

Title

FREQUENTLY ASKED ^ QUESTIONS

January 2014

Q The seller in the present transaction is a Limited Liability Company. The managing member of the seller LLC is another LLC. What searches/proofs do I need for the managing member LLC?

A You need to know that it (the managing member LLC) is in good standing in its state of formation and must have proof of who has authority to sign on its behalf. This may lead to a “layering” of entities where the managing member’s managing member is also a LLC or other entity, etc. The “trail” should be followed until a natural person (an individual) is reached.

The signature line in this circumstance would look something like:

Abracadabra LLC

/s/ Nancy L. Koch

By: Xanadu, LLC, its managing member

By: Nancy Koch, the managing member of Xanadu, LLC

The same analysis applies regardless of the type of entity the managing member may be – corporation, partnership, etc.

In the event the managing member of the LLC is a corporation, it is not necessary to run a franchise tax search for that corporation since those taxes would not be a lien on the title-holding Limited Liability Company’s real property.

The best practice is to obtain copies of the Operating Agreements for each entity to establish signatory authority. If that is not possible or practical, assistance from a member of our underwriting staff may be warranted.

As always, feel free to address any questions to a member of our underwriting staff.