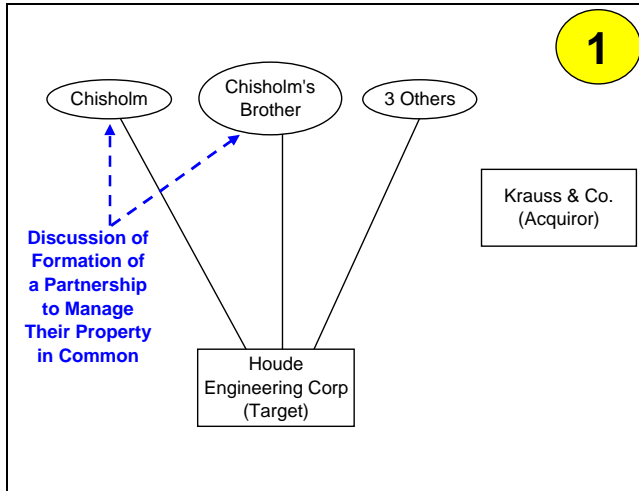
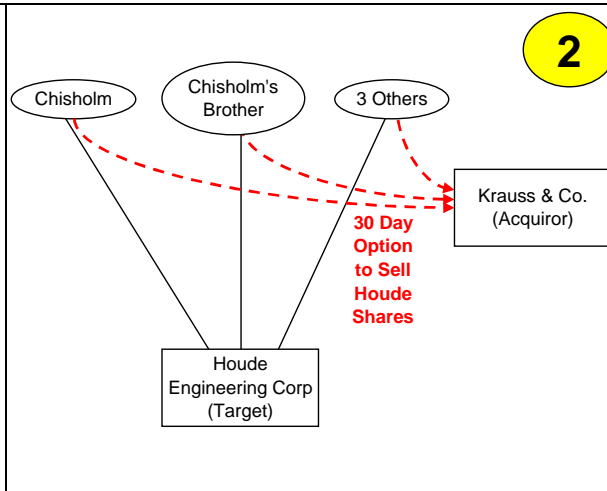


**Transfer to Partnership and
 Partnership Sale - Form Respected**

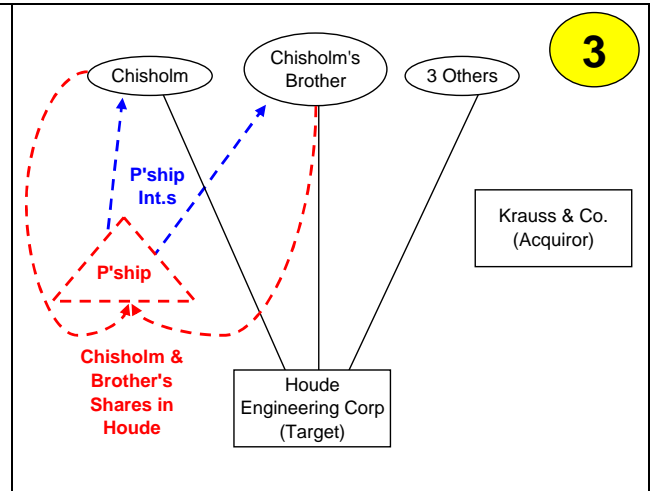
Initial Structure



30 Day Option Issuance (Sept. 26, 1928)



Partnership Formation (Oct. 22, 1928)



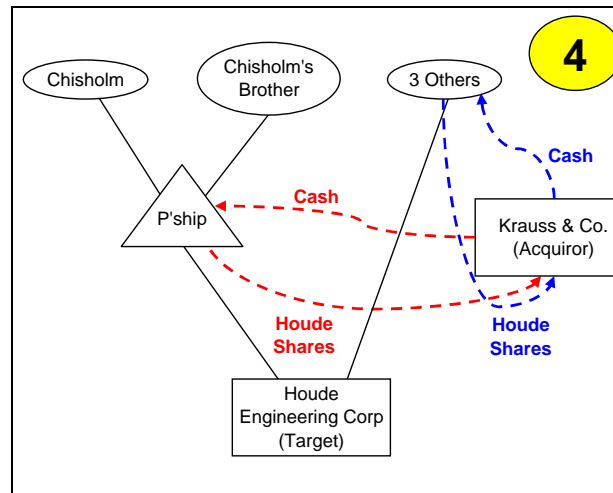
Chisholm and his brother had been discussing the formation of a partnership for six or eight months. Their attorney told them that they might be able to postpone or avoid taxes with the formation of a partnership and for this reason they chose this time to form a partnership.

On October 11th, Acquiror agreed to exercise the option, but by its terms, the option could only be exercised by the payment of cash. Cash was paid on October 24th, after the formation of the partnership.

"[A] man's motive to avoid taxation will not establish his liability if the transaction does not do so without it. . . . The question always is whether the transaction under scrutiny is in fact what it appears to be in form"

The Court respected the partnership (rather than Chisholm and his brother) as being the seller of the Houde shares.

Sale of Target (Oct. 24, 1928)



Ending Point

