

## Internal Revenue Service

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### Legend

Taxpayers =

StateX =

PartnershipX =

%X =

%Y =

AssetsX =

Operations =

XDRE =

XTRS =

XREIT =

%Z =

YREIT =

PartnershipY =

Date1 =

ZREIT =

StateY =

Dear :

This is in response to the letter dated August 24, 2016, 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. 2016-1, 2016-1 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 respective "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 StateX limited partnerships ("LPs"), each of which is treated as a partnership for U.S. federal income tax purposes (collectively, the "TPartnerships"). All of the general partner ("GP") interests of the TPartnerships are held by respective StateX limited liability companies ("LLCs") that hold no other assets.

PartnershipX also is a StateX LP that is treated as a partnership for U.S. federal income tax purposes (collectively, with the TPartnerships, "the Partnerships").

The predominant assets of the Partnerships (ranging from all but approximately %X to %Y of their respective gross value) consist of AssetsX and a small percentage of cash.

The business operations of the Partnerships consist of Operations.

The TPartnerships hold their respective AssetsX through LPs and LLCs that are disregarded as separate from their sole regarded owner under Treas. Reg. § 301.7701-3 for U.S. federal income tax purposes (each such entity, a "DRE").

PartnershipX indirectly holds its AssetsX through XDRE, a DRE for U.S. federal income tax purposes, and XTRS, a taxable REIT subsidiary. Specifically, PartnershipX owns all of the common stock of XREIT, a corporation that is taxed as a real estate investment trust (REIT). The assets of XREIT consist of approximately %Z of the outstanding common stock of YREIT, a corporation that also is taxed as a REIT. The remaining common stock of YREIT is owned by PartnershipY, a StateX LP that is treated as a partnership for U.S. federal income tax purposes. The assets of YREIT consist of all of the interests in XDRE and XTRS.

On Date1, PartnershipX formed a new StateX corporation, ZREIT. Prior to the completion of step (v), below, ZREIT's jurisdiction of incorporation will be changed to StateY.

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

(i) in a series of transactions, each of the TPartnerships and their GPs will become a DRE for U.S. federal income tax purposes that is wholly-owned by respective, successor partnerships of the TPartnerships (the "New TPartnerships").

(ii) XREIT will merge into ZREIT in a reorganization intended to qualify under section 368(a)(1)(F). The common shareholder of XREIT, PartnershipX, will exchange its stock in XREIT for all of the stock of ZREIT. ZREIT will succeed to XREIT's REIT election upon the merger.

(iii) the New TPartnerships will transfer all of the interests in all of their DREs (and thus the respective assets of the DREs) to ZREIT in exchange for stock of ZREIT;

(iv) YREIT will merge into ZREIT (with ZREIT surviving) in a reorganization intended to qualify under section 368(a)(1)(A). PartnershipY will exchange all of

the stock it owns in YREIT for stock in ZREIT, and the stock of YREIT owned by ZREIT will be cancelled in the merger.

(v) ZREIT will issue stock to the public market in an initial public offering for cash ("IPO").

The cash transferred to ZREIT may be applied to pay transaction costs, reduce existing debt, establish reserves for working capital, acquire additional AssetsX (having a similar risk profile as those of the Partnerships), or some combination thereof.

Steps (i) – (v) will all take place pursuant to an agreed upon plan and should occur on approximately the same date, and in those steps, the New TPartnerships, PartnershipY and the members of the public transferring cash to ZREIT in the IPO collectively will receive stock in ZREIT that will constitute "control" of ZREIT as defined under section 368(c).

#### RULING

The transfers of the New TPartnerships' DREs to ZREIT in exchange for stock of ZREIT 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 any transaction or item discussed or referenced in this letter under any provision of the Code and regulations, or the tax treatment of any condition existing at the time of, or effects resulting from, any transaction that is not specifically covered by the above ruling. Additionally, no opinion is expressed concerning whether XREIT, YREIT, or ZREIT otherwise qualify as a REIT under subchapter M, part II of Chapter 1 of the Code. Furthermore, this letter does not provide any rulings under sections 856 or 857.

#### 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*

T. Ian Russell

Branch Chief, Branch 6

Office of Associate Chief Counsel (Corporate)