

## Internal Revenue Service

Department of the Treasury  
Washington, DC 20224

Number: **201252012**

Release Date: 12/28/2012

Index Number: 305.03-00

Third Party Communication: None  
Date of Communication: Not Applicable  
Person To Contact:

, ID No.

Telephone Number:

Refer Reply To:

CC:CORP:B06

PLR-129975-12

Date:

October 03, 2012

### Legend

Taxpayer =

StateX =

Exchange =

Date1 =

Dear :

This letter responds to your July 11, 2012, request for rulings under sections 301 and 305(b)(1) of the Internal Revenue Code (the "Code"). The information provided in that request and in later correspondence is summarized below.

The rulings contained in this letter are based upon information and representations submitted on behalf of Taxpayer and accompanied by a penalties 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.

### Summary of Facts

Taxpayer is a StateX corporation that is the common parent of an affiliated group of corporations that files a consolidated federal income tax return on a calendar year basis. Taxpayer has a single class of stock outstanding, voting common stock, which is publicly traded on the Exchange.

Taxpayer intends to elect under section 856 to be treated as a real estate investment trust (REIT) beginning with the taxable year ending Date1 (the "First REIT Taxable Year").

Prior to the First REIT Taxable Year, Taxpayer intends to make one or more distributions to its shareholders with respect to its common stock in the form of a combination of cash and common stock, at the election of each shareholder, subject to proration adjustments as described below (the "Special Distributions"). For each Special Distribution, the total amount of cash available will be limited to a specified percentage (the "Cash Percentage") equal to 20 percent or more of the aggregate value of the respective Special Distribution (the "Cash Limitation"). In no event will the Cash Limitation for any Special Distribution be less than 20 percent of the aggregate value of the respective Special Distribution.

For each Special Distribution, each shareholder will have the right to elect to receive their entitlement under the distribution (i) entirely in cash (the "Cash Option") or (ii) entirely in common stock of equivalent value (the "Equity Option"). In the event Taxpayer does not receive an election from a shareholder, that shareholder will default to the Equity Option.

If the cash component of a Special Distribution is not oversubscribed, each shareholder electing to receive the Cash Option will receive their entitlement under the distribution entirely in cash. If the cash component of a Special Distribution is oversubscribed, then each shareholder electing to receive the Cash Option will receive a pro rata amount of cash corresponding to the shareholder's respective entitlement under the declaration, but in no event will any such shareholder receive cash in an amount less than the Cash Percentage corresponding to the shareholder's entitlement under the distribution.

Taxpayer anticipates that each Special Distribution will be paid as soon as reasonably practicable following the date of the election deadline. Taxpayer also anticipates paying cash in lieu of issuing fractional shares of common stock, though cash paid in lieu of fractional shares will not count toward the Cash Limitation.

Taxpayer does not currently have a dividend reinvestment plan ("DRIP") in effect, but for any shareholder participating in a future DRIP, the DRIP will apply only to the extent of the cash the shareholder would have received in the Special Distribution in the absence of the DRIP.

### **Rulings**

Based solely on the information provided and the representations made, we rule as follows with respect to the Special Distributions. Any and all of the cash and common stock distributed in a Special Distribution (as described above) by Taxpayer shall be treated as a distribution of property with respect to its stock to which section 301

applies. Sections 301 and 305(b). The amount of a distribution of common stock distributed in a Special Distribution (as described above) by Taxpayer shall be the fair market value of such stock on the date of distribution. Section 1.305-1(b)(1).

### **Caveats**

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

### **Procedural Statements**

This ruling letter is directed only to the taxpayer who requested 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 this ruling letter.

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

Sincerely,

**Thomas I. Russell**

Thomas I. Russell  
Branch Chief, Branch 6  
Office of Associate Chief Counsel  
(Corporate)

cc: