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SELLING & BUYING OUT OF AN LLC

LIMITED LIABILITY COMPANIES (“LLC”) HAVE BECOME VERY POPULAR IN RECENT YEARS, AS THEY PROVIDE ASSET PROTECTION AND TAX BENEFITS IF USED PROPERLY. WHEN YOUR CLIENT SELLS OR PURCHASES THROUGH AN LLC, HERE ARE SOME GUIDELINES TO ENSURE THAT THE PROCESS GOES SMOOTHLY:

1 The LLC must be organized through the State in which it was formed.

The State of formation for an LLC carries significant implications, not only from a legal standpoint but also in terms of regulatory compliance and strategic considerations.

2 The LLC must be in good standing. The title company will obtain this information from the State.

By liaising with the State to verify the LLC’s good standing, the title company acts as the vigilant custodian, ensuring that the transactional landscape remains fertile – and free from legal encumbrances.

3 The LLC must have an Operating Agreement.

The Operating Agreement outlines the business structure and governs how the LLC operates. They delineate the roles of key stakeholders, establish decision-making protocols, and provide a framework for conflict resolution.

4 The Operating Agreement must state who has the authority to sign.



HELPFUL HINTS

- + IF THE LLC DOES NOT HAVE AN OPERATING AGREEMENT, WE CAN HELP.
- + THE TITLE COMPANY MAY NEED TO DRAFT A RESOLUTION IF THE AUTHORITY TO SIGN IS UNCLEAR, OR IF MEMBERS ARE NO LONGER PART OF THE LLC.
- + IT CAN BE DIFFICULT TO PURCHASE PROPERTY THROUGH AN LLC USING A TRADITIONAL LOAN. WITH LLCs, CASH TRANSACTIONS ARE MORE COMMON.