REIT Conversion Work Streams

Organization

I. Subsidiary Merger

Merge into a new Delaware or Maryland wholly owned subsidiary in order to amend certificate of incorporation to provide for REIT ownership limitations.

1. Bond Indentures and Credit Agreements

2. Banking Documents

   Begin dialog with key players in existing banking relationships on impact of restructuring/ conversion.

3. Other Material Contracts – including identification of third party consents

4. Employee Benefit Plans

   i. Stock option/stock incentive plans

   ii. Employee stock purchase plans

   iii. 401(k) plans

   iv. Welfare benefit plans

   v. Deferred compensation plans

   vi. Others

5. Real Estate Transfer Taxes in United States Local and Foreign Jurisdictions

6. Are Net Operating Losses Lost in the Subsidiary Merger?

   Possible issues with NOL maintenance for state and foreign income tax purposes.

7. Tax Effects in Other Significant Jurisdictions (Income, Non-Real Estate Transfer Taxes)

   Tax impact of reorganization may extend beyond real estate transfer taxes in some jurisdictions.

8. Intellectual Property Matters

B. Prepare Organic Documents for Merger Subsidiary

1. Amended and Restated Certificate of Incorporation with REIT Ownership Limitations

2. Amended and Restated Bylaws

C. Prepare Transaction Documents

1. Merger Agreement

2. Tax Opinion to Support the Reincorporation

D. Registration Statement on SEC Form S-4

1. Prepare Draft Form S-4 (it will be a joint registration statement/prospectus and will include extensive REIT tax disclosure)

2. Consider SEC No-Action Letter on a Variety of Disclosure Concerns Relating to the Subsidiary.

3. EDGAR Matters

4. File with SEC

5. Receive SEC Comments

6. Prepare Written Response(s) to SEC and File S-4 Amendment(s)

7. SEC Form S-4 Declared Effective

8. Rule 424(b)(3) Prospectus for Merger Subsidiary

E. Shareholder Vote

1. Engage Solicitation Agent

2. Set Record Date

3. Mail Proxy Statement and Proxy Card and File Proxy Statement

F. Board of Directors Approval

1. Prepare Resolutions with Preliminary Approval for the REIT Conversion, Adoption of REIT Asset Test Valuation Model, and Approval of Merger Agreement

2. Prepare Board Package for Subsidiary Merger and REIT Conversion

G. Other SEC filings

1. Form 8-A Registration Statement Registering Stock of Merger Subsidiary

2. S-8 Post Effective Amendments

II. Repurchase Public Debt, if Necessary

May be necessary to obtain freedom from restricted payment baskets or, in the case of convertible debt, facilitate 9.8% restriction compliance.

A. Compliance with SEC Tender Offer Rules

B. Other SEC Filings

C. Financing Options

Rent

I. IRS Private Letter Ruling

A. Prepare PLR Request

B. Prepare Presubmission Memorandum

C. Presubmission Conference

D. Revise and Finalize PLR request

E. File PLR

F. Submit Supplemental Information if Requested by IRS

G. Adverse Conference, if Necessary

H. Receive Private Letter Ruling from IRS

I. Publicly Disclose Some or All Rulings Received from IRS

II. Contract Review/Diligence

A. Prepare REIT Compliance Checklist

B. Identify Material Country Markets for Initial Review

C. Hire Diligence Team or Engage Outsourcing Company

D. Complete Review of Material Country Markets

E. Complete Review of Smaller Country Markets

III. Internal Payroll Structure

Need to determine whether to have one payroll or two in each jurisdiction—likely two—and which entity or entities.

A. Determine Required Filings/Actions to Maintain/Transfer Experience Ratings

B. Determine Benefit Plan Sponsors

IV. Internal Reorganization, country-by-country, to effectuate QRS/TRS Split of: Assets/Liabilities/Revenues/Expenses

A. Payroll / Personnel / Benefit Plans

B. Facilities

C. Headquarters Office Space

D. Equipment

E. Intellectual Property

V. Cost Sharing Agreements

Cost sharing arrangements may be necessary to comply with REIT tests, as well as transfer pricing rules among the REIT and its TRSs.

A. Payroll and Personnel

B. Facilities

C. Headquarters Office Space

D. Equipment

E. Intellectual Property

F. Transfer Pricing Studies in Respect of One or More of the Above

Income

I. Diligence

A. Scrub General Ledger for Miscellaneous Sources of Income

B. Identify Hedges that Require “Identification” for REIT Tax Purposes

II. Rationalize Cash Accounting Systems for REIT/TRS Split

Assets

I. Develop REIT Asset Testing Valuation Model

The Board of Directors will value assets quarterly, based on a model adopted by it, such as modified GAAP, discounted cash flow, or a hybrid model. The model will need to work off of the general ledger and be consistent with the goodwill impairment analysis for GAAP.

A. Educate Board of Directors on Their Role under the REIT Tax Rules

B. Review Valuation Model Options

C. Present Options to Board of Directors and Make Recommendation

D. Test for 75% Asset Test Compliance

Test well in advance of REIT conversion date, and quarterly thereafter.

E. Test for 75% and 95% Income Test Compliance

Test well in advance of REIT conversion date, and quarterly thereafter.

F. Determine Value of Real Estate Intangibles Versus Other Intangibles

II. Taxable REIT Subsidiaries ("TRSs")

Nonqualifying assets and income can be sequestered in TRSs, which are not consolidated with the REIT for asset testing and income testing purposes. However, TRS net equity held by the REIT (along with all other nonqualifying assets) cannot exceed 25% of the value of the REIT's gross assets.

A. Diligence

1. Determine Markets and Business Segments that will be Sequestered in TRSs

In particular, determine which foreign markets need to be converted to the REIT format of QRS-TRS, and by when, in order to maintain compliance with REIT asset testing. This also feeds into the determination of how quickly the public parent can feasibly convert to a REIT.

2. Review all Other Assets to Determine Whether they are Qualifying REIT Assets or Should be Sequestered in TRSs

3. Review Mezzanine Debt that Could be Secured by Interests in Real Property

Debt owed by a TRS to the REIT that is secured by an interest in real property (i) is a good REIT asset for purposes of the 75% gross asset test and (ii) drives down the TRS net equity value.

4. Inventory all Minority Positions and Debt Securities Held in Third Parties

If necessary or prudent to comply with the 10% vote and 10% valuation tests, these assets should be sequestered in one or more TRSs.

III. Determine Whether Accounting Method Changes will be Required for Treatment of Certain Assets as Real Property for REIT purposes.

A. Determine Cash Tax Impact of any Section 481 Adjustment

B. Determine Distribution Requirement Related to any Section 481 Adjustment

Distributions

I. Earnings and Profits Study

II. Determine Whether Earnings and Profits Purging Dividends will be (i) All Cash or (ii) Part Cash and Part Stock

A. Declaration of Dividend by Board of Directors

B. Determination of Record Date

C. If Cash/Stock Dividend

1. Consider SEC Registration Statement or Prospectus Supplement, as Applicable

2. Mechanics and Process for Shareholders of Record to Make and Return Elections

III. Repurchase/Refinance/Modify Debt with Restricted Payment Baskets that will not Support Projected REIT Distributions

A. SEC Filings

B. Financing Options

IV. Adopt and Announce REIT Distribution Policy

Other Possible Work Streams

1) Systems

a) Accounting

b) Information Technology

c) Payroll

2) NYSE/NASDAQ Matters

3) Financial Projections

4) Dialog with Ratings Agencies

5) Investor Relations

   a) Investor Messaging

   b) Roadshow

6) Customer/Tenant Relations

7) Internal Education for Employees

   a) REIT is Just a "Tax Election" – No Impact on Customer Offerings

   b) REIT Compliance is About Process, Particularly QRS/TRS Processes