Volume 29

CHAPTER 1. OVERVIEW AND HISTORY OF REITS

I. OVERVIEW OF THE REIT FORM

- § 1:1 Introduction
- § 1:2 Requirements—Organizational Requirements
- § 1:3 —Asset Requirements
- § 1:4 —Income Requirements
- § 1:5 —Distribution Requirement
- § 1:6 Taxation
- § 1:7 Termination of Election

II. JUDICIAL AND LEGISLATIVE HISTORY OF THE REIT PROVISIONS

- § 1:8 Generally
- § 1:9 Judicial History
- § 1:10 Regulated Investment Company Legislation
- § 1:11 Lobbying for the REIT Legislation

III. LEGISLATION: 1961–1985

- § 1:12 Generally
- § 1:13 1975 Amendments
- § 1:14 The Tax Reform Act of 1976
- § 1:15 The Revenue Act of 1978
- § 1:16 REIT Amendments 1978-1985

IV. IMPACT OF THE TAX REFORM ACT OF 1986 AND OTHER LEGISLATION 1986-1996

- § 1:17 TRA 1986 Generally
- § 1:18 TRA 1986 Real Estate Taxation Provisions—General
- § 1:19 —Passive Loss Restrictions
- § 1:20 —"At Risk" Rules
- § 1:21 —Capital Gain
- § 1:22 —General Utilities Repeal
- § 1:23 TRA 1986 REIT Provisions—General
- § 1:24 —REIT Start-up Problems
- § 1:25 —Prohibited Transactions
- § 1:26 —Shared Appreciation Mortgages
- § 1:27 —Services Rendered by an Independent Contractor
- § 1:28 —Rents and Interest Based on Net Profits
- § 1:29 —REIT Subsidiaries
- § 1:30 —Distribution Requirement
- § 1:31 Technical and Miscellaneous Revenue Act of 1988 REIT Provisions

- § 1:32 Revenue Reconciliation Act of 1993 REIT Provisions—General
- § 1:33 —Pension Trust Investments
- § 1:34 —Pension Trusts and UBTI
- § 1:35 —Passive Activity Losses
- § 1:36 —Tax Rate Increase
- § 1:37 —Depreciation of Nonresidential Real Property

V. TAXPAYER RELIEF ACT OF 1997

- § 1:38 TRA 1997—Generally
- § 1:39 —REIT Records and Reporting Requirements
- § 1:40 —REIT Independent Contractor Requirements
- § 1:41 —Receipt of Rents from Related Parties
- § 1:42 —Capital Gains and Losses
- § 1:43 —The 30% Income-Source Test
- § 1:44 —Earnings and Profits Rules
- § 1:45 —Termination of the Election to Treat Property as Foreclosure Property
- § 1:46 —Interest Rate Agreements
- § 1:47 —Minimum Distribution Requirement
- § 1:48 —Safe Harbor for Potential Prohibited Transactions
- § 1:49 ——Involuntary Conversions
- § 1:50 ——Shared Appreciation Provisions
- § 1:51 ——Bankruptcy Exception Under Safe Harbor Rule
- § 1:52 —Qualified REIT Subsidiaries

VI. LEGISLATION SINCE 1997

- § 1:53 Jobs and Growth Tax Relief Act of 2003
- § 1:54 American Jobs Creation Act of 2004
- § 1:55 REIT Provisions in the Gulf Opportunity Zone Act of 2005
- § 1:56 REIT Provisions in the Tax Increase Prevention and Reconciliation Act of 2005
- § 1:57 REIT Provisions in the Housing Assistance Tax Act of 2008
- § 1:58 Real Estate Jobs and Investment Act of 2011
- § 1:59 Past Proposed Treasury Regulations

VII. RECENT AND PROPOSED LEGISLATION AND REGULATIONS

§ 1:60 Recent and proposed legislation

VIII. GENERAL DISCUSSION OF THE INDUSTRY

- § 1:61 Industrial Profile—Growth History
- § 1:62 Industry Profile—Types and Historic Results
- § 1:63 —Issuances and Debt Offerings
- § 1:64 —Consolidations, Acquisitions and Bankruptcies
- § 1:65 —Joint Ventures
- § 1:66 —Acquisitions and Dispositions of Real Estate
- § 1:67 —Ways to Invest—Mutual Funds, Index Funds, Exchange Traded Funds, REIT Derivatives and Employee Benefit Plans
- § 1:68 U.S. REIT Investment in Foreign Properties
- § 1:69 REITs and Technology

IX. REITS AND OTHER SECURITIZED REAL ESTATE INVESTMENTS COMPARED

- § 1:70 Generally
- § 1:71 Master Limited Partnerships—In General
- § 1:72 —Scheme of Taxation—Partnerships
- § 1:73 ——REITs
- § 1:74 —Other Considerations
- § 1:75 —Flexibility of Operations
- § 1:76 —Administration and Accounting
- § 1:77 —Inadvertent Termination
- § 1:78 —Tax on Unrelated Business Income
- § 1:79 —Risks of Loss of Tax-Favored Status
- § 1:80 REITs and REMICs Compared
- § 1:81 —Title Holding Companies

CHAPTER 2. ORGANIZING AND QUALIFYING AS A REIT

I. IN GENERAL

§ 2:1 Introduction

II. ORGANIZATIONAL STRUCTURE OF A REIT

- § 2:2 Generally
- § 2:3 Choice of Entity; Choice of State of Formation
- § 2:4 REIT Management Requirements
- § 2:5 "But For" Corporate Taxation
- § 2:6 Financial Institutions and Insurance Companies Exclusion
- § 2:7 —Banking Institutions' Use of REIT-Originated Perpetual Preferred Stock Structure
- § 2:8 Closely Held Entities Exclusion
- § 2:9 One-Hundred-Person Beneficial Ownership Requirement
- § 2:10 Transferability Requirement
- § 2:11 Filing of a REIT Election
- § 2:12 Checklist for Organizing a REIT

III. QUALIFICATION AS A REIT—THE REIT ASSET TESTS

- § 2:13 Generally
- § 2:14 The 75 Percent Test
- § 2:15 —Real Estate Assets
- § 2:16 ——Real Property
- $\S~2:18$ The 75 Percent Test—Real Estate Assets—Shares of Other REITs
- § 2:19 ——Temporary Investment of New Capital
- § 2:20 —Cash and Cash Items
- § 2:21 ——Government Securities
- § 2:22 —The Diversification Test
- § 2:23 Mechanics of the REIT Asset Tests—Meaning of the Term "Total Assets"
- § 2:24 —Meaning of "Value"
- § 2:25 —Treatment of Partnership Interests
- § 2:26 —Failure to Meet the Requirements of the Asset Test

IV. QUALIFICATION AS A REIT—THE REIT INCOME-SOURCE TESTS

§ 2:28	Generally
§ 2:29	Description of the REIT Income-Source Tests—The 95 Percent Test
§ 2:30	—The 75 Percent Test
§ 2:31	Definitions Applicable to the REIT Income-Source Tests—Gross Income
§ 2:32	Warrants
§ 2:33	—Payment of Property Taxes by Lessee
§ 2:34	Recovery of Excess Advisory and Management Fees
§ 2:35	Definitions Applicable to the REIT Income-Source Tests—Dividends
§ 2:36	—Interest
§ 2:37	—Definition of Interest
§ 2:38	—Special Issues Under the 75 Percent Income-Source Test
§ 2:39	—"Contingent" Interest
§ 2:40	—Rents From Real Property
§ 2:41	—Payments Attributable to Customary Services
§ 2:42	—Simultaneous Leasing of Real and Personal Property
§ 2:43	—Receipt of "Contingent" Rents by a REIT
§ 2:44	—Receipt of Rents from Easements and Other Real Property Rights
$\S 2:45$	—Receipt of Rents from Related Parties
§ 2:46	—REIT Independent Contractor Requirements
$\S 2:47$	—Foreclosure Property
§ 2:48	—Qualified Temporary Investment Income
§ 2:49	—Hedging Instruments
§ 2:50	—Interests in REMICs

V. SELF-ADMINISTERED REITS

Income-Source Test Checklist

§ 2:54 Generally

§ 2:51

§ 2:52

§ 2:53

CHAPTER 3. TAXABLE REIT SUBSIDIARIES

—Comparison with UBTI Rules for Tax Exempt Entities

Failure to Meet Income-Source Requirements

I. REIT MODERNIZATION

- § 3:1 Core Business
- § 3:2 Historic Solutions
- § 3:3 Tax Relief Extension Act of 1999
- § 3:4 Tax Cuts and Jobs Act of 2017

II. TAXABLE REIT SUBSIDIARIES

- § 3:5 Generally
- § 3:6 TRS Tenants
- § 3:7 Lodging and Health Care Facilities
- § 3:8 Compensation
- § 3:9 Redetermined Rents, Redetermined Deductions and Excess Interest

III. SECURITIES DIVERSIFICATION TEST

§ 3:10 Generally

CHAPTER 4. TAXATION OF A REIT

I. IN GENERAL

§ 4:1 Introduction

II. MINIMUM DISTRIBUTION REQUIREMENT

§ 4:2	Genera	1137
9 4.2	Genera	$\Pi \Lambda$

- § 4:3 Payment of Dividends
- § 4:4 —Subsequent Declared Dividends
- § 4:5 —Deficiency Dividends
- § 4:6 —The December 31, or "Spillover" Dividend
- § 4:7 Taxation of REIT Taxable Income
- § 4:8 —Deduction for Dividends Paid
- § 4:9 ——Definition of a dividend
- § 4:10 ——Pro rata and non-preferential dividends
- § 4:11 ——Noncash distributions
- § 4:12 ——Dividends on fast-pay preferred stock
- § 4:13 —Deductions for dividends received
- § 4:14 —Section 443(b) tax adjustments
- § 4:15 —Exclusion of REIT income taxed separately
- § 4:16 Treatment of Other Tax Issues—Capital Gains and Losses—Alternative Capital Gains Tax
- § 4:17 ——Capital Gains Dividends
- § 4:18 —Treatment of Net Operating Losses
- § 4:19 Excess Noncash Income
- § 4:20 Earnings and Profits from Non-REIT Years

III. TAXATION OF NET INCOME FROM FORECLOSURE PROPERTY

- § 4:21 Generally
- § 4:22 Definition of Foreclosure Property
- § 4:23 —Termination of the Election to Treat Property as Foreclosure Property
- § 4:24 Tax on Income Generated by Foreclosure Property
- § 4:25 Making the Election
- § 4:26 Termination of the Election
- § 4:27 —Nonqualifying Rental Income
- § 4:28 —Termination Through Construction
- § 4:29 —Use in a Trade or Business After Ninety Days

IV. TAXATION OF NET INCOME FROM PROHIBITED TRANSACTIONS

- § 4:30 Generally
- § 4:31 Definition of a "Prohibited Transaction"
- § 4:32 Computation of Tax
- § 4:33 Safe Harbor for Potential Prohibited Transactions

- § 4:34 —Involuntary conversions
- § 4:35 —Shared Appreciation Provisions
- § 4:36 —Bankruptcy Exception Under Safe Harbor Rule
- § 4:37 Safe harbor for potential prohibited transactions—Sales by Timber REITs

V. TAX LEVIED UPON FAILURE TO MEET INCOME-SOURCE REQUIREMENTS

§ 4:38 Generally

VI. EXCISE TAX ON REIT UNDISTRIBUTED INCOME

§ 4:39 Generally

VII. CORPORATE-LEVEL TAX ON BUILT-IN GAINS

- § 4:40 Generally
- § 4:41 Deferral of Recognition—Section 1374 Treatment
- § 4:42 Deemed Sale
- § 4:43 REIT Disqualification/Requalification

VIII. TAX EFFECTS OF DISQUALIFICATION

§ 4:44 Generally

IX. APPLICABILITY OF OTHER INCOME TAX PROVISIONS

- § 4:45 Generally
- § 4:46 Corporate Alternative Minimum Tax
- § 4:47 Tax-Free Incorporation Provisions
- § 4:48 Tax-Free Reorganization Provisions—Types of Reorganizations
- § 4:49 —"A" Reorganizations
- § 4:50 —"B" Reorganizations
- § 4:51 —"C" Reorganizations
- § 4:52 —Divisive "D" Reorganizations
- § 4:53 —"E" and "F" Reorganizations
- § 4:54 —Circumvention of Corporate-Level Tax on Appreciated Property
- § 4:55 —Special Consideration Applicable to the Merger of Two or More REITs
- § 4:56 Like-Kind Exchanges
- § 4:57 Consolidated Return Rules
- § 4:58 Carryovers in Corporate Acquisitions
- § 4:59 Accounting Period for Qualifying Entities
- § 4:60 Applicability of Tax Credits

CHAPTER 5. CONSIDERATIONS FOR THE REIT INVESTOR

I. BENEFITS OF INVESTING IN REITS

- § 5:1 Tax Effects of Investing
- § 5:2 Advantages of the REIT Structure.
- § 5:3 Tax return filing obligations
- § 5:4 No 704(c) Equivalent for REITs
- § 5:5 20% Deduction for REIT Dividends

§ 5:14 Constant Cash Stream

§ 5:6	Foreign Investors Prefer to Invest Through REITs
§ 5:7	UBTI Blocker
§ 5:8	Nontax Benefits of Investing
§ 5:9	Expert Investment Advice
§ 5:10	Spreading the Risk of Loss
§ 5:11	Collective Financing
§ 5:12	Liquidity of Investment
§ 5:13	Limited Liability

II. DISADVANTAGES OF A REIT STRUCTURE

§ 5:15	Generally
§ 5:16	Tax Complexity and Cost
§ 5:17	No Pass-Thru of Tax Losses
§ 5:18	No Tax-Deferred Distributions of Property
§ 5:19	Impact of REIT Disqualification
§ 5:20	No Step Up in Asset Basis if There Are Transfers of Interests in the JV
\$ 5:21	Governance by Board of Directors

III. TAXATION OF THE REIT INVESTOR

§ 5:22	Generally
§ 5:23	Dividends
§ 5:24	Capital Gain Distributions
§ 5:25	—Apportionment
§ 5:26	—Short Swing Rule
§ 5:27	Items of Tax Preference
§ 5:28	Dividend Received Exclusion
§ 5:29	Cost Basis Reporting Requirements

IV. PENSION PLANS AND OTHER TAX-EXEMPT INVESTORS

§ 5:30	Generally
§ 5:31	Comparing REITs and Commingled Funds
§ 5:32	Tax-Exempt Income
§ 5:33	—Unrelated Trade or Business
§ 5:34	—Debt-Financed Property
§ 5:35	ERISA Fiduciary Standards
§ 5:36	—Prohibited Transaction Rules
§ 5:37	—REIT Assets as Benefit Plan Assets
§ 5:38	——Definition of Plan Assets
§ 5:39	— Effect of Plan Asset Rules on REITs

V. FOREIGN INVESTORS

§ 5:40	Generally
§ 5:41	FIRPTA
§ 5:42	—Capital Gain Distributions
§ 5:43	—Sale of Interests in a REIT
§ 5:44	—Distributions of U.S. Real Property Interests
§ 5:45	Withholding—Dividends
§ 5:46	—Capital Gain Distributions

- § 5:47 —Contingent Interest
- § 5:48 Swaps
- § 5:49 Special Considerations for Sovereign REIT Investors

VI. EVALUATING REITS: NAREIT AND IPA GUIDELINES

- § 5:50 Nareit Funds from Operations (FFO)
- § 5:51 IPA Modified Funds from Operations (MFFO)
- § 5:52 IPA Valuations Practice Guideline
- § 5:53 IPA Per Share Investment Performance Reporting Guideline

CHAPTER 6. TYPES AND USES OF REITS

I. IN GENERAL

§ 6:1 Introduction

II. REIT CLASSIFICATION

- § 6:2 Investment Vehicles
- § 6:3 Length of Life
- § 6:4 Open-End and Closed-End
- § 6:5 Nature of Assets
- § 6:6 Debt Equity Structure

III. SPECIALIZED REITS

- § 6:7 The REIT as Equity Investor
- § 6:8 —Depreciation Deductions
- § 6:9 —Joint Ventures
- § 6:10 The REIT as Lender—Using Participatory Mortgages
- § 6:11 The REIT as Borrower—Issuing Mortgage-Backed Securities
- § 6:12 —Straight Pass-Through Certificates
- § 6:13 —Trusts With Multiple Classes of Ownership Interests
- § 6:14 —Collateralized Mortgage Obligations
- § 6:15 —REMICs
- § 6:16 The REIT as Lender—Paired Stock Arrangements
- § 6:17 —Paired-Share REITs
- § 6:18 —The Paper-Clip Structure

IV. PRIVATE AND NON-TRADED REITS

- § 6:19 Generally
- § 6:20 Tax Benefits—UBTI Avoidance
- § 6:21 —FIRPTA Planning Opportunity
- § 6:22 —Tax Arbitrage
- § 6:23 —Alternative to REMIC
- § 6:24 Accounting and Regulatory Benefits
- § 6:25 Captive REITs
- § 6:26 —State Legislative Response to Captive REIT Arrangements

V. HOTEL REITS

§ 6:27 Generally

- § 6:28 The Income Restriction—Direct Ownership Limitation
- § 6:29 —Independent Contractor Requirement
- § 6:30 —Exception Under TRA 1986
- § 6:31 Possible Solution to Income Restriction—Tainting of Rental Income
- § 6:32 —IRS Letter Rulings
- § 6:33 —Rulings May Not be Extended to Hotels
- § 6:34 Practical Solution—TRS Lease Paired with Independent Contractor as Operator

VI. REIT SPIN-OFFS

- § 6:35 Generally
- § 6:36 Statutory Requirements for Tax-Free Treatment for REITs
- § 6:37 Non-Statutory Requirements for Tax-Free Treatment for REITs
- § 6:38 General Statutory Requirements for Tax-Free Treatment—Not Merely a Device to Distribute Earnings and Profits
- § 6:39 Statutory Requirements for Tax-free Treatment—Active Business
- § 6:40 Statutory Requirements for Tax-Free Treatment—Distribution of Entire Interest
- § 6:41 Non-Statutory Requirements for Tax-Free Treatment
- § 6:42 —Business Purpose
- § 6:43 —Continuity of Proprietary Interest
- § 6:44 —Continuity of Business Interest
- § 6:45 Tax Consequences of the Spin-Off—Shareholders
- § 6:46 —Distributing Corporation
- § 6:47 Purposes of REIT Spin-Offs and Barriers to Their Use—Uses
- § 6:48 Purposes of REIT Spin-Offs and Barriers to Their Use
- § 6:49 Spin-Offs: Corporate Aspects—Subsidiary Formation
- § 6:50 —Registration of Spun-Off Securities

VII. SINGLE PURPOSE CATEGORIES OF REITS

§ 6:51 Generally; Infrastructure REITs

VIII. INFRASTRUCTURE REITS

§ 6:52 Infrastructure REITs

IX. TIMBER REITS

§ 6:53 Timber REITs

X. ISSUES APPLICABLE TO REITS WITH FOREIGN INVESTMENTS

- § 6:54 General
- § 6:55 Foreign Currency Gains—General—Please review from here
- § 6:56 —The Foreign Currency Regime
- § 6:57 —the Addition of Section 856(n)
- § 6:58 —GILTI

CHAPTER 7. MORTGAGE REITS

I. DISTINGUISHING THE MORTGAGE REIT

§ 7:1 Generally

II. ADVANTAGES OF THE MORTGAGE REIT

§ 7:2 Generally

III. DISADVANTAGES OF THE MORTGAGE REIT

§ 7:3 Generally

IV. TAXATION OF MORTGAGE REITS

- § 7:4 Taxable Mortgage Pools
- § 7:5 Taxation of Mezzanine Loans
- $\S~7:6$ Taxation of mortgage loans
- § 7:7 Contingent Interest
- § 7:8 Dealer Income

CHAPTER 8. RECORDS AND REPORTING

I. IN GENERAL

§ 8:1 Introduction

II. RECORDS AND REPORTS RELATED TO THE OWNERSHIP OF REIT STOCK

- § 8:2 REIT Recording and Reporting Requirements
- § 8:3 Shareholder Reporting Requirements

III. OTHER RECORDS AND REPORTS

- § 8:4 Records Related to the REIT 75% Asset Test
- § 8:5 Report Related to the REIT Independent Contractor Rules
- § 8:6 Report Related to Tenant Ownership
- § 8:7 Other Information Returns

CHAPTER 9. UPREITS

I. IN GENERAL

§ 9:1 Introduction

II. REASON FOR THE UPREIT VEHICLE

§ 9:2 Generally

III. TAX CONCERNS OF AN UPREIT

- § 9:3 Generally
- § 9:4 Minimum Gain
- § 9:5 Relief of Liability
- § 9:6 Deemed Sale
- § 9:7 New Debt
- § 9:8 Form of Contribution to UPREIT
- § 9:9 Additional Discussion Relating to Allocation of Liabilities
- § 9:10 Operating Partnership 754 Election

CHAPTER 10. DOWNREITS

I. DISTINGUISHED FROM THE UPREIT

- § 10:1 Recap of UPREITs
- § 10:2 When an UPREIT is an "Unattainable Prospect" REIT
- § 10:3 Conflicts of Interest

II. DEFINING THE DOWNREIT

- § 10:4 Generally
- § 10:5 Basic Structure of the DownREIT

III. THE DOWNREIT'S IMPACT ON SMALL REAL ESTATE COMPANIES

- § 10:6 Generally
- § 10:7 Benefits of Smallcos
- § 10:8 Deficiencies of Smallcos
- § 10:9 The DownREIT as an Answer to Smallco Limits

IV. CONTRASTING UPREIT AND DOWNREIT STRUCTURES

§ 10:10 Generally

V. ADVANTAGES OF THE DOWNREIT STRUCTURE

- § 10:11 Benefits to Contributors
- § 10:12 Benefits to the REIT
- § 10:13 Tax Aspects
- § 10:14 Timing Advantages

VI. DISADVANTAGES OF THE DOWNREIT STRUCTURE

§ 10:15 Generally

CHAPTER 11. REIT MERGERS

I. IN GENERAL

§ 11:1 Introduction

II. JUDICIAL DOCTRINES APPLICABLE TO ALL TYPES OF REORGANIZATIONS

- § 11:2 Generally
- § 11:3 Business Purpose
- § 11:4 Step Transaction
- § 11:5 Continuity of Business Enterprise
- § 11:6 Continuity of Proprietary Interest
- § 11:7 Equity Interest Requirement
- § 11:8 Ratio of Equity Consideration

III. STATUTORY REQUIREMENTS FOR MERGERS OR CONSOLIDATIONS

§ 11:9 "A" Reorganizations

§ 11:10	"B" Reorganizations—Target's Stock Acquired "Solely" for Voting Stock of
	Acquirer or Parent
§ 11:11	—"Creeping" Acquisition
§ 11:12	—Control of Target
§ 11:13	"C" Reorganizations—Exchange of "Substantially All" of Target's
	Properties "Solely" for Voting Stock of the Acquirer or its Parent
§ 11:14	—Boot as Consideration
§ 11:15	—Acquirer's Assumption of Target's Liabilities
§ 11:16	"D" Reorganizations
§ 11:17	Nondivisive
§ 11:18	Divisive
§ 11:19	Triangular Reorganizations
§ 11:20	Forward Triangular Mergers
§ 11:21	Reverse Triangular Mergers

IV. SPECIAL TAX TREATMENT OF CORPORATIONS AND SHAREHOLDERS IN A REORGANIZATION

- § 11:22 "Parties to the Reorganization"
 § 11:23 Acquirer Corporations
 § 11:24 Target Corporations
- § 11:25 Taxation of Target's Shareholders

V. SPECIAL TYPES OF REIT MERGERS

§ 11:26 Merger of a REIT and a C Corporation—REIT Qualification Restrictions
 § 11:27 —How to Prevent Violation of REIT Requirements
 § 11:28 Merger of Two REITs

VI. UPREIT MERGERS

§ 11:29 Consolidation of Umbrella Partnership Assets and Former Remote Continuity of Interest Problem
 § 11:30 UPREIT/REIT Merger as a Solution
 § 11:31 Potential Tax Difficulties; Debt Paydown
 § 11:32 Nonrecourse Debt Allocation
 § 11:33 Disposal of Certain REIT Property

VII. CORPORATE LAW ASPECTS

§ 11:34 Introduction § 11:35 **UPREIT Merger** Merger Agreement—General § 11:36 § 11:37 —Representations and Warranties Generally § 11:38 —Specific REIT Representations § 11:39 —Principal Covenants § 11:40 —Conditions to Obligation to Effect the Merger —Termination § 11:41 § 11:42 —Termination Fees; Other Expenses § 11:43 Optional Partnership Exchange Offer Tax Consequences to Partners in UPREITs § 11:44 § 11:45 **HSR** Approval Not Required § 11:46 **Voting Agreements** § 11:47 Shareholder Approval Process

VIII. TAKEOVER BIDS AND ANTITAKEOVER PROVISIONS

- § 11:48 Generally
- § 11:49 Antitakeover Provisions
- § 11:50 Excess Share Provisions
- § 11:51 Shareholder Rights Plans
- § 11:52 Supermajority Voting Requirements
- § 11:53 Other Tactics
- § 11:54 Case Study Hostile Takeover of CommonWealth REIT
- § 11:55 Directors' and Trustees' Obligations Under the Business Judgment Rule
- § 11:56 Defensive Tactics Under the Business Judgment Rule

CHAPTER 12. SECURITIES LAWS APPLICABLE TO REITS

I. IN GENERAL

- § 12:1 Introduction
- § 12:2 The Philosophy of Federal Securities Regulation
- § 12:3 An Overview of the Securities Act of 1933
- § 12:4 An Overview of the Securities Exchange Act of 1934
- § 12:5 An Overview of the SOX of 2002
- § 12:6 An Overview of the Dodd-Frank Act of 2010
- § 12:7 An overview of the JOBS Act of 2012 and the FAST Act of 2015
- § 12:8 SEC rulemaking
- § 12:9 EDGAR
- § 12:10 Inline XBRL
- § 12:11 SEC "Plain English" Rules
- § 12:12 SEC Guidance Generally
- § 12:13 Manual of Publicly Available Telephone Interpretations
- § 12:14 Staff Legal Bulletins (SLABs)
- § 12:15 Frequently Asked Questions (FAQs)
- § 12:16 Compliance and Disclosure Interpretations (CDIs)
- § 12:17 No-Action and Interpretive Letters
- § 12:18 Informal Guidance
- § 12:19 SEC Comment Letters to Registrants
- § 12:20 Roundtables

II. FEDERAL SECURITIES ACT OF 1933

- § 12:21 Generally
- § 12:22 Exemptions From Registration
- § 12:23 Section 4(a)(2) of the Securities Act, Regulation D and Rule 144 for Resales
- § 12:24 Overseas Offerings
- § 12:25 Intrastate Offerings
- § 12:26 Regulation A Offerings
- § 12:27 Registration of Securities
- § 12:28 Need to Keep Prospectus Current

III. INITIAL PUBLIC OFFERING

§ 12:29 Generally

§ 12:30	IPO Timetable
§ 12:31	Financial Statements
§ 12:32	Publicity Restrictions
§ 12:33	Conflicts of Interest
§ 12:34	Due Diligence Procedures
§ 12:35	Property Selection; Title Issues; Status of Leases
§ 12:36	Preparation of the Registration Statement
§ 12:37	REIT Organizational Matters; Choice of State
§ 12:38	
§ 12:39	Waiting Period and "Quiet Period"
§ 12:40	Offering Procedures Since 2005—Overview
§ 12:41	WKSIs and Other Categories of Issuers
§ 12:42	Issuer Communications; "Gun Jumping"
§ 12:43	Free Writing Prospectus
§ 12:44	Electronic Road Shows
§ 12:45	Regulation FD and Research Reports
§ 12:46	Liability Issues
§ 12:47	Streamlining of Securities Act Registration—Shelf Offerings and Form
	Change
§ 12:48	
	Notes of Allocations
§ 12:49	8
§ 12:50	S Company of the comp
§ 12:51	·
§ 12:52	
§ 12:53	
	Offering Price
§ 12:54	S .
§ 12:55	8
§ 12:56	[Reserved]

IV. FORMAL REGISTRATION STATEMENT REQUIREMENTS

§ 12:57	Generally
§ 12:58	Form S-11 for Initial Offerings
§ 12:59	Eligibility for Form S-3—Primary Offerings
§ 12:60	—Debt Offerings
§ 12:61	Requirements of Form S-11
§ 12:62	Cover pages of the Prospectus
§ 12:63	Summary Information and Risk Factors
§ 12:64	Determination of Offering Price; Dilution; Plan of Distribution
§ 12:65	Use of Proceeds
§ 12:66	Securities of the REIT
§ 12:67	Financial Data and Management's Discussion and Analysis
§ 12:68	Policies of the REIT
§ 12:69	Investment Policies
§ 12:70	Description of Real Estate
§ 12:71	Management and Compensation
§ 12:72	Related Transactions with Management
§ 12:73	Management of the REIT's investments
§ 12:74	Federal Income Tax Considerations
§ 12:75	Legal Proceedings Pending

§ 12:76	Miscellaneous Matters
§ 12:77	Roll-up Disclosure
§ 12:78	Registration Statement Information Not Required in the Prospectus
§ 12:79	Signatures

V. LIABILITIES UNDER THE SECURITIES ACT AND EXCHANGE ACT

§ 12:80	Liability Generally
§ 12:81	Section 11—Liability for False Registration Statement; Due Diligence Defense
§ 12:82	Section 12—Liability in Connection with Prospectuses and Communications
§ 12:83	Section 15—Control Person Liability
§ 12:84	Section 17(a)—Fraudulent Transactions
§ 12:85	Forward-Looking Statements and the Private Securities Litigation Reform Act of 1995
§ 12:86	Forward-Looking Statements
§ 12:87	Safe Harbor Provisions
§ 12:88	Scope of the PSLRA
§ 12:89	Operation of the Safe Harbor
§ 12:90	Other Contributions by the PSLRA
§ 12:91	PSLRA in the Courts
§ 12:92	Securities Litigation Uniform Standards Act of 1998
§ 12:93	Rule 10b-5 and Other Liability Provisions Under the Exchange Act
§ 12:94	Rule 10b-5
§ 12:95	Section 18
§ 12:96	Section 20
§ 12:97	Section 20A
§ 12:98	Section 21, etc.
§ 12:99	Section 21D
§ 12:100	Section 32

VI. EXCHANGE ACT; STOCK EXCHANGE GOVERNANCE RULES

§ 12:101	Registration Under Section 12(b)
§ 12:102	Registration Under Section 12(g)
§ 12:103	Filing Duties Following an Offering If Not Registered; Voluntary Filing
§ 12:104	Registration Process
§ 12:105	Delisting/Deregistration by the Exchange
§ 12:106	Delisting/Deregistration by the Registrant
§ 12:107	Alternative Trading Markets
§ 12:108	OTC Bulletin Board
§ 12:109	Pink OTC Markets, f/k/a "Pink Sheets"
§ 12:110	Periodic and Current Reporting—Philosophy and Procedures; Categories of Public Filers
§ 12:111	Philosophy of Reporting
§ 12:112	Integrated Disclosure System
§ 12:113	Cybersecurity disclosure for public companies
§ 12:114	Categories of Public Filers
§ 12:115	Periodic Reports vs. Current Reports
§ 12:116	Materiality
§ 12:117	Amendment Procedure

§ 12:118	Filing Requirements Not Set Forth in Forms
§ 12:119	Exhibits
§ 12:120	Extensions of Time to File
§ 12:121	Consequences of Late Filing—Inability to Use Short Form Registration Statements
£ 10.100	
§ 12:122	Liability Describle Covenant Defaults by Lete Filing
§ 12:123 § 12:124	—Possible Covenant Defaults by Late Filing Periodic and Current Reporting—Restatements
§ 12.124 § 12:125	—Annual Reports on Form 10-K
§ 12:125 § 12:126	-
0	—Quarterly Reports on Form 10-Q
§ 12:127	—Current Reports on Form 8-K
§ 12:128	—Market Risk Disclosures
§ 12:129	—MD&A Disclosure
§ 12:130	Corporate Governance Changes
§ 12:131	SOX of 2002
§ 12:132	SOA—CEO/CFO Certification of Periodic Reports
§ 12:133	—Disclosure Controls
§ 12:134	—Internal Control Over Financial Reporting
§ 12:135	—Internal Control—Timing of Effectiveness; Applicability to Small
\$ 10.19¢	Issuers
§ 12:136	— Summary of Requirements— Role of PCAOB
§ 12:137	
§ 12:138	— — Terminology
§ 12:139	— — Mechanics of Management Assessment
§ 12:140	——Auditing Process
§ 12:141	— —Frequently Asked Questions
§ 12:142	— — Current Practices
§ 12:143	——SEC's Interpretive Guidance for Management
§ 12:144	— — Disclaimed 404 Opinions
§ 12:145	— —Relationship Between Internal Control Over Financial Reporting and Disclosure Controls and Procedures
§ 12:146	—Code of Ethics for Senior Financial Officers
§ 12:147	—Enhanced Review of Periodic Disclosures
§ 12:148	—Additional Disclosures in Periodic Reports; Disclosure of Non-GAAP
0	Data, Including FFO Data
§ 12:149	—Auditor Independence
§ 12:150	—Public Company Audit Committees
§ 12:151	—Whistleblower Provisions under SOX and Dodd-Frank
§ 12:152	—Forfeiture of Bonuses (clawback)
§ 12:153	—Prohibition on Personal Loans to Executives
§ 12:154	—Insider Trades During Pension Blackout Periods
§ 12:155	—Increased Criminal Penalties
§ 12:156	SEC Rules to Accelerate Periodic Filing Deadlines
§ 12:150 § 12:157	Stock Exchange Governance Rules
	—NASDAQ Rules
§ 12:158	—NASDAQ Rules —NYSE Rules
§ 12:159	
§ 12:160	Section 16—Ownership Reports and Short-Swing Profits

VII. PROXY SOLICITATIONS & ANNUAL MEETINGS

- § 12:161 Overview
- § 12:162 State Law Requirement

§ 12:163	SRO Requirements
§ 12:164	SEC Requirements—General
§ 12:165	—Director Nomination Proposals
§ 12:166	General Business Concerns
§ 12:167	E-Proxies
§ 12:168	Electronic Shareholder Forums
§ 12:169	2006, 2009 and 2010 Compensation and Governance Disclosure Changes
§ 12:170	Compensation Discussion and Analysis
§ 12:171	Risk Disclosure
§ 12:172	Tabular and Narrative Presentations
§ 12:173	Post-Employment Arrangements
§ 12:174	Director Compensation
§ 12:175	Equity Ownership
§ 12:176	Related Person Transactions
§ 12:177	Say-On-Pay, Say-When-On-Pay and Say-On-Golden-Parachutes
§ 12:178	Broker Nonvote Rules Regarding Executive Compensation
§ 12:179	Enhanced Disclosure of Compensation Matters—General
§ 12:180	Enhanced Disclosure of Pay Versus Performance
§ 12:181	Disclosure of PEO Compensation Pay Ratio
§ 12:182	Corporate Governance
§ 12:183	Disclosure of Employee and Director Hedging
§ 12:184	Changes to Form 8-K
§ 12:185	Graph
§ 12:186	SEC Staff Actions on Executive Compensation
§ 12:187	Schedule 14A Disclosures
§ 12:188	"Proxy Plumbing" Proposals
X 7 T T T	

VIII. MATERIALITY AND THE DUTY TO DISCLOSE; REGULATION FD

§ 12:189	Structured Disclosures
§ 12:190	Unstructured Disclosure; General Disclosure Duty
§ 12:191	Climate Change
§ 12:192	"Fair Disclosure" Under Regulation FD
§ 12:193	FD—Company Disclosures Covered by Regulation FD
§ 12:194	—Communications That Trigger Disclosure
§ 12:195	—Timing and Means of Required Disclosure
§ 12:196	—Liability Under Regulation FD
§ 12:197	Use of Company Web Sites to Satisfy Disclosure Obligation
§ 12:198	Disclosure Duties Under Stock exchange and NASDAQ rules

IX. INVESTMENT COMPANY ACT

§ 12:199 Generally

X. OTHER ISSUES

§ 12:200	REITs' Ability to Pay Dividends Via Stock
§ 12:201	Direct Registration of Securities
§ 12:202	Mini-Tender Offers

CHAPTER 13. CORPORATE GOVERNANCE OF REITS

I. IN GENERAL

§ 13:1 Introduction

II. GOVERNANCE GUIDELINES AND BEST PRACTICES

§ 13:	2 Generally	
§ 13:	3 Business Roundtable Recommendations	
§ 13:	4 Breeden Report	
§ 13:	National Association of Corporate Directors Key Agreed Principles for Strengthening Corporate Governance.	
§ 13:	6 Conference Board Task Force on Executive Compensation	
§ 13:	Report of the New York Stock Exchange Commission on Corporate Governance	
§ 13:	8 Other sources	
§ 13:	9 Stockholder Activists, Stockholder Proposals and Stockholders Rights Groups	
§ 13:	10 Ratings Services	
§ 13:	11 [Reserved]	
§ 13:	12 Hot Topics—Board Governance—Separation of CEO and COB Role and Use of Lead Directors	
§ 13:	13 ——Rotation and Age Limits	
§ 13:	14 ——Annual Director Election	
§ 13:	15 — On-Site Visits	
§ 13:	16 — —Enhanced Independence Standards	
§ 13:	17 — Right to Nominate Directors by Stockholders ("Proxy Access")	
§ 13:	18 — — Majority Election of Directors	
§ 13:	19 ——Cumulative Voting	
§ 13:	20 ——Equity Ownership by Directors	
§ 13:	21 —Compensation Issues—"Say On Pay," Consultants, Clawbacks, "Pay for Performance," Etc.	or
§ 13:		
§ 13:		

III. ANALYSIS OF CORPORATE GOVERNANCE PROGRAMS

§ 13:25 Public Companies

§ 13:24 —Other Issues

§ 13:26 Summary

CHAPTER 14. TRANSACTIONAL REAL ESTATE

- $\S 14:1$ Generally
- § 14:2 Negotiating the Acquisition of Real Estate
- § 14:3 Real Estate Description
- § 14:4 Title Insurance
- § 14:5 Zoning
- § 14:6 Building Violations
- § 14:7 Existing Leases
- § 14:8 Existing Contracts
- § 14:9 Security Deposits and Included Personalty
- § 14:10 Financing the Acquisition of Real Estate With Debt

- § 14:11 Junior Mortgage Financing
- § 14:12 Mezzanine and A/B Loans
- § 14:13 Equity-Related Financing
- § 14:14 Land Sale-Leaseback Transactions and Leasehold Mortgage
- § 14:15 Joint Ventures

CHAPTER 15. BLUE SKY REGULATION OF REITS AND NATIONAL SECURITIES MARKET LISTING REQUIREMENTS

I. IN GENERAL

- § 15:1 Introduction
- § 15:2 Preemption of Blue Sky Laws Under the National Securities Markets Improvement Act of 1996
- § 15:3 Registration of REIT offerings Under Blue Sky Laws—Generally
- § 15:4 Registration Process

II. REVIEW OF REIT OFFERINGS UNDER NASAA STATEMENT OF POLICY REGARDING REITS

- § 15:5 Requirements of Sponsor, Advisor, Trustees and Affiliates
- § 15:6 Suitability of Shareholders
- § 15:7 Fees, Compensation and Expenses
- § 15:8 Conflicts of Interest and Investment Restrictions
- § 15:9 Rights and Obligations of Shareholders
- § 15:10 Disclosure and Marketing

III. NEW YORK STOCK EXCHANGE, AMERICAN STOCK EXCHANGE AND NASDAQ — LISTING AND MAINTENANCE CRITERIA

- § 15:11 Quantitative Standards for Listing
- § 15:12 Qualitative Standards for Listing
- § 15:13 Listing Fees
- § 15:14 Standards for Continued Listing

IV. CONCLUSION

§ 15:15 Generally

CHAPTER 16. REIT STATE TAX ROUNDUP

I. STATE TAXATION OF REITS

- § 16:1 Income Taxes
- § 16:2 State Tax Laws: Alabama
- § 16:3 State Tax Laws: Alaska
- § 16:4 State Tax Laws: Arizona
- § 16:5 State Tax Laws: Arkansas
- § 16:6 State Tax Laws: California
- § 16:7 State Tax Laws: Colorado
- § 16:8 State Tax Laws: Connecticut

§ 16:9 State Tax Laws: Delaware State Tax Laws: District of Columbia § 16:10 § 16:11 State Tax Laws: Florida § 16:12 State Tax Laws: Georgia § 16:13 State Tax Laws: Hawaii § 16:14 State Tax Laws: Idaho State Tax Laws: Illinois § 16:15 § 16:16 State Tax Laws: Indiana § 16:17 State Tax Laws: Iowa State Tax Laws: Kansas § 16:18 State Tax Laws: Kentucky § 16:19 State Tax Laws: Louisiana § 16:20 § 16:21 State Tax Laws: Maine § 16:22 State Tax Laws: Maryland § 16:23 State Tax Laws: Massachusetts § 16:24 State Tax Laws: Minnesota State Tax Laws: Mississippi § 16:25 § 16:26 State Tax Laws: Missouri § 16:27 State Tax Laws: Montana § 16:28 State Tax Laws: Nebraska § 16:29 State Tax Laws: Nevada State Tax Laws: New Hampshire § 16:30 § 16:31 State Tax Laws: New Jersey § 16:32 State Tax Laws: New Mexico § 16:33 State Tax Laws: New York State Tax Laws: North Carolina § 16:34 § 16:35 State Tax Laws: North Dakota State Tax Laws: Ohio § 16:36 State Tax Laws: Oklahoma § 16:37 § 16:38 State Tax Laws: Oregon State Tax Laws: Pennsylvania § 16:39 § 16:40 State Tax Laws: Rhode Island § 16:41 State Tax Laws: South Carolina § 16:42 State Tax Laws: South Dakota § 16:43 State Tax Laws: Tennessee § 16:44 State Tax Laws: Texas § 16:45 State Tax Laws: Utah § 16:46 State Tax Laws: Vermont State Tax Laws: Virginia § 16:47 § 16:48 State Tax Laws: Washington § 16:49 State Tax Laws: West Virginia State Tax Laws: Wisconsin § 16:50 § 16:51 State Tax Laws: Wyoming

Volume 29A

APPENDIX A: MODEL DOCUMENTS

APPENDIX A1a. Model Prospectus—Basic

APPENDIX A1b. Model Prospectus—Hotel REIT

APPENDIX A1c. Model Prospectus Supplement

APPENDIX A1d. Fee Tables For Cover of Automatic Shelf Registration

Statement and Prospectus Supplement When Deferring

Payment

APPENDIX A2. Model Certificate of Incorporation

APPENDIX A3. Model By-Laws

APPENDIX A4. Model Minutes of First Meeting of Directors

APPENDIX A5. Model Questionnaire

APPENDIX A6. "Safe Harbor" Cautionary Language

APPENDIX A7. Audit Committee Charter

APPENDIX A8. Compensation Committee Charter

APPENDIX A9. Nominating/Corporate Governance Committee Charter

APPENDIX A10. Disclosure Committee Charter

APPENDIX A11. Corporate Governance Guidelines and Principles

APPENDIX A12. Corporate Ethics Policy

APPENDIX A13. Merger Proxy Statement/Registration Statement

APPENDIX A14. Merger Agreement

APPENDIX A15. Model Tax Protection Agreement

APPENDIX A16. Sample Risk Factor Disclosures

APPENDIX B: LEGISLATIVE HISTORY

APPENDIX B1. P.L. 86-779 (1960)

APPENDIX B2. House Ways and Means Report on H.R. 12559

APPENDIX B3. P.L. 93-625 (1974)

APPENDIX B4. Committee Report, P.L. 93-625 (1974)

APPENDIX B5. Tax Reform Act of 1976—P.L. 94-455

APPENDIX B6. General Explanation of The Tax Reform Act of 1976 (Joint Com-

mittee on Taxation)

APPENDIX B7. Revenue Act of 1978—P.L. 95-600

APPENDIX B8. Tax Reform Act of 1986—P.L. 99-514

APPENDIX B9. Committee Report P.L. 99-514

APPENDIX B10. Revenue Reconciliation Act of 1993—P.L. 103-66

APPENDIX B11. Taxpayer Relief Act of 1997—P.L. 105-34

APPENDIX B12. Ticket to Work and Work Incentives Improvement Act (P.L. 106-170)

APPENDIX C

APPENDIX C. [Reserved]

APPENDIX D: TREASURY REGULATIONS

Appendix D. Code of Federal Regulations

APPENDIX E

APPENDIX E. [Reserved]

APPENDIX F: NASAA STATEMENT OF REIT POLICY

Appendix F. NASAA REIT Guidelines

APPENDIX G: SECURITIES FORMS

APPENDIX G1. Form S-11

APPENDIX G2. Guide 5

APPENDIX G3. Form U-1: Uniform Application to Register Securities

APPENDIX G4. Form U-2: Uniform Consent to Service of Process

APPENDIX G5. Form U-2A

Appendix H IRS TAX FORMS

APPENDIX H1. Form 8832 (with instructions)

APPENDIX H2. Form 8875 (with instructions)

APPENDIX H3. Form 8937

APPENDIX H4. Form 8937 Instructions

APPENDIX H5. Form 8612 (with instructions)

APPENDIX H6. Form 1120 REIT

APPENDIX H7. Form 1120 REIT Instructions

APPENDIX I: SECURITIES REFERENCE MATERIALS

APPENDIX I. SEC Comment Letter

APPENDIX J: TAX ISSUES

APPENDIX J1. Revenue Rulings and Announcements

APPENDIX J2. Rents From Real Property

APPENDIX J3. Taxable REIT Subsidiaries

APPENDIX J4. REIT's Gross Income

APPENDIX J5. Stock Ownership, Dividend Reinvestment Plans and Stock

Purchase Plans

APPENDIX J6. Partnership Issues

APPENDIX J7. Treatment of Notes

APPENDIX J8. Qualified REIT Subsidiaries APPENDIX J9. Leases and Subleases of Personal Property APPENDIX J10. Reorganizations APPENDIX J11. Settlement Payments APPENDIX J12. Section 1221(1) Property APPENDIX J13. **Extension of Time** APPENDIX J14. Reimbursements APPENDIX J15. Real Estate Assets APPENDIX J16. Miscellaneous

Appendix K NAREIT AND IPA WHITE PAPERS

APPENDIX K1. Nareit FFO White Paper
APPENDIX K2. IPA MFFO Practice Guideline
APPENDIX K3. IPA Valuations Practice Guideline
APPENDIX K4. IPA Per Share Investment Performance Reporting Guideline

Table of Laws and Rules

Table of Authorities

Table of Cases

Index