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Michael Verne

From: [REDACTED]  
Sent: Tuesday, February 04, 2003 11:00 AM  
To: Michael Verne  
Subject: Formation of a partnership

I have the following delicious (real) hypothetical, in which I think formation of a partnership becomes reportable (or perhaps more precisely, gives rise to a reporting obligation). Mom and Dad hold a controlling quantity of voting securities of Issuer, worth more than \$50 million. Their three adult children each hold additional voting securities of Issuer. There are additional shareholders, not related to the controlling family. For estate planning purposes (which you can assume I don't understand), a limited partnership is formed, to which Mom and Dad and their three adult children all contribute their shares of Issuer. (The partnership will have no other assets.) Because Mom and Dad together hold a majority of the voting securities of Issuer, they will have a right to more than 50% of the profits of the limited partnership (and to more than 50% of its assets in the event of dissolution). Formation of the partnership appears to result in a filing obligation by Mom and Dad, since the contributions of the adult children's shares are viewed as acquisitions by Mom and Dad, who control the partnership. (Assume that 802.21 doesn't apply.) Is this an odd exception to the (perhaps too loosely stated) principle that formation of a partnership and contributions to such a partnership in connection with its formation are never reportable?

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ADVISED THAT AS LONG AS THIS IS ALL PART OF THE FORMATION OF THE PARTNERSHIP, THERE IS NO REPORTABLE EVENT. NOTE THAT GOING FORWARD, HOWEVER, MOM & DAD WILL BE DEEMED TO HOLD THE VLS OF ISSUER THROUGH THE CONTROLLING INTEREST IN THE PARTNERSHIP. N. OVUKA CONCURS.

*Blueland*  
2/4/03  
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