farm will be offered to review a common farming scenario.*

# **STOCK PURCHASE AGREEMENT**

## **COWLEY FARMS INC.**

Cowley Farms Inc. is a closely held, family farming corporation formed under Kansas corporate law. On January 1, 2010, 2000 shares of stock are outstanding, 1000 shares owned by Grandpa Cowley and 1000 shares owned by Father Cowley.

This agreement, dated January 1, 2010, authorizes Cowley Farms Inc. to sell up to 1000 shares of newly issued stock to Grandson Cowley, with said transaction or transactions to begin January 1, 2011 and be completed by January 1, 2026.

Stock price pursuant to this agreement will be the fair market value of the corporate stock on January 1 of each year, less the accrued bonus payable to Grandson Cowley under his employment contract, less any cash dividends paid to the shareholders since the January 1 date. Each year's election to purchase stock based on the January 1 stock price will terminate on May 15.

It is agreed that any shares purchased by the May 15 cut-off date will be added to the capital charge calculation for the current year profit sharing calculation and said shares purchased will be allocated their pro-rata share of profits or loss for the full calendar year. Any dividends paid between January 1 and May 15 will be paid only to the shareholders of record on December 31 of the prior year.