



Sub 7 =

Sub 8 =

Sub 9 =

Sub 10 =

Sub 11 =

Sub 12 =

Sub 13 =

Sub 14 =

LLC 1 =

LLC 2 =

LLC 3 =

LLC 4 =

LLC 5 =

LLC 6 =

LLC 7 =

LLC 8 =

Date 1 =

Date 2 =

Date 3 =

Date 4 =  
Date 5 =  
Date 6 =  
Date 7 =  
Date 8 =  
Date 9 =  
Date 10 =  
Date A =  
Year 1 =  
Year 2 =  
State A =  
State B =

Dear :

This letter responds to your representative's April 16, 2007, request for a ruling on a certain Federal income tax consequence of the transactions described below. Additional information was submitted in letters dated July 12, July 20, and August 10 2007. The material information submitted for consideration is summarized below.

Prior to the transaction described below, Old Parent was the common parent of an affiliated group of corporations which filed a consolidated Federal income tax return. Old Parent owned all the stock of Sub 1. Sub 1 owned all the stock of Sub 2 and all of the outstanding interests in LLC 1, an entity disregarded as separate from its owner for Federal tax purposes under § 301.7701-3 of the Procedure and Administrative Regulations (a "disregarded entity"). LLC 1 held all of the stock of Sub 3, Sub 4, Sub 5, Sub 6, Sub 7, Sub 8, Sub 9, Sub 10, Sub 11, Sub 12, and Sub 13. With the exception of Sub 2, which was incorporated under the laws of State B, all of the other entities described above were incorporated under the laws of State A.

Old Parent has proposed and completed the following restructuring to enable it to make an election under to § 856 of the Internal Revenue Code to be treated as a real estate investment trust (REIT) effective Date A, Year 2:

1. On Date 1, Old Parent formed LLC 2, a State A limited liability company, and elected to treat LLC 2 as a disregarded entity.
2. On Date 1, Sub 1 merged with and into LLC 2, with LLC 2 surviving. The taxpayer has represented that the merger qualified as a tax-free transaction under either §§ 332 and 337 or § 368(a)(1)(A).
3. On Date 2, LLC 2 merged with and into Old Parent, with Old Parent surviving.
4. On Date 3, Sub 5 was liquidated into LLC 1. The taxpayer has represented that for Federal tax purposes, Sub 5's liquidation qualified as a tax-free liquidation under § 332.
5. On Date 4, Old Parent purchased additional qualifying REIT assets through various disregarded entities.
6. On Date 5, LLC 1 formed LLC 3, a State A limited liability company, and elected to treat LLC 3 as a disregarded entity.
7. On Date 5, Sub 13 merged with and into LLC 3, with LLC 3 surviving. The taxpayer has represented that the merger qualified as a tax-free transaction under either §§ 332 and 337 of the Internal Revenue Code or § 368(a)(1)(A).
8. On Date 6, LLC 1 formed LLC 4, LLC 5, LLC 6, LLC 7, and LLC 8, and elected to treat each entity as a disregarded entity.
9. On Date 6, each of Sub 3, Sub 4, Sub 6, Sub 7, and Sub 8 merged with and into LLC 4, LLC 5, LLC 6, LLC 7 and LLC 8, respectively. The taxpayer has represented that each merger qualified as a tax-free transaction under either §§ 332 and 337 or § 368(a)(1)(A).
10. On Date 7, and Date 8, Old Parent undertook additional transactions (e.g., asset sales and distributions) between various disregarded entities. At the end of this step (10), all qualifying REIT assets were held by Old Parent (either directly or through disregarded entities) and any non-qualifying REIT assets were owned by LLC 1 (either directly or through disregarded entities).
11. On Date 9, Old Parent formed New Parent and contributed its membership interests in LLC 1 to New Parent in constructive exchange for New Parent stock.

The taxpayer has represented that the contribution qualified as a tax-free exchange under § 351.

12. On Date 9, LLC 1 formed Sub 14 and contributed the interests in LLC 3 to Sub 14 in constructive exchange for Sub 14 stock. The taxpayer has represented that the contribution qualified as a tax-free exchange under § 351.
13. On Date 9, LLC 1 contributed its interests in LLC 4, LLC 5, LLC 6, LLC 7, and LLC 8 to Sub 12 in constructive exchange for Sub 12 stock. The taxpayer has represented that the contribution qualified as a tax-free exchange under § 351. Date 1 through Date 9 each were in Year 1. Old Parent's consolidated Federal income tax return ended on Date 10 of Year 1.
14. Effective Date A of Year 2 (the first day of the next taxable year) Old Parent will elect to be taxed as a REIT by filing Form 1120-REIT for its taxable year ending on Date 10 of Year 2. The taxpayer has represented that Old Parent's election to be taxed as a REIT will be valid.
15. New Parent and Sub 2 each will make a joint election with Old Parent on Form 8875 to be taxed as a taxable REIT subsidiary effective Date A of Year 2.

Immediately following the restructuring, Old Parent owned all the stock of Sub 2 and New Parent. Old Parent also owned interests in various disregarded entities. New Parent owned all the interests in LLC 1. LLC 1 owned all of the stock in Sub 9, Sub 10, Sub 11, Sub 12, Sub 14 (together, the "New Parent Group"). New Parent also owned interests in various disregarded entities.

Assuming Old Parent's REIT election is valid, the Old Parent consolidated group will terminate on Date 10, Year 1. The New Parent Group proposes to file a consolidated return, with New Parent as common parent, beginning Date A of Year 2. The taxpayer has requested a ruling on whether such a filing is proper.

The following representations have been made with respect to the proposed transaction:

- (a) Immediately after the proposed transaction, New Parent owned directly stock meeting the requirements of § 1504(a)(2) in at least one other member of the New Parent Group, and stock meeting the requirements of § 1504(a)(2) in each other member of the New Parent Group (except New Parent) was owned directly by one or more of the other members of the New Parent Group.
- (b) Each member of the New Parent Group was an includible corporation within the meaning of § 1504(b).

- (c) The disaffiliation and subsequent consolidation of the members of the New Parent Group has not provided and will not provide a benefit of a reduction in income, increase in loss, or any other deduction, credit, or allowance (a Federal tax savings) that would not otherwise be secured or have been secured had the disaffiliation and subsequent consolidation not occurred, including, but not limited to, the use of a net operating loss or credit that would have otherwise expired, or the use of a loss recognized on a disposition of stock of a deconsolidated corporation or a predecessor of such corporation.

Based solely on the information and representations submitted, we rule that the New Parent Group will have the privilege of filing a consolidated Federal income tax return beginning on Date A of Year 2, with New Parent as the common parent of the group.

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of the proposed transaction. In particular, no opinion is expressed regarding whether Old Parent's REIT election will be a valid election, whether New Parent's or Sub 2's elections to be treated as taxable REIT subsidiaries will be valid, or whether various steps of the proposed transaction qualified under §§ 332, 351, or 368.

The rulings contained in this letter are based upon rulings and representations submitted by the taxpayer and accompanied by penalties of perjury statement executed by the appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification upon examination.

The taxpayer should attach a copy of this ruling letter to the taxpayer's Federal income tax return for the taxable year in which it first files a consolidated return as common parent of the New Parent Group. Alternatively, if the taxpayer files its return electronically, it may satisfy this requirement by attaching a statement to the return that provides the date and control number of this ruling letter.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

In accordance with the power of attorney on file with this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

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Michael J. Wilder  
Senior Technician Reviewer, Branch 1  
(Corporate)