

VAL-PA-6.3: Family Limited Partnership Background Information Form

Family Limited Partnership Name: _____

Completed by: _____ Date: _____

Instructions: This form covers the data typically needed to obtain an understanding of the family limited partnership (FLP) being valued. This information may be obtained through reviewing FLP documents and interviewing individual partners. The questions have been grouped into sections. You may complete only those sections that apply. Also use VAL-PA-6.1 if the primary asset owned by the FLP is stock in a privately-held company.

Provide the requested information in the spaces provided. Attach additional sheets if necessary. If the information is not relevant, write N/A in that space.

FLP Background

1. Describe the FLP's legal structure.

FLP's legal name: _____

Date of formation: _____

Fiscal year end: _____

State registered: _____

Total number of partnership units: _____

2. Describe the business purpose of the FLP. _____

Briefly describe the subject ownership interest to be valued. _____

3. List the partners, their percentage of ownership or number of units owned, and their relationship, that is, parent, child, etc.

Name	% Ownership or Number of Units Owned	Relationship
General Partners:		
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Name	% Ownership or Number of Units Owned	Relationship
Limited Partners:		

4. If the general partner is a corporation, list the major stockholders of the corporation and their percentage of ownership or number of shares owned.

Name	% Ownership or Number of Units Owned

5. List the major individuals or firms that provide services for the FLP, that is, investment managers, attorneys, accountants, realtors, etc.

Name	Service

Articles of Partnership

6. Describe the term or life of the FLP. _____

7. Discuss the extent of the limited partners' rights to withdraw or force dissolution. _____

8. Discuss the cash call provisions, if any. _____

9. Describe the management rights/duties of the general partners. _____

10. Describe the management rights/duties of the limited partners. _____

11. Describe the voting and other shareholder rights of the general partners. _____

12. Describe the voting and other shareholder rights of the limited partners. _____

13. Discuss the restrictions, if any, on transferring partnership units. _____

14. Are the restrictions on partners more restrictive than allowed by state law? _____

15. Describe the methods used to allocate income and losses to the partners. _____

16. Discuss the cash distribution requirements, if any. _____

17. Describe any rights that lapse. _____

18. Describe any buy-sell agreements relating to the FLP. _____

Management

19. Discuss the FLP's general partners (age, health, education, experience, and duties). _____

20. How easily can general partners be replaced (that is, is there a succession plan for the transfer of the general partners' interests at the time of death or incapacitation)? _____

Financial

21. Obtain copies of the FLP's year-end financial statements for the last five years (or since the formation of the FLP, if less than five years). Also, obtain copies of any interim statements since the most recent year end. For each year-end statement, complete the following analysis:

Financial Statement Date	Type of Report (check one.)				Was CPA's Report Qualified?	
	Internal	CPA Involvement, if any			Yes	No
		Compiled	Reviewed	Audited		
20__	_____	_____	_____	_____	_____	_____
20__	_____	_____	_____	_____	_____	_____
20__	_____	_____	_____	_____	_____	_____
20__	_____	_____	_____	_____	_____	_____
20__	_____	_____	_____	_____	_____	_____

22. Describe the nature of any report qualifications or unusual matters noted in reviewing the FLP's financial statements that may affect the engagement. _____

23. If year-end financial statements are not available for the last five years (or period since formation if less than

five years), briefly describe how this matter may affect the engagement (such as including a caveat in the report, compiling those statements as part of the engagement, or using tax returns instead). _____

24. Obtain and review copies of the FLP's tax returns and K-1's for the last five years (or since the date of formation if less than five years). Briefly describe any unusual matters noted in reviewing the tax returns that may require special consideration during the valuation. _____

25. Obtain copies of any forecasts or budgets of future operations. Briefly describe any unusual matters that may require special consideration during the valuation. If such statements are not available, state whether they will be needed during the engagement and who will probably prepare them. _____

26. Has there been any change in accounting principles during the past five years (cash to accrual, FIFO to LIFO, etc.) or similar changes that might affect the comparability of the financial statements? _____

27. Have there been any nonrecurring or extraordinary income or expenses during the last five years? _____

28. Have there been any loans or other financing arrangement with the donor that could be interpreted as constructive control over the FLP assets? _____

29. Describe the primary expenses incurred by the partnership, such as management fees, etc. _____

30. Discuss the FLP's cash distribution history. _____

31. Summarize the actual cash distributions made in the past five years (or period since formation if less than five years).

<u>Fiscal Year Ending</u>	<u>Total Cash Distributions</u>	<u>Distribution Amount Per Unit</u>
200__	_____	_____
200__	_____	_____
200__	_____	_____
200__	_____	_____
200__	_____	_____

32. Have there been any transactions involving FLP units in the last five years? Provide details.

33. Discuss any plans to liquidate the FLP or hold a public offering. _____

34. Describe the rights included in or excluded from any intangible assets, such as licensing agreement, nondisclosure agreements, and other contractual obligations. _____

35. Discuss any contingent liabilities, including lawsuits and pending or threatened litigation. _____

36. Describe the significant assets owned by the FLP, such as marketable securities, oil and gas properties, and real estate investments. Include the location of the assets and their degree of concentration. (If the primary asset is common stock of a privately-held company, use the "Company and Industry Background Information Form" at VAL-PA-6.1 to obtain information related to that company.) _____

37. If the primary asset of the FLP is common stock of a privately-held company, who controls the voting rights of that stock? _____

FLP Expectations

38. Describe the FLP's future expectations, goals, objectives, and long-range plans in the following areas:

Cash distributions. _____

Asset allocation. _____

Gifting/transferring FLP units. _____

Comments and Observations

39. Describe any matters to be considered in applying the valuation methods selected. Factors to consider include:

- Asset allocation.
- Financial condition.
- Limited partners' involvement.
- Applicability of the special valuation rules of IRC Sections 2701–2704.
