Internal Revenue Service

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Department of the Treasury
Washington, DC 20224

Third Party Communication: None
Date of Communication: Not Applicable

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Refer Reply To:
CC:CORP:B04
PLR-128822-06

Date:
July 21, 2006

In Re:

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Dear :

This letter responds to your letter of June 5, 2006, and additional information submitted June 27 and July 17, 2006, requesting that we supplement our letter ruling dated July 20, 2005 (PLR-119117-05) (the "Original Ruling") and supplemental rulings dated February 27, 2006 (PLR-145225-05) (the "First Supplemental Ruling") and May 12, 2006 (PLR-124030-06) (the "Second Supplemental Ruling," together with the Original Ruling and the First Supplemental Ruling, the "Prior Rulings"). The information submitted for consideration is summarized below. Capitalized terms not defined in this ruling have the meanings assigned to them in the Original Ruling.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the materials submitted in

support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process.

The Prior Rulings addressed certain federal income tax consequences of the Proposed Transactions under sections 355 and 368 of the Internal Revenue Code, and other Code provisions.

Supplemental Facts

Subsequent to the issuance of the Second Supplemental Ruling, Distributing completed the Distribution on Date 7. Distributing currently has three series or classes of outstanding stock: Common S, Common T, and Common U. Each series or class of stock is identical in all material economic respects. The only material differences existing among such series or classes of stock are with respect to the relative voting power and the potential conversion of the Common T and U Stock into Common S Stock. Common S Stock has one vote per share. Each share of the Common T Stock has g votes per share and automatically converts into one share of Common S Stock upon its transfer to a person other than D, E, or F or their affiliates or related parties. The Common U Stock is non-voting stock and is convertible into one share of Common S Stock upon certain events or determinations, including as the result of a disposition of such shares by its current holder, G. The Common T Stock represents approximately a% of the voting power and b% of the value of Distributing, and the Common U Stock represents approximately c% of the value of Distributing.

As of Date 6, to the best of its knowledge, Distributing had no shareholders owning 5% or more of the aggregate voting power or value of its outstanding stock other than A and B, both of which are large mutual fund companies. Since that date, Distributing believes another mutual fund company, C, may have acquired shares representing slightly more than 5% of the aggregate voting power or value of its outstanding stock.

Distributing has been considering open market repurchases of its Common S Stock (the “Post-Distribution Redemptions”), and management recently has determined it would like to pursue such a strategy. As described above, each holder of Common T and Common U Stock can cause such stock to convert into Common S Stock by selling it in the open market. As a result, all Distributing shareholders (i.e., the holder of shares of any series or class of Distributing stock) may participate in, and benefit from, the Post-Distribution Redemption program. Distributing is indifferent as to which of its shareholders participate in the Post-Distribution Redemptions, which could involve repurchases of up to d% of the aggregate number of outstanding shares (as of the date of the Distribution) of Distributing’s three series or classes of common stock. The Post-Distribution Redemptions are not motivated to any extent by a desire to increase or decrease the ownership percentage of any particular shareholder or group of

shareholders, including any portion of the pre-Merger Distributing or Corporation X shareholders.

During period e, Distributing retained an investment banker regarding a transaction involving certain of its assets (the "Target Assets"). Thereafter, one particular Distributing shareholder that, to Distributing's knowledge remains a Distributing shareholder, held discussions with Distributing concerning a transaction involving a potential exchange of the Target Assets for Distributing stock owned by that Distributing shareholder (the "Abandoned Transaction"). After brief negotiations between Distributing and the shareholder, Distributing terminated those discussions in favor of an alternative transaction not involving the redemption of Distributing stock.

On Date 1, also during period e, Distributing redeemed the Distributing Preferred V stock (the "Preferred Stock Redemption"). The principal purpose motivating the Preferred Stock Redemption was to avoid the potential time and expense associated with the possible need to prepare an additional registration statement that might have been required to be issued to holders of Preferred V stock who elected to participate in the Distribution, and the potential delay in completing the Distribution in the event the registration statement was subject to extensive regulatory review. The Preferred Stock Redemption occurred pursuant to the preexisting terms of the Preferred V stock set forth in Distributing's articles of incorporation, which permitted Distributing to redeem the Preferred V Stock at any time. The Preferred Stock Redemption was not motivated to any extent by a desire to increase or decrease the ownership percentage of any particular shareholder or group of shareholders. Distributing and Corporation X held no discussions regarding the Preferred Stock Redemptions prior to the execution of the Merger Agreement. Other than with respect to the Preferred Stock Redemption and the Abandoned Transaction, there have been no discussions regarding the redemption of Distributing stock with any particular holder (or group of holders) of such stock during period e.

After the announcement of the Distribution (which was made on the date of the Merger Agreement), but prior to the Distribution, Distributing made certain public comments of a very general nature in forums such as analyst and investor meetings, including Meeting 1, Meeting 2, Meeting 3, and Meeting 4, about the potential use of Distributing's available cash following the Distribution, including the potential for Post-Distribution Redemptions. Such meetings uniformly disavowed the existence of a current intention to pursue any particular strategy, including the Post-Distribution Redemptions, but rather acknowledged such strategies as recognized viable possible uses of Distributing's expected available cash that may be considered in the future.

Distributing and Corporation X did not discuss the possibility for the Post-Distribution Redemptions prior to the execution of the Merger Agreement. Also, no such discussions with respect to the Post-Distribution Redemptions were held by Distributing and any particular shareholder or shareholder groups of Distributing prior to

the execution of the Merger Agreement. The terms of the Merger Agreement obligated the parties to use reasonable best efforts to complete the Distribution following the consummation of the Merger. Distributing has not had an open market stock repurchase program in place for more than f years prior to the Merger. Prior to the Distribution, Distributing management had not presented the Finance Committee or Board of Directors with a recommendation for a stock repurchase program, and neither the Finance Committee nor the Board of Directors had made a determination to adopt such a program. Distributing management first presented its recommendation for a repurchase program to the Finance Committee on Date 2 and to the Board of Directors on Date 3; however, management did not request the Finance Committee or the Board of Directors to approve such a program at that time. The first Finance Committee meeting involving a recommendation to the Board of Directors to adopt such a repurchase program to effect the Post-Distribution Redemptions is scheduled for Date 4 with a vote by the full Board of Directors scheduled for Date 5. Distributing will not have filed any document with the SEC or have made any other public filing stating an intention to adopt an open market repurchase program prior to Date 5.

Rulings

Based on the information and representations set forth herein and submitted with the Prior Rulings, we rule as follows: The Post-Distribution Redemptions will not have any effect on the determination of whether there has been an acquisition of a 50-percent or greater interest in Distributing, i.e., the Post-Distribution Redemptions will not affect the determination of the percentage of the total combined voting power or value of Distributing stock acquired within the meaning of section 355(e).

Caveats

No opinion is expressed about the tax treatment of the Proposed Transactions under other provisions of the Code or regulations or the tax treatment of any condition existing at the time of, or effects resulting from, the Proposed Transactions that are not specifically covered by the above rulings and the rulings contained in our Prior Rulings.

Procedural Statements

This ruling letter is directed only to the taxpayers who requested it and applies only to the facts of the Proposed Transactions. Section 6110(k)(3) provides that it may not be used or cited as precedent.

A copy of this ruling letter must be attached to the federal income tax return of each taxpayer involved in the Proposed Transactions for the taxable year in which the Proposed Transactions are completed. 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 with this office, a copy of this letter is being sent to your authorized representatives.

Sincerely,
Associate Chief Counsel (Corporate)

By:_____
Stephen P. Fattman
Special Counsel to the Associate
Chief Counsel (Corporate)

cc: