SEC v. Merchant: "Substance Over Form" Analysis Finds Interests in RLLP are "Investment Contracts" Under Federal Securities Laws

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On April 4, 2007, in its decision in SEC v. Merchant Capital, LLC, ("Merchant"), the United States Court of Appeals for the Eleventh Circuit held that partnership interests in a registered limited liability partnership ("RLLP") were "investment contracts" within the definition of "securities" under the Securities Act of 1933, as amended (the "Securities Act"), and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and therefore covered by the Federal securities laws.