

DUE DILIGENCE IN ACQUISITION OF PARTNERSHIP AND LIMITED LIABILITY COMPANY INTERESTS

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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.

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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.

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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.

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"Specialized Due Diligence in LLC and Partnership Transactions"