

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

Number: **201202010**

Release Date: 1/13/2012

Index Number: 302.00-00, 302.02-00

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

, ID No.

Telephone Number:

Refer Reply To:

CC:CORP:03

PLR-124858-11

Date:

October 11, 2011

LEGEND:

Corporation =

Shareholder =

Trust =

Business =

A =

B =

a =

b =

c =

d =

e =

f =

g =

h =

i =

k =

l =

n =

o =

p =

r =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

Dear :

We respond to your June 10, 2011 request for rulings, submitted on your behalf by your authorized representatives, requesting rulings on the federal income tax consequences of a completed transaction. The information provided in that request and subsequent communications is summarized below.

SUMMARY OF FACTS

Corporation is a public company engaged in Business. As of the close of business on Date 3, Corporation had a outstanding shares of voting common stock (Shares). Shareholder owned b Shares directly, and Trust, of which Shareholder is the sole beneficial owner, owned c Shares. Accordingly, Shareholder is treated as owning in total d Shares or approximately e percent of Shares prior to the transaction.

Corporation's certificate of incorporation contains provisions that limit the voting power of Corporation's shareholders who own more than f percent of its Shares. In addition, pursuant to an agreement dated as of Date 1 between Corporation and Shareholder (the Stockholders' Agreement), Shareholder had the right to nominate g members to Corporation's h member board of directors (the Board).

On Date 2, Corporation and Shareholder entered into an agreement (the Redemption Agreement) pursuant to which Corporation agreed to purchase j Shares from Shareholder (the Redemption). In connection with the Redemption, on such date, Shareholder also entered into an agreement to sell k Shares to A (the Sale). At the same time, A entered into an agreement with B pursuant to which A agreed to deliver k Shares to B once certain regulatory approvals were obtained to permit such sale (the Forward Sale). The Redemption, the Sale, and the Forward Sale constitute the Transaction. The Redemption and the Sale closed on Date 4, and the Forward Sale was closed and physically settled on Date 5.

After the Transaction, Shareholder owned l Shares directly, and Trust owned c Shares. Accordingly, after having disposed of over half of its Shares in the Transaction, Shareholder owned a total of n Shares directly and constructively or o percent of the outstanding p Shares (which is less than 50 percent of the total combined voting power of all classes of stock entitled to vote). Pursuant to the terms of the Stockholders' Agreement, Shareholder had the right to nominate r (which is a 50-percent reduction from g) of the members of the Board.

REPRESENTATIONS

The following representations are made by Corporation with respect to the Transaction:

- (a) No notes or other obligations of Corporation will be distributed to Shareholder.
- (b) No shareholder of Corporation has been or will be obligated to purchase any of the Shares redeemed from Shareholder.
- (c) None of the Shares redeemed from Shareholder were "section 306 stock" within the meaning of section 306(c) of the Internal Revenue Code.
- (d) There were no declared but unpaid dividends, or funds set apart for dividends, on any of the Shares redeemed from Shareholder.

- (e) At the time of the Redemption, the fair market value of the consideration received by Shareholder was approximately equal to the fair market value of the Shares exchanged therefor. In making this representation, Corporation relies on the fact that it and Shareholder agreed pursuant to arm's-length negotiations that the purchase price for the redeemed Shares would be determined based on a 10 day volume weighted average price of the Shares.

RULING

Based solely on the information submitted and the representations set forth above, we rule as follows with respect to the Transaction:

The Redemption will be treated as a substantially disproportionate redemption under section 302(b)(2).

CAVEATS

The above ruling is effective to the extent that the amount distributed to Shareholder represents the fair market value of Shares redeemed from Shareholder.

Except as expressly provided herein, no opinion is expressed or implied concerning the tax treatment of the transactions under other provisions of the Code or the regulations, or the tax treatment of any conditions existing at the time of, or effects resulting from, the transactions that are not specifically covered by the above rulings.

PROCEDURAL STATEMENTS

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

In accordance with the Power of Attorney that each of you has on file in this office, a copy of this letter is being sent to each of your authorized representatives.

The ruling contained in this letter is based on information and representations submitted by the taxpayers and accompanied by penalty of perjury statements executed by appropriate parties. While this office has not verified any of the information submitted in support of the request for ruling, it is subject to verification on examination.

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.

Sincerely,

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

cc: