

# DUE DILIGENCE IN ACQUISITION OF PARTNERSHIP AND LIMITED LIABILITY COMPANY INTERESTS

## UT LAW CLE

26<sup>th</sup> Annual LLCs, LPs and Partnerships  
July 13-14, 2017

1

© 2017 Haynes and Boone, LLP

haynesboone  
Setting precedent.



# DUE DILIGENCE IN ACQUISITION OF PARTNERSHIP AND LIMITED LIABILITY COMPANY INTERESTS

Two most common ways a party will acquire an ownership interest in an existing partnership or limited liability company:


- Contribute capital in exchange for an ownership interest; or
- Acquire the ownership interest from an existing owner.

Note – however - this can also arise through a merger or combination.

2


© 2017 Haynes and Boone, LLP

haynesboone  
Setting precedent.




The purpose of this paper is to highlight some of the more significant due diligence issues a party might consider.

**CAUTION!** Not intended to be an exhaustive list of due diligence considerations



## Acquiring The Ownership Interest Directly From The Company



## Acquiring The Ownership Interest Directly From The Company


### Subscription Agreement and Booklet

- Documents are designed to protect the entity and the parties offering to sell the ownership interest to the purchaser.
- Not typically designed with the interests of the purchaser/investor in mind.

5

© 2017 Haynes and Boone, LLP

haynesboone  
Setting precedent.



## Acquiring The Ownership Interest Directly From The Company

### Items The Purchaser Will Want To Review And Analyze

#### Formation Documentation

- Review the Articles of Formation and the partnership agreement or company agreement to identify the following:
  - Business purpose, and any special limitations
  - Location of operations
  - Qualification to do business in applicable jurisdictions.
  - Any special governmental requirements and documentations supporting this requirement

**Note** - if you will be providing a legal opinion, this due diligence will be critical.

6

© 2017 Haynes and Boone, LLP

haynesboone  
Setting precedent.

Find the full text of this and thousands of other resources from leading experts in dozens of legal practice areas in the [UT Law CLE eLibrary \(utcle.org/elibrary\)](http://utcle.org/elibrary)

## Title search: Due Diligence in Acquisition of Partnership and Limited Liability Company Interests

Also available as part of the eCourse

[2017 LLCs, LPs, and Partnerships eConference](#)

First appeared as part of the conference materials for the  
26<sup>th</sup> Annual LLCs, LPs and Partnerships session

"Specialized Due Diligence in LLC and Partnership Transactions"