



CZ =

ServicesX =

TaxpayerX =

Date1 =

Year1 =

Dear :

This is in response to the letter dated September 3, 2015, requesting a ruling on a significant issue presented under section 351 of the Internal Revenue Code (the "Code"). The information provided in that request and in subsequent correspondence is summarized below.

This letter is issued pursuant to section 6.03 of Rev. Proc. 2015-1, 2015-1 I.R.B. 1, regarding one or more significant issues under sections 332, 351, 355, 368, or 1036 of the Code. The ruling contained in this letter only addresses one discrete legal issue involved in the transactions described in this letter. This Office expresses no opinion as to the overall tax consequences of these transactions or as to any issue not specifically addressed by the ruling below.

The ruling contained in this letter is based upon information and representations submitted by the taxpayers and accompanied by "penalties of perjury" statements executed by an appropriate party. This Office has not verified any of the materials submitted in support of the ruling request. Verification of the facts, representations, and other information may be required as part of the audit process.

## FACTS

Taxpayers are limited liability companies (LLCs) that are treated as partnerships for federal income tax purposes. Taxpayers and other persons own interests in LLCs that are each treated as a partnership for federal income tax purposes: P1, P2, and P3 (collectively, "the Partnerships").

The significant assets of the Partnerships consist of: (i) AssetsX, (ii) AssetsY, and (iii) AssetsZ.

The business operations of the Partnerships consist of: (i) BOP1, (ii) BOP2, (iii) BOP3, and (iv) BOP4.

The Partnerships own all of their assets and conduct their business operations directly or through wholly-owned LLCs, with the exception that P2 conducts its BOP2 and BOP3 through its wholly owned subsidiary, CY, a StateX LLC which has elected to be taxed as a corporation for federal income tax purposes.

CZ, a StateX corporation that has elected to be taxed as a subchapter S corporation for federal income tax purposes, provides ServicesX for the Partnerships.

Taxpayers intend to engage in a series of transactions that will include the following steps.

(a) TaxpayerX will form a StateX LLC (the "Company"). The Company will elect to be taxed as a corporation for federal income tax purposes. The Company also will elect to be taxed as a real estate investment trust for federal income tax purposes commencing with its taxable year ending on Date1.

(b) On a date to be determined in Year1, the following events will occur simultaneously:

(i) One or more private institutional investors will contribute cash to the Company in exchange for stock in the Company ("Shares"). The proceeds from that private offering will be applied to pay transaction expenses, purchase interests in the Partnerships from owners who elect to receive cash rather than Shares in the exchange (described in (ii) below), and possibly to acquire additional AssetsY (having a similar risk profile as those in the Partnerships) and establish reserves for working capital.

(ii) The owners of interests in the Partnerships will transfer their interests in the Partnerships to the Company in exchange for Shares and/or cash.

(iii) CZ will merge with a StateX LLC that is wholly-owned by the Company, and which will be treated as a disregarded entity for federal income tax purposes. The shareholders of CZ will receive Shares in exchange for their stock in CZ.

## RULING

The transfers of interests in the Partnerships to the Company in exchange for Shares will not be treated as a transfer to an investment company within the meaning of section 351(e).

## CAVEATS

Except as expressly provided herein, no opinion is expressed or implied concerning the tax treatment of the proposed transactions under any provision of the Code and regulations or the tax treatment of any condition existing at the time of, or effects resulting from, the proposed transactions that is not specifically covered by the above ruling. This includes expressing no opinion on whether the Company, CZ and TaxpayerX will qualify as a REIT under Part II of Subchapter M of Chapter 1 of the Code.

#### PROCEDURAL STATEMENTS

This ruling is directed only to the taxpayers requesting it. Section 6110(k)(3) of the Code 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.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

Sincerely,

*T. Ian Russell*

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T. Ian Russell  
Branch Chief, Branch 6  
Office of Associate Chief Counsel (Corporate)

cc: