

DUE DILIGENCE IN ACQUISITION OF PARTNERSHIP AND LIMITED LIABILITY COMPANY INTERESTS

UT LAW CLE

26th Annual LLCs, LPs and Partnerships
July 13-14, 2017




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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.




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



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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.



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

"Specialized Due Diligence in LLC and Partnership Transactions"