

Internal Revenue Service

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Person To Contact:
, ID No.

Telephone Number:

Refer Reply To:
CC:CORP:B03
PLR-117500-14

Date:
July 30, 2014

Taxpayer =

State A =

Public Charity =

x =

y =

z =

Date 1 =

Dear :

We respond to your letter dated April 24, 2014, on behalf of Taxpayer that requests rulings under sections 301 and 305 of the Internal Revenue Code of 1986, as amended (the Code). The information submitted in that letter is summarized below.

Facts

Taxpayer is a State A corporation that has approximately x shares of common stock issued and outstanding (Taxpayer Stock), held by a total of y shareholders (with no single shareholder, except Public Charity, owning more than z percent of the Taxpayer Stock). Taxpayer stock is not publicly traded on any established securities market. Taxpayer intends to elect under section 856 of the Code to be treated as a real estate

investment trust (REIT), effective Date 1 (the First REIT Taxable Year). Taxpayer represents that it does not have a dividend reinvestment plan (DRIP) and does not have any convertible debt instruments or preferred stock outstanding.

In connection with the REIT election, prior to the end of the First REIT Taxable Year, Taxpayer proposes to make one or more distributions to its shareholders with respect to their Taxpayer Stock of its earnings and profits that were, or will be, accumulated by Taxpayer for all taxable periods ending prior to the First REIT Taxable Year as required by section 857(a)(2)(B) (the Proposed Distributions).

Taxpayer intends to provide each shareholder with an election to receive the shareholder's share of the Proposed Distributions in the form of (i) cash, (ii) Taxpayer Stock, or (iii) a combination of both cash and Taxpayer Stock. If a shareholder fails to make a valid election by the election deadline, that shareholder will be deemed to have made an election to receive only Taxpayer Stock.

Taxpayer also intends to place a limit on the aggregate amount of cash to be distributed in the Proposed Distributions. Cash will comprise at least 20 percent of the Proposed Distributions (the Cash Limitation). Any cash paid in lieu of fractional shares will not count towards the Cash Limitation.

If the cash component of the Proposed Distributions is oversubscribed, each shareholder electing to receive all cash will receive a percentage of cash equal to the percentage used in the Cash Limitation, a pro rata amount of cash available after allocating to each shareholder electing to receive cash, an amount of cash equal to the lesser of the amount of cash the shareholder elected to receive or a percentage of cash equal to the percentage used in the Cash Limitation, and the balance of the shareholder's distribution in Taxpayer Stock. In no event will any shareholder electing to receive cash receive less cash than the lesser of the amount of cash requested or the percentage used in the Cash Limitation of the shareholder's entire distribution.

Taxpayer intends to make the Proposed Distributions before the end of the First REIT Taxable Year. The calculation of the number of shares to be received by any shareholder will be determined, as of a date not more than 15 days before the record date of the Proposed Distributions, based upon appraisals of Taxpayer's assets and liabilities, as approved by the Taxpayer's Board of Directors, and is designed to equate in value the number of shares to be received with the amount of money that could be received instead. In addition, Taxpayer intends to secure a third-party valuation of its stock.

Rulings

Based solely on the information submitted and the representations made, we rule as follows:

- (1) All of the cash and Taxpayer Stock to be distributed in the Proposed Distributions by Taxpayer to holders of Taxpayer Stock will be treated as a distribution of property with respect to its stock to which sections 301 and 305(b) apply.
- (2) Provided (a) Taxpayer elects to be taxed as, and qualifies as, a REIT as of the First REIT Taxable Year and (b) the Proposed Distributions occur prior to the end of the First REIT Taxable Year, the amount of the distribution paid in stock is the fair market value of such stock on the date of distribution (section 1.305-1(b)(1) of the Income Tax Regulations).

Caveats

Rulings concerning the Proposed Distributions are void and we do not express any opinion on the tax consequences of the Proposed Distributions if the Proposed Distributions are not completed by the end of the First REIT Taxable Year. Except as expressly provided herein, no opinion is expressed or implied concerning the tax treatment of the proposed transaction under other provisions of the Code and regulations or the tax treatment of any condition existing at the time of, or effects resulting from, the proposed transaction that is not specifically covered by the above holdings. In particular, we express no opinion on: (i) whether Taxpayer will qualify as a REIT under part II of Subchapter M of Chapter 1 of the Code, (ii) whether the Proposed Distributions will satisfy the requirements of section 857(a)(2) of the Code, or (iii) whether the Proposed Distributions constitute preferential dividends under section 562(c) of the Code. Furthermore, we do not express any opinion as to the reasonableness of Taxpayer's stock valuation method.

Procedural Statements

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an 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 on examination.

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

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.

In accordance with the Power of Attorney on file with this office, we are sending a copy of this letter to your authorized representatives.

Sincerely,

Filiz A. Serbes
Chief, Branch 3
Office of Associate Chief Counsel (Corporate)