

Avoidance of Potential Conflicts of Interest  
Sample Questions and Answers  
Revised 06/07/11

Do I need approval?

1. I am the manager of a title office. I also own 15% of an LLC that develops real property.
  - (a) I am buying a house with my brother, as tenants in common. I will own a 10% interest.

A: You are a principal because you are a manager. You will own this property in your own name. The percentage is not a factor. You have a direct interest. You must obtain approval.
  - (b) My spouse is selling a house.

A: You are a principal because you are a manager. Your spouse has a direct interest. You must obtain approval.
  - (c) My mother or daughter is refinancing her house.

A: You are a principal because you are a manager. A parent's or child's ownership is a direct interest. You must obtain approval.
  - (d) My LLC is selling a single family house that it recently completed.

A: You are a principal because you are a manager. You don't have a direct interest. Although you own an indirect interest in the property, you don't own a material indirect interest because you own only 15% (less than 25%) of the LLC that owns the house. Also, this property is a single family residence. There is an exception for indirect ownership of existing 1 - 4 family residences. You don't have to obtain approval.
  - (e) My LLC is obtaining a construction loan for a single family house that it is building.

A: You are a principal because you are a manager. You don't have a direct interest. Although you own an indirect interest in the property, you don't own a material indirect interest because you own only 15% (less than 25%) of the LLC that owns the house. You don't have to obtain approval.
  - (f) My LLC developed and owns a small, two-unit commercial property. The loan is being refinanced.

A: You are a principal because you are a manager. You don't have a direct interest. Although you own an indirect interest in the property, you don't own a material indirect interest because you own only 15% (less than 25%) of the LLC that owns the house. You don't have to obtain approval.
  
2. I am an assistant manager of a title office. I also own 30% of an LLC that develops real property.
  - (a) I am buying a house with my brother, as tenants in common. I will own a 10% interest.

A: You are a principal because you are a manager. You will own this property in your own name. The percentage is not a factor. You have a direct interest. You must obtain approval.

(b) My spouse is selling a house.

A: You are a principal because you are a manager. Your spouse has a direct interest. You must obtain approval.

(c) My mother or daughter is refinancing her house.

A: You are a principal because you are a manager. A parent's or child's ownership is a direct interest. You must obtain approval.

(d) My LLC is selling a single family house that it recently completed.

A: You are a principal because you are a manager. You don't have a direct interest. You have an indirect interest in the property because you own 30% (more than 25%) of the LLC that owns the property. But this property is a single family residence. There is an exception for indirect ownership of existing 1 - 4 family residences. Therefore, you don't have to obtain approval.

(e) My LLC is obtaining a construction loan for a single family house that it is building.

A: You are a principal because you are a manager. You don't have a direct interest. You have a material indirect interest in the property because you own 30% (more than 25%) of the LLC that owns the house. This property is a single family residence. There is an exception for indirect ownership of existing 1 - 4 family residences. But because the house isn't complete, the exception doesn't apply. Therefore, you must obtain approval.

(f) My LLC developed and owns a small, two-unit commercial property. The loan is being refinanced.

A: You are a principal because you are a manager. You don't have a direct interest. You have a material indirect interest in the property because you own 30% (more than 25%) of the LLC that owns the property. You must obtain approval.

3. I own a 15% interest in a title agency (i.e., I am a 15% limited partner). I am not a manager or assistant manager of the title agency. I also own 15% of a LLC that develops real property.

(a) I am buying a house with my brother, as tenants in common. I will own a 10% interest.

A: You are not a principal because you own only 15% (less than 25%) of the agency. You don't have to obtain approval.

(b) My spouse is selling a house.

A: You are not a principal because you own only 15% (less than 25%) of the agency. You don't have to obtain approval.

(c) My mother or daughter is refinancing her house.

A: You are not a principal because you own only 15% (less than 25%) of the agency. You don't have to obtain approval.

(d) My LLC is selling a single family house that it recently completed.

A: You are not a principal because you own only 15% (less than 25%) of the agency. You don't have to obtain approval.

- (e) My LLC is obtaining a construction loan for a single family house that it is building.

A: You are not a principal because you own only 15% (less than 25%) of the agency. You don't have to obtain approval.

- (f) My LLC developed and owns a small, two-unit commercial property. The loan is being refinanced.

A: You are not a principal because you own only 15% (less than 25%) of the agency. You don't have to obtain approval.

4. I own a 30% interest in a title agency (i.e., I am a 30% limited partner). I am not a manager or assistant manager of the title agency. I also own 15% of a LLC that develops real property.

- (a) I am buying a house with my brother, as tenants in common. I will own a 10% interest.

A: You are a principal because you own 30% (more than 25%) of the agency. You will own this property in your own name. The percentage is not a factor. You have a direct interest. You must obtain approval.

- (b) My spouse is selling a house.

A: You are a principal because you own 30% (more than 25%) of the agency. Your spouse has a direct interest. You must obtain approval.

- (c) My mother or daughter is refinancing her house.

A: You are a principal because you own 30% (more than 25%) of the agency. A parent's or child's ownership is a direct interest. You must obtain approval.

- (d) My LLC is selling a single family house that it recently completed.

A: You are a principal because you own 30% (more than 25%) of the agency. You don't have a direct interest. Although you own an indirect interest in the property, you don't own a material indirect interest because you own only 15% (less than 25%) of the LLC that owns the property. Also, this property is a single family residence. There is an exception for indirect ownership of existing 1 - 4 family residences. You don't have to obtain approval.

- (e) My LLC is obtaining a construction loan for a single family house that it is building.

A: You are a principal because you own 30% (more than 25%) of the agency. You don't have a direct interest. Although you own an indirect interest in the property, you don't own a material indirect interest because you own only 15% (less than 25%) of the LLC that owns the property. You don't have to obtain approval.

- (f) My LLC developed and owns a small, two-unit commercial property. The loan is being refinanced.

A: You are a principal because you own 30% (more than 25%) of the agency. You don't have a direct interest. Although you own an indirect interest in the property, you don't own a material indirect interest because you own only 15%

(less than 25%) of the LLC that owns the property. You don't have to obtain approval.

5. I own a 30% interest in a title agency (i.e., I am a 30% limited partner). I am not a manager or assistant manager of the title agency. I also own 30% of a LLC that develops real property.
- (a) I am buying a house with my brother, as tenants in common. I will own a 10% interest.  
A: You are a principal because you own 30% (more than 25%) of the agency. You will own this property in your own name. The percentage is not a factor. You have a direct interest. You must obtain approval.
  - (b) My spouse is selling a house.  
A: You are a principal because you own 30% (more than 25%) of the agency. Your spouse has a direct interest. You must obtain approval.
  - (c) My mother or daughter is refinancing her house.  
A: You are a principal because you own 30% (more than 25%) of the agency. A parent's or child's ownership is a direct interest. You must obtain approval.
  - (d) My LLC is selling a single family house that it recently completed.  
A: You are a principal because you own 30% (more than 25%) of the agency. You don't have a direct interest. You have an indirect interest in the property because you own 30% (more than 25%) of the LLC that owns the property. But this property is a completed single family residence. There is an exception for indirect ownership of existing 1 - 4 family residences. You don't have to obtain approval.
  - (e) My LLC is obtaining a construction loan for a single family house that it is building.  
A: You are a principal because you own 30% (more than 25%) of the agency. You don't have a direct interest. You have a material indirect interest in the property because you own 30% (more than 25%) of the LLC that owns the property. The exception for 1 - 4 family residential dwellings doesn't apply because this house is under construction. You must obtain approval.
  - (f) My LLC developed and owns a small, two-unit commercial property. The loan is being refinanced.  
A: You are a principal because you own 30% (more than 25%) of the agency. You don't have a direct interest. You have a material indirect interest because you own 30% (more than 25%) of the LLC that owns the property. You must obtain approval.