

SABINE ROYALTY TRUST

Form 10-Q

August 07, 2007

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**Form 10-Q**

Quarterly Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2007

OR

Transition Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-8424

**SABINE ROYALTY TRUST**

(Exact name of registrant as specified in its charter)

Texas  
(State or other jurisdiction  
of incorporation or  
organization)

75-6297143  
(I.R.S. Employer  
Identification No.)

Trust Division  
Bank of America, N.A.  
Bank of America Plaza  
901 Main Street  
17th Floor  
Dallas, Texas 75202  
(Address of principal executive offices)  
(Zip Code)

(214) 209-2400  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one): Large accelerated filer  Accelerated filer  Non-accelerated filer

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  
o No x

Number of units of beneficial interest outstanding at August 1, 2007: 14,579,345

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**SABINE ROYALTY TRUST**

**PART I FINANCIAL INFORMATION**

*Item 1. Financial Statements.*

The condensed financial statements included herein have been prepared by Bank of America, N.A. (as successor to NationsBank, N.A.), as Trustee (the "Trustee") of Sabine Royalty Trust (the "Trust"), pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in annual financial statements have been condensed or omitted pursuant to such rules and regulations, although the Trustee believes that the disclosures are adequate to make the information presented not misleading. The condensed financial statements of the Trust presented herein are unaudited. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Trust's latest annual report on Form 10-K. The December 31, 2006 condensed balance sheet is derived from the audited balance sheet as of that date. In the opinion of the Trustee, all adjustments necessary to present fairly the assets, liabilities and trust corpus of the Trust as of June 30, 2007, the distributable income and the changes in trust corpus for the three-month and six-month periods ended June 30, 2007 and 2006, have been included. The distributable income for such interim periods is not necessarily indicative of the distributable income for the full year.

The condensed financial statements as of June 30, 2007 and for the three-month and six-month periods ended June 30, 2007 and 2006, included herein, have been reviewed by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Unit Holders of Sabine Royalty Trust and  
Bank of America, N.A., Trustee

We have reviewed the accompanying condensed statement of assets, liabilities and trust corpus of Sabine Royalty Trust as of June 30, 2007, and the related condensed statements of distributable income for the three-month and six-month periods ended June 30, 2007 and 2006 and changes in the trust corpus for the six-month periods ended June 30, 2007 and 2006. These condensed financial statements are the responsibility of the Trustee.

We conducted our reviews in accordance with standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As described in Note 2 to the condensed financial statements, these condensed financial statements have been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed financial statements for them to be in conformity with the basis of accounting described in Note 2.

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the statement of assets, liabilities and trust corpus of Sabine Royalty Trust as of December 31, 2006, and the related statements of distributable income and changes in trust corpus for the year then ended (not presented herein); and in our report dated March 13, 2007, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying condensed statement of assets, liabilities and trust corpus as of December 31, 2006, is fairly stated, in all material respects, in relation to the statement of assets, liabilities and trust corpus from which it has been derived.

/s/ Deloitte & Touche LLP

Dallas, Texas  
August 3, 2007

**Table of Contents****SABINE ROYALTY TRUST****CONDENSED STATEMENTS OF ASSETS,  
LIABILITIES AND TRUST CORPUS (UNAUDITED)**

	Notes	June 30, 2007	December 31, 2006
Assets			
Cash and short-term investments		\$ 5,184,565	\$ 4,444,789
Royalty interests in oil and gas properties (less accumulated amortization of \$21,522,591 and \$21,469,964 at June 30, 2007 and December 31, 2006)		872,594	925,221
<b>TOTAL</b>		<b>\$ 6,057,159</b>	<b>\$ 5,370,010</b>
Liabilities and Trust Corpus			
Trust expenses payable		\$ 195,585	\$ 138,815
Other payables	4	122,393	232,786
		317,978	371,601
Contingencies			
Trust corpus 14,579,345 units of beneficial interest authorized and outstanding	6	5,739,181	4,998,409
<b>TOTAL</b>		<b>\$ 6,057,159</b>	<b>\$ 5,370,010</b>

The accompanying notes are an integral part of these condensed financial statements.

**Table of Contents****SABINE ROYALTY TRUST****CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)**

		Three Months Ended June 30,	
	Notes	2007	2006
Royalty Income		\$ 14,569,185	\$ 14,523,362
Interest Income		86,495	85,859
Total		14,655,680	14,609,221
General and administrative expenses		(678,928)	(565,466)
Distributable Income		\$ 13,976,752	\$ 14,043,755
Distributable Income per unit (14,579,345 units)	1,3,5	\$ .96	\$ .96

The accompanying notes are an integral part of these condensed financial statements.



**Table of Contents****SABINE ROYALTY TRUST****CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (UNAUDITED)**

		Six Months Ended June 30,	
	Notes	2007	2006
Royalty Income		<b>\$ 27,371,613</b>	\$ 32,458,787
Interest Income		<b>157,819</b>	168,193
Total		<b>27,529,432</b>	32,626,980
General and administrative expenses		<b>(1,239,086)</b>	(1,159,634)
Distributable Income		<b>\$ 26,290,346</b>	\$ 31,467,346
Distributable Income per unit (14,579,345 units)	1,3,5	<b>\$ 1.80</b>	\$ 2.16

The accompanying notes are an integral part of these condensed financial statements.

Table of Contents**SABINE ROYALTY TRUST****CONDENSED STATEMENTS OF CHANGES IN TRUST CORPUS (UNAUDITED)**

		Six Months Ended June 30,	
	Note	2007	2006
Trust corpus, beginning of period		\$ 4,998,409	\$ 7,046,252
Amortization of royalty interests		(52,627)	(57,436)
Distributable income		26,290,346	31,467,346
Distributions	3	(25,496,947)	(32,007,203)
Trust corpus, end of period		\$ 5,739,181	\$ 6,448,959
Distributions per unit (14,579,345 units)	3	\$ 1.75	\$ 2.20

The accompanying notes are an integral part of these condensed financial statements.

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**SABINE ROYALTY TRUST**

**NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**1. TRUST ORGANIZATION AND PROVISIONS**

Sabine Royalty Trust (the Trust ) was established by the Sabine Corporation Royalty Trust Agreement (the Trust Agreement ), made and entered into effective as of December 31, 1982, to receive a distribution from Sabine Corporation ( Sabine ) of royalty and mineral interests, including landowner s royalties, overriding royalty interests, minerals (other than executive rights, bonuses and delay rentals), production payments and any other similar, nonparticipatory interests, in certain producing and proved undeveloped oil and gas properties located in Florida, Louisiana, Mississippi, New Mexico, Oklahoma and Texas (the Royalties ).

Certificates evidencing units of beneficial interest (the Units ) in the Trust were mailed on December 31, 1982 to Sabine s shareholders of record on December 23, 1982, on the basis of one Unit for each share of Sabine s outstanding common stock. In May 1988, Sabine was acquired by Pacific Enterprises ( Pacific ), a California corporation. Through a series of mergers, Sabine was merged into Pacific Enterprises Oil Company (USA) ( Pacific (USA) ), a California corporation and a wholly owned subsidiary of Pacific, effective January 1, 1990. This acquisition and the subsequent mergers had no effect on the Units. Pacific (USA), as successor to Sabine, has assumed by operation of law all of Sabine s rights and obligations with respect to the Trust. The Units are listed and traded on the New York Stock Exchange.

In connection with the transfer of the Royalties to the Trust upon its formation, Sabine had reserved to itself all executive rights, including rights to execute leases and to receive bonuses and delay rentals. In January 1993, Pacific (USA) completed the sale of substantially all its producing oil and gas assets to a third party. The sale did not include executive rights relating to the Royalties, and Pacific (USA) s ownership of such rights was not affected by the sale.

Bank of America, N.A. (the Trustee ), acts as trustee of the Trust. The terms of the Trust Agreement provide, among other things, that:

The Trust shall not engage in any business or commercial activity of any kind or acquire assets other than those initially transferred to the Trust.

The Trustee may not sell all or any part of its assets unless approved by the holders of a majority of the outstanding Units in which case the sale must be for cash and the proceeds, after satisfying all existing liabilities, promptly distributed to Unit holders.

The Trustee may establish a cash reserve for the payment of any liability that is contingent or uncertain in amount or that otherwise is not currently due or payable.

The Trustee will use reasonable efforts to cause the Trust and the Unit holders to recognize income and expenses on monthly record dates.

The Trustee is authorized to borrow funds to pay liabilities of the Trust provided that such borrowings are repaid in full before any further distributions are made to Unit holders.

The Trustee will make monthly cash distributions to Unit holders of record on the monthly record date (see Note 3).



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Because of the passive nature of the Trust and the restrictions and limitations on the powers and activities of the Trustee contained in the Trust Agreement, the Trustee does not consider any of the officers and employees of the Trustee to be officers or executive officers of the Trust as such terms are defined under applicable rules and regulations adopted under the Securities Exchange Act of 1934.

The proceeds of production from the Royalties are receivable from hundreds of separate payors. In order to facilitate creation of the Trust and to avoid the administrative expense and inconvenience of daily reporting to Unit holders, the conveyances by Sabine of the Royalties located in five of the six states provided for the execution of an escrow agreement by Sabine and the initial trustee of the Trust, in its capacities as trustee of the Trust and as escrow agent. The conveyances by Sabine of the Royalties located in Louisiana provided for the execution of a substantially identical escrow agreement by Sabine and a Louisiana bank in the capacities of escrow agent and of trustee under the name of Sabine Louisiana Royalty Trust. Sabine Louisiana Royalty Trust, the sole beneficiary of which is the Trust, was established in order to avoid uncertainty under Louisiana law as to the legality of the Trustee's holding record title to the Royalties located in Louisiana. The Trust now only has one escrow agent, which is the Trustee, and a single escrow agreement.

Pursuant to the terms of the escrow agreement and the conveyances of the properties by Sabine, the proceeds of production from the Royalties for each calendar month, and interest thereon, are collected by the Trustee, as escrow agent, and are paid to and received by the Trust only on the next monthly record date. The Trustee, as escrow agent, has agreed to endeavor to assure that it incurs and pays expenses and fees for each calendar month only on the next monthly record date. The Trust Agreement also provides that the Trustee is to endeavor to assure that income of the Trust will be accrued and received and expenses of the Trust will be incurred and paid only on each monthly record date. Assuming that the escrow agreement is recognized for Federal income tax purposes and that the Trustee is able to control the timing of income and expenses, as stated above, cash and accrual basis Unit holders should be treated as realizing income only on each monthly record date. The Trustee is treating the escrow agreement as effective for tax purposes. However, for financial reporting purposes, royalty and interest income are recorded in the calendar month in which the amounts are received by either the escrow agent or the Trust.

Distributable income as determined for financial reporting purposes for a given quarter will not usually equal the sum of distributions made during that quarter. Distributable income for a given quarter will approximate the sum of the distributions made during the last two months of such quarter and the first month of the next quarter.

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**2. ACCOUNTING POLICIES**

Basis of Accounting

The financial statements of the Trust are prepared on the following basis and are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America ( GAAP ):

Royalty income, net of severance and ad valorem tax, and interest income are recognized in the month in which amounts are received by the Trust (see Note 1).

Trust expenses, consisting principally of routine general and administrative costs, include payments made during the accounting period. Expenses are accrued to the extent of amounts that become payable on the next monthly record date following the end of an accounting period. Reserves for liabilities that are contingent or uncertain in amount may also be established if considered necessary.

Royalties that are producing properties are amortized using the unit-of-production method. This amortization is shown as a reduction of Trust corpus.

Distributions to Unit holders are recognized when declared by the Trustee (see Note 3).

The financial statements of the Trust differ from financial statements prepared in conformity with accounting principles generally accepted in the United States of America because of the following:

Royalty income is recognized in the month received rather than in the month of production.

Expenses other than those expected to be paid on the following monthly record date are not accrued.

Amortization of the Royalties is shown as a reduction to Trust corpus and not as a charge to operating results.

Reserves may be established for contingencies that would not be recorded under accounting principles generally accepted in the United States of America.

This comprehensive basis of accounting other than GAAP corresponds to the accounting permitted for royalty trusts by the U.S. Securities and Exchange Commission, as specified by Staff Accounting Bulletin Topic 12:E, Financial Statements of Royalty Trusts.

Use of Estimates

The preparation of financial statements in conformity with the basis of accounting described above requires the Trustee to make estimates and assumptions that affect reported amounts of certain assets, liabilities, revenues and expenses as of and for the reporting periods. Actual results may differ from such estimates.

Impairment

The Trustee routinely reviews the Trust's royalty interests in oil and gas properties for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. If an impairment event occurs and it is determined that the carrying value of the Trust's royalty interests may not be recoverable, an impairment will be recognized as measured by the amount by which the carrying amount of the royalty interests exceeds the fair value of these assets, which would likely be measured by discounting projected cash flows. As of June 30, 2007, no impairment is required.



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### New Accounting Standards

In February 2006, the FASB issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments* an amendment of FASB Statements No. 133 *Accounting for Derivative Instruments* and No. 140 *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. This statement resolves issues addressed in Statement 133 Implementation Issue No. D1, Application of Statement 133 to Beneficial Interests in Securitized Financial Assets. This statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The Trust has no financial instruments and accordingly, the adoption of this new Standard did not impact the financial statements of the Trust.

In March 2006, the FASB issued SFAS No. 156, *Accounting for Servicing of Financial Assets* an amendment of FASB Statements No. 140 *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. This statement requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract in certain situations. This statement is effective as of the beginning of an entity's first fiscal year that begins after September 15, 2006. The adoption of this statement did not have an effect on the Trust's financial statements.

In July 2006, the FASB issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. FIN 48 is effective for fiscal years beginning after December 15, 2006. The adoption of this statement did not have an effect on the Trust's financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Trustee does not believe that the adoption of this statement will have a material effect on the Trust's financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities-Including an amendment of FASB Statement No. 115*. This statement permits entities to choose to measure many financial instruments and certain other items at fair value. This statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The Trustee does not believe that the adoption of this statement will have a material effect on the Trust's financial statements.

### Distributable Income per Unit

Basic distributable income per Unit is computed by dividing distributable income by the weighted average Units outstanding. Distributable income per Unit assuming dilution is computed by dividing distributable income by the weighted average number of Units and equivalent Units outstanding. The Trust had no equivalent Units outstanding for any period presented. Therefore, basic distributable income per Unit and distributable income per Unit assuming dilution are the same.

### Federal Tax Considerations

The Internal Revenue Service has ruled that the Trust is classified as a grantor trust for Federal income tax purposes and therefore is not subject to taxation at the trust level. The Unit holders are considered, for Federal income tax purposes, to own the Trust's income and principal as though no trust were in existence. Accordingly, no provision for Federal income tax expense has been made in these financial statements. The income of the Trust will be deemed to have been received or accrued by each Unit holder at the time such income is received or accrued by the Trust (on



the applicable monthly record date) if the escrow arrangement discussed in Note 1 to these financial statements is respected by the Internal Revenue Service. In the absence of the escrow arrangement, Unit holders would be deemed to receive or accrue income from production from the royalty properties (and interest income) on a daily basis, in accordance with their method of accounting, as the proceeds from production and interest thereon were received or accrued by the Trust. The Trustee is treating the escrow arrangement as effective for tax purposes and furnishes tax information to Unit holders on that basis.

The Trustee assumes that some Trust Units are held by a middleman, as such term is broadly defined in U.S. Treasury Regulations (and includes custodians, nominees, certain joint owners, and brokers holding an interest for a custodian in street name). Therefore, the Trustee considers the Trust to be a widely held fixed investment trust ( WHFIT ) for U.S. Federal income tax purposes. Bank of America, N.A., 901 Main Street, 17th Floor, Dallas, Texas, 75202, telephone number (214) 209-2400, is the representative of the Trust that will provide tax information in accordance with applicable U.S. Treasury Regulations governing the information reporting requirements of the Trust as a WHFIT.

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Each Unit holder should consult his tax advisor regarding Trust tax compliance matters.

State Tax Considerations

The Trust holds properties located in Florida, Louisiana, Mississippi, New Mexico, Oklahoma and Texas. Unit holders should consult the Trust's latest annual report on Form 10-K for a summary of state tax matters.

Unit holders should be advised that New Mexico imposes a withholding tax on payments of oil and gas proceeds derived from royalty interests. To reduce the administrative burden imposed by these rules, the Trustee has opted to allow the payors of oil and gas proceeds to withhold on royalty payments made to the Trust. The Trust will then file a New Mexico tax return, obtain a refund, and distribute that refund to Unit holders. Unit holders who transfer their Units before the New Mexico tax refund is received by the Trust or after the refund is received but before the next Monthly Record Date will not receive any portion of the refund. As a result, such Unit holders may incur a double tax first through the reduced distribution received from the trust as withholding at the trust level reduces the amount of cash available for distribution and second by the tax payment made directly to New Mexico with the filing of their New Mexico income tax returns.

In May 2006, the State of Texas passed legislation to implement a new margin tax at a rate of 1% to be imposed on gross revenues less certain deductions, as specifically set forth in the new legislation. The effective date of the new legislation is January 1, 2008, but the tax generally will be imposed on gross revenues generated in 2007 and thereafter. Entities subject to tax generally include trusts unless otherwise exempt, and most other types of entities. Trusts that meet certain statutory requirements are generally exempt from the margin tax as passive entities. Recent legislative action has clarified that the Trust is exempt from the margin tax as a passive entity.

Since the Trust is exempt from the margin tax at the Trust level as a passive entity, each Unit holder that is a business entity subject to the margin tax would generally include its share of the Trust's revenue in its margin tax computation.

Each Unit holder is urged to consult his own tax advisor regarding the requirements for filing state tax returns.

**3. DISTRIBUTION TO UNIT HOLDERS**

The amount to be distributed to Unit holders ( Monthly Income Amount ) is determined on a monthly basis. The Monthly Income Amount is an amount equal to the sum of cash received by the Trust during a monthly period (the period commencing on the day after a monthly record date and continuing through and including the next succeeding monthly record date) attributable to the Royalties, any reduction in cash reserves and any other cash receipts of the Trust, including interest, reduced by the sum of liabilities paid and any increase in cash reserves. Unit holders of record as of the monthly record date (the 15th day of each calendar month except in limited circumstances) are entitled to have distributed to them the calculated Monthly Income Amount for such month on or before 10 business days after the monthly record date. The Monthly Income Amount per Unit is declared by the Trust no later than 10 days prior to the monthly record date.

The cash received by the Trust from purchasers of the Trust's oil and gas production consists of gross sales of production less applicable severance taxes.

**4. PAYABLES**

Other payables consist primarily of royalty receipts suspended pending verification of ownership interest or title.

The Trustee believes that these other payables represent an ordinary operating condition of the Trust and that such payables will be paid or released in the normal course of business.

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Subsequent to June 30, 2007, the Trust declared the following distributions:

<b>Monthly Record Date</b>	<b>Payment Date</b>	<b>Distribution per Unit</b>
July 16	July 30	\$ .33857
August 15	August 29	\$ .39044

**6. CONTINGENCIES**

Contingencies related to the royalty properties that are unfavorably resolved would generally be reflected by the Trust as reductions to future royalty income payments to the Trust with corresponding reductions to cash distributions to Unit holders. The Trustee is not aware of any such items as of August 3, 2007.

*Item 2. Trustee's Discussion and Analysis of Financial Condition and Results of Operations.*

**Liquidity and Capital Resources**

The Trust makes monthly distributions to the holders of Units of the excess of the preceding month's revenues received over expenses incurred. Upon receipt, royalty income is invested in short-term investments until its subsequent distribution. In accordance with the Trust Agreement, the Trust's only long-term assets consist of royalty interests in producing and proved undeveloped oil and gas properties. Although the Trust is permitted to borrow funds if necessary to continue its operations, borrowings are not anticipated in the foreseeable future.

**Results of Operations**

Distributable income consists of royalty income plus interest income plus any decrease in cash reserves established by the Trustee less general and administrative expenses of the Trust less any increase in cash reserves established by the Trustee. Distributable income for the three months and six months ended June 30, 2007 was \$13,976,752 and \$26,290,346 or \$0.96 and \$1.80 per Unit, respectively. Royalty income for the three months and six months ended June 30, 2007 amounted to \$14,569,185 and \$27,371,613, respectively while interest income was \$86,495 and \$157,819, respectively. General and administrative expenses totaled \$678,928 and \$1,239,086 for the three and six months ended June 30, 2007.

Distributions during the period were \$.31552, \$.34042, and \$.27977 per Unit payable to Unit holders of record on April 16, May 15, and June 15, 2007, respectively.

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Royalty income for the quarter ended June 30, 2007 was relatively unchanged, increasing \$46,000, compared with the second quarter of 2006. This decrease was caused by decreases in the prices of oil and gas as well as a decrease in the production of oil. This decrease was offset somewhat by an increase in the production of natural gas. Compared to the preceding quarter ended March 31, 2007, royalty income increased approximately \$1,800,000, or 14%, due to increases in the production of both oil and natural gas as well as increases in the price of both oil and natural gas. Royalty income for the six months ended June 30, 2007 decreased \$5,100,000, or 16%, due mainly to decreases in the price of natural gas and the price of oil. This decrease was tempered somewhat by increases in the production of natural gas.

The following tables illustrate average prices received for the periods discussed above and the related oil and gas production volumes:

	<b>Quarter Ended</b>		
	<b>June 30, 2007</b>	<b>June 30, 2006</b>	<b>March 31, 2007</b>
Production			
Oil (Bbls)	119,109	122,325	109,535
Gas (Mcf)	1,396,578	1,252,720	1,304,582
Average Price			
Oil (per Bbl)	\$ 53.00	\$ 55.57	\$ 49.90
Gas (per Mcf)	\$ 6.81	\$ 7.06	\$ 6.58
	<b>Six-Months Ended</b>		
	<b>June 30, 2007</b>	<b>June 30, 2006</b>	
Production			
Oil (Bbls)	228,644	250,015	
Gas (Mcf)	2,701,160	2,605,772	
Average Price			
Oil (per Bbl)	\$ 51.51	\$ 53.98	
Gas (per Mcf)	\$ 6.70	\$ 8.33	

Gas revenues received for the three months ended June 30, 2007 related primarily to production for January 2007 through March 2007. The average price of gas as reported by the Henry Hub for the same time period was \$6.36 per Mcf. The average price of gas for the Henry Hub was \$6.61 per Mcf for January 2007 through June 2007. Oil revenues for the three months ended June 30, 2007 related primarily to production for February 2007 through April 2007. The average price of oil as reported by Nymex for that time period was \$61.10 per barrel. The average price of oil was \$61.67 per barrel for January 2007 through June 2007. As of July 23, 2007, the average price of gas for the Henry Hub was \$5.80 per Mcf and the average price of oil reported by Nymex was \$75.57 per barrel. It is difficult to accurately estimate future prices of oil and gas, and any assumptions concerning future prices may prove to be incorrect.

Interest income for the quarter ended June 30, 2007 increased approximately \$1,000 compared with the second quarter of 2006. Compared to the preceding quarter ended March 31, 2007, interest income increased approximately

\$15,100. Interest income for the six months ended June 30, 2007 decreased approximately \$10,400 compared to the same time period in 2006. Changes in interest income are the result of changes in interest rates and funds available for investment.

General and administrative expenses for the quarter ended June 30, 2007 increased by approximately \$113,500 compared to the same quarter of 2006 primarily due to the timing of auditing fees, transfer agent fees, and printing fees of approximately \$8,700, \$19,700, and \$85,800, respectively. Offsetting the increases was a decrease in the engineering fees of approximately \$2,600. Compared to the previous quarter ended March 31, 2007, general and administrative expenses increased approximately \$118,800. This increase was primarily due to the timing of expenses such as the transfer agent fees, engineering fees, and printing fees of \$33,300, \$82,100, and \$97,900, respectively. These increases were offset somewhat by a decrease in the annual New York Stock Exchange listing fee of \$38,000, that was paid in the first quarter along with a decrease in the escrow agent/trustee fees and unitholder information services of approximately \$35,400 and \$14,000, respectively.

General and administrative expenses for the six months ended June 30, 2007 increased approximately \$79,500 compared to the same time period in 2006, due mainly to an increase in the escrow agent/trustee fees of \$52,200 as well as an increase in printing costs of \$62,600. These increases were offset somewhat by decreases in legal services related to the proxy solicitation in 2006 of approximately \$15,500, a decrease due to timing of audit fees of approximately \$13,000, and a decrease in the engineering fees of approximately \$5,900.

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Critical Accounting Policies and Estimates

The Trust's financial statements reflect the selection and application of accounting policies that require the Trust to make significant estimates and assumptions. The following are some of the more critical judgement areas in the application of accounting policies that currently affect the Trust's financial condition and results of operations.

Basis of Accounting

The financial statements of the Trust are prepared on the following basis and are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America:

Royalty income, net of severance and ad valorem taxes, and interest income are recognized in the month in which amounts are received by the Trust.

Trust expenses, consisting principally of routine general and administrative costs, include payments made during the accounting period. Expenses are accrued to the extent of amounts that become payable on the next monthly record date following the end of the accounting period. Reserves for liabilities that are contingent or uncertain in amount may also be established if considered necessary.

Royalties that are producing properties are amortized using the unit-of-production method. This amortization is shown as a reduction of Trust corpus.

Distributions to Unit holders are recognized when declared by the Trustee.

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The financial statements of the Trust differ from financial statements prepared in conformity with accounting principles generally accepted in the United States of America because of the following:

Royalty income is recognized in the month received rather than in the month of production.

Expenses other than those expected to be paid on the following monthly record date are not accrued.

Amortization of the Royalties is shown as a reduction to Trust corpus and not as a charge to operating results.

Reserves may be established for contingencies that would not be recorded under accounting principles generally accepted in the United States of America.

This comprehensive basis of accounting other than GAAP corresponds to the accounting permitted for royalty trusts by the U.S. Securities and Exchange Commission, as specified by Staff Accounting Bulletin Topic 12:E, Financial Statements of Royalty Trusts.

### Revenue Recognition

Revenues from royalty interests are recognized in the period in which amounts are received by the Trust. Royalty income received by the Trust in a given calendar year will generally reflect the proceeds, on an entitlements basis, from natural gas produced for the twelve-month period ended September 30th in that calendar year.

### Reserve Disclosure

Independent petroleum engineers estimate the net proved reserves attributable to the royalty interests. In accordance with Statement of Financial Standards No. 69, Disclosures About Oil and Gas Producing Activities, estimates of future net revenues from proved reserves have been prepared using year-end contractual gas prices and related costs. Numerous uncertainties are inherent in estimating volumes and the value of proved reserves and in projecting future production rates and the timing of development of non-producing reserves. Such reserve estimates are subject to change as additional information becomes available. The reserves actually recovered and the timing of production may be substantially different from the reserve estimates. Other than those filed with the SEC, our estimated reserves have not been filed with or included in any reports to any Federal agency.

### Contingencies

Contingencies related to the royalty properties that are unfavorably resolved would generally be reflected by the Trust as reductions to future royalty income payments to the Trust with corresponding reductions to cash distributions to Unit holders. The Trustee is not aware of any such items as of August 3, 2007.

### Use of Estimates

The preparation of financial statements in conformity with the basis of accounting described above requires management to make estimates and assumptions that affect reported amounts of certain assets, liabilities, revenues and expenses as of and for the reporting periods. Actual results may differ from such estimates.

### Impairment

The Trustee routinely reviews the Trust's royalty interests in oil and gas properties for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. If an impairment event occurs and it is determined that the carrying value of the Trust's royalty interests may not be recoverable, an impairment will

be recognized as measured by the amount by which the carrying amount of the royalty interests exceeds the fair value of these assets, which would likely be measured by discounting projected cash flows.



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New Accounting Standards

In February 2006, the FASB issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments* an amendment of FASB Statements No. 133 *Accounting for Derivative Instruments* and No. 140 *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. This statement resolves issues addressed in Statement 133 Implementation Issue No. D1, Application of Statement 133 to Beneficial Interests in Securitized Financial Assets. This statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The Trust has no financial instruments and accordingly, the adoption of this new Standard did not impact the financial statements of the Trust.

In March 2006, the FASB issued SFAS No. 156, *Accounting for Servicing of Financial Assets* an amendment of FASB Statements No. 140 *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. This statement requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract in certain situation. This statement is effective as of the beginning of an entity's first fiscal year that begins after September 15, 2006. The adoption of this statement did not have an effect on the Trust's financial statements.

In July 2006, the FASB issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. FIN 48 is effective for fiscal years beginning after December 15, 2006. The adoption of this statement did not have an effect on the Trust's financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Trustee does not believe that the adoption of this statement will have a material effect on the Trust's financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities-Including an amendment of FASB Statement No. 115*. This statement permits entities to choose to measure many financial instruments and certain other items at fair value. This statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The Trustee does not believe that the adoption of this statement will have a material effect on the Trust's financial statements.

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State Tax Considerations

In May 2006, the State of Texas passed legislation to implement a new margin tax at a rate of 1% to be imposed on revenues less certain costs, as specifically set forth in the new legislation. The effective date of the new legislation is January 1, 2008, but the tax generally will be imposed on revenues generated in 2007 and thereafter. Entities subject to tax generally include trusts unless otherwise exempt, and most other types of entities. Trusts that meet certain statutory requirements are generally exempt from the margin tax as passive entities. Recent legislative action has clarified that the Trust is exempt from the margin tax as a passive entity.

Since the Trust is exempt from the margin tax at the Trust level as a passive entity, each Unit holder that is a taxable entity would generally include its share of the Trust's revenue in its margin tax computation.

Each Unit holder is urged to consult his own tax advisor regarding the requirements for filing state tax returns.

Forward Looking Statements

This Report includes forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, which are intended to be covered by the safe harbor created thereby. All statements other than statements of historical fact included in this Report are forward-looking statements. Although the Trustee believes that the expectations reflected in such forward-looking statements are reasonable, such expectations are subject to numerous risks and uncertainties and the Trustee can give no assurance that they will prove correct. There are many factors, none of which is within the Trustee's control, that may cause such expectations not to be realized, including, among other things, factors identified in the Trust's most recent Annual Report on Form 10-K affecting oil and gas prices and the recoverability of reserves, general economic conditions, actions and policies of petroleum-producing nations and other changes in the domestic and international energy markets.

The Trust has an Internet website and has made available its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to such reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act at <http://www.sbr-sabineroyalty.com> as soon as reasonably practicable after such information is electronically filed with or furnished to the SEC.

*Item 3. Quantitative and Qualitative Disclosures About Market Risk.*

The Trust invests in no derivative financial instruments, and has no foreign operations or long-term debt instruments. Other than the Trust's ability to periodically borrow money as necessary to pay expenses, liabilities and obligations of the Trust that cannot be paid out of cash held by the Trust, the Trust is prohibited from engaging in borrowing transactions. The amount of any such borrowings is unlikely to be material to the Trust. The Trust periodically holds short-term investments acquired with funds held by the Trust pending distribution to Unit holders and funds held in reserve for the payment of Trust expenses and liabilities. Because of the short-term nature of these borrowings and investments and certain limitations upon the types of such investments which may be held by the Trust, the Trustee believes that the Trust is not subject to any material interest rate risk. The Trust does not engage in transactions in foreign currencies which could expose the Trust or Unit holders to any foreign currency related market risk.

*Item 4. Controls and Procedures.*

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As of the end of the period covered by this report, the Trustee carried out an evaluation of the effectiveness of the design and operation of the Trust's disclosure controls and procedures pursuant to Exchange Act Rules 13a-15 and 15d-15. Based upon that evaluation, the Trustee concluded that the Trust's disclosure controls and procedures are effective in timely alerting the Trustee to material information relating to the Trust required to be included in the Trust's periodic filings with the Securities and Exchange Commission. There has not been any change in the Trust's internal control over financial reporting during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Trust's internal control over financial reporting.

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PART II OTHER INFORMATION

*Item 1. Legal Proceedings.*

Not applicable.

*Item 1A. Risk Factors.*

There have been no material changes in the risk factors disclosed under Part I, Item 1A of the Trust's Annual Report on Form 10-K for the year ended December 31, 2006.

*Items 2-5 not applicable.*

*Item 6. Exhibits.*

Exhibit Number  
and Description

(31) Trustee Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

(32) Trustee Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SABINE ROYALTY TRUST

By: Bank of America, N.A.  
Trustee

By: /s/ Ron E. Hooper  
Ron E. Hooper  
Senior Vice President and Trust  
Administrator

Date: August 7, 2007

(The Trust has no directors or executive officers.)

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m Discontinued Operations(5) 5.4 2.0 (1.3) 1.9 1.3

Net Income

\$298.1 \$240.7 \$221.2 \$211.8 \$174.5

**Basic Earnings Per Share of Common Stock:**

**Income from Continuing Operations**

\$5.03 \$3.77 \$3.33 \$2.98 \$2.36

**Income (Loss) from Discontinued Operations**

0.09 0.04 (0.02) 0.03 0.01

**Net Income**

\$5.12 \$3.81 \$3.31 \$3.01 \$2.37

**Diluted Earnings Per Share of Common Stock:**

**Income from Continuing Operations**

\$4.90 \$3.67 \$3.21 \$2.87 \$2.28

**Income (Loss) from Discontinued Operations**

0.09 0.03 (0.02) 0.03 0.02

**Net Income**

\$4.99 \$3.70 \$3.19 \$2.90 \$2.30

**Other Data:**

Weighted Average Number of Shares Outstanding Basic

58.3 63.2 66.8 70.4 73.5

Weighted Average Number of Shares Outstanding Diluted

59.8 65.1 69.4 73.1 75.8

Cash Dividends Paid per Common Share

\$1.00 \$ \$ \$ \$

Cash Dividends Declared per Common Share

\$1.30 \$ \$ \$ \$

**Balance Sheet:**

Total Assets

\$1,658.8 \$1,360.1 \$1,613.4 \$1,635.5 \$1,624.7

Long Term Debt

\$724.8 \$458.9 \$0.1 \$300.0 \$299.9

Equity (Deficit)

\$(440.1) \$(399.1) \$77.6 \$54.2 \$48.4

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- (1) 2007 included a charge of \$25.1 million for restructuring related to the 2007, 2006 and 2005 Financial Flexibility Programs and a charge of \$0.8 million related to the settlement of an International payroll tax matter related to a divested entity. 2006 included a charge of \$25.5 million for restructuring related to the 2006, 2005 and 2004 Financial Flexibility Programs. 2005 included a charge of \$30.7 million for restructuring related to the 2005 and 2004 Financial Flexibility Programs and a charge of \$0.4 million for the final resolution of all disputes on the sale of our French business. 2004 included a charge of \$32.0 million for restructuring related to the 2004 Financial Flexibility Program. 2003 included charges of \$17.4 million for restructuring related to the 2003 Financial Flexibility Program and \$13.8 million for the loss on the sale of our High Wycombe, England facility.
  
- (2) 2007 included a gain of \$5.8 million related to our joint venture with Huaxia International Credit Consulting Co. Limited, or Huaxia/D&B China Joint Venture, a gain of \$13.2 million related to our joint venture with Tokyo Shoko Research or Tokyo Shoko Research/D&B Japan Joint Venture, a gain of \$1.6 million related to the effect of Legacy Tax Matters and a net gain of \$0.9 million on the sale of other investments. 2005 included a \$3.5 million gain on the sale of a 5% investment in a South African company, a \$0.8 million gain as a result of lower costs related to the 2004 sale of operations in Iberia (Spain and Portugal) and a charge of \$3.7 million for the final resolution of all disputes on the sale of our French business. 2004 included gains on the sales of operations in the Nordic region (Sweden, Denmark, Norway and Finland) of \$7.9 million, India and Distribution Channels in Pakistan and the Middle East of \$3.8 million, Central Europe (Germany, Switzerland, Poland, Hungary and Czech Republic) of \$5.6 million, France of \$12.9 million and Iberia (Spain and Portugal) of \$0.1 million. 2003 included gains of \$7.0 million on the settlement of an insurance claim to recover losses related to the events of September 11, 2001 and \$1.8 million on the sale of equity interests in our Singapore business. Partially offsetting these gains in 2003 was a \$4.3 million loss on the sale of our Israeli business.
  
- (3) 2007 was impacted by the tax reserve true-up of \$31.2 million for the settlement of 1997-2002 tax years, primarily related to the Amortization of Royalty Expense Deductions/Royalty Income 1997-2007 transaction, and a \$2.5 million impact as a result of revaluating of the net deferred tax assets in the UK as a result of a UK tax law change, enacted in the third quarter of 2007, which reduces the general UK tax rate from 30% to 28%, the impact of tax incurred in Asia Pacific related to the gains on our Huaxia/D&B China Joint Venture and Tokyo Shoko Research/D&B Japan Joint Venture of \$2.9 million and \$8.3 million, respectively, a \$1.6 million effect related to Legacy Tax Matters, an impact on the settlement of an International payroll tax matter of \$0.2 million related to a divested entity, and \$0.3 million impact on the sale of other investments. 2006 included a charge of \$0.8 million related to the Legacy Tax Matter referred to as Royalty Expense Deduction 1993-1997. 2005 included a gain of \$16.3 million related to tax benefits recognized upon the liquidation of dormant International entities whose assets were divested as part of our International strategy, a \$9.3 million tax charge related to our repatriation of foreign cash, a \$6.3 million charge resulting from an increase in the tax legacy reserve for the matter referred to as Royalty Expense Deductions 1993-1997 and a \$0.9 million refund related to the Legacy Tax Matter referred to as Utilization of Capital Losses 1989-1990. 2004 included a charge for taxes of \$4.5 million related to the settlement of the tax matter referred to as Utilization of Capital Losses 1989-1990.
  
- (4) 2007 included minority interest expense of \$0.9 million related to the minority owner's share of net income of our Huaxia/D&B China Joint Venture. See Note 4 to our consolidated financial statements included in Item 8. of our Annual Report on Form 10-K for the year ended December 31, 2007.
  
- (5) On December 27, 2007, we completed the sale of our Italian real estate business which was a part of our International segment and we have reclassified the historical financial results of the Italian real estate business as discontinued operations as set forth in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and in Item 8. of our Annual Report on Form 10-K for the year ended December 31, 2007 to reflect this reclassification. The financial statements for our subsidiaries outside the U.S. and Canada reflect a fiscal year ended November 30, in order to facilitate timely reporting of our consolidated financial results and financial position. Accordingly, the related assets and liabilities of our Italian real estate business have been classified as held for sale in the balance sheet and we will record the resulting gain from the sale in the first quarter of 2008.

Table of Contents**Description of senior notes**

We will issue the senior notes under the indenture, dated as of March 14, 2006, between us and The Bank of New York, as trustee. Because this is a summary, it does not contain all the information that may be important to you. The following description of specific terms of the senior notes is qualified in its entirety by reference to the provisions of the indenture, including the definitions of certain terms contained therein and those terms made part of the indenture by reference to the Trust Indenture Act of 1939, as amended (the Trust Indenture Act). Capitalized and other terms not otherwise defined in this prospectus supplement shall have the meanings given to them in the indenture. As used in this Description of Senior Notes, D&B refers to The Dun & Bradstreet Corporation and does not, unless the context otherwise indicates, include its subsidiaries. The indenture is an exhibit to the registration statement of which the prospectus attached to this prospectus supplement is part. On March 14, 2006, we issued \$300 million aggregate principal amount of senior notes under the indenture. The terms of the senior notes include those stated in the indenture and those which are made a part of the indenture by the Trust Indenture Act of 1939. A copy of the indenture is available for inspection at the office of the trustee.

The senior notes will be issued in an initial aggregate principal amount of \$ \_\_\_\_\_ million. The senior notes will be issued only in registered form, without coupons, in denominations of \$1,000 and integral multiples of \$1,000 in excess thereof. The senior notes will be unsecured senior obligations of D&B and, as such, will rank *pari passu* in right of payment with all other existing and future unsecured senior indebtedness of D&B and senior in right of payment to all existing and future subordinated indebtedness of D&B. As of December 31, 2007, on a pro forma basis after giving effect to the offering of the senior notes and the application of the estimated gross proceeds therefrom, we would have had approximately \$ \_\_\_\_\_ million in aggregate principal amount of indebtedness outstanding which would have ranked *pari passu* in right of payment with the senior notes. See Capitalization and Use of Proceeds in this prospectus supplement.

**General**

The specific terms of the senior notes are set forth below:

Title: % Senior Notes due 2013

Initial principal amount being issued: \$

Stated maturity date: \_\_\_\_\_, 2013

Interest rate: % per annum

Date interest starts accruing: \_\_\_\_\_, 2008

Interest payment dates: \_\_\_\_\_ and \_\_\_\_\_

First interest payment date: \_\_\_\_\_, 2008

Regular record dates for interest: \_\_\_\_\_ and \_\_\_\_\_



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Computation of interest: Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Form of senior notes: The senior notes will be in the form of one or more global senior notes that we will deposit with or on behalf of DTC.

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Sinking fund: The senior notes will not be subject to any sinking fund.

Ranking: The senior notes will constitute a series of our unsecured and unsubordinated senior debt securities, ranking equally with each other and any other unsecured and unsubordinated debt of ours.

## **Further issues**

Except during a continuing default or Event of Default under the indenture, we may from time to time, without notice to or the consent of the registered holders of the senior notes, create and issue additional senior notes ranking equally and ratably with the senior notes in all respects (or in all respects except for the payment of interest accruing prior to the issue date of such additional senior notes or except for the first payment of interest following the issue date of such additional senior notes), so that such additional senior notes shall be consolidated and form a single series with the senior notes offered hereby and shall have the same terms as to status, redemption or otherwise as the senior notes.

## **Optional redemption**

We may, at our option at any time and from time to time, redeem the senior notes, in whole or in part, at a redemption price equal to the greater of (1) 100% of the principal amount of the senior notes to be redeemed, and (2) the sum of the present values of the remaining scheduled payments of principal and interest in respect of the senior notes to be redeemed (not including any portion of such payments of interest accrued as of the date of redemption) discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus \_\_\_\_\_ basis points plus, in each case, accrued interest to the date of redemption.

We will mail notice of any redemption to the trustee and DTC or its nominee, not less than 30 days and not more than 60 days before the redemption date. If we redeem only some of the senior notes, it is the practice of DTC or its nominee to determine by lot the amount of senior notes to be redeemed by each of its participating institutions. Notice by DTC or its nominee to these participants and by participants to \_\_\_\_\_ street name holders of indirect interests in the senior notes will be made according to arrangements among them and may be subject to statutory or regulatory requirements. Unless we default in payment of the redemption price on the redemption date, interest will cease to accrue on the senior notes or portions of senior notes called for redemption on and after the redemption date. On or before the redemption date, we will deposit with a paying agent money sufficient to pay the redemption price of and accrued interest on the senior notes to be redeemed on that date.

Comparable Treasury Issue means the United States Treasury security selected by the Reference Treasury Dealers as having a maturity comparable to the remaining term of the senior notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the senior notes.

Reference Treasury Dealer means (i) each of Citigroup Global Markets Inc. and J.P. Morgan Securities Inc. and their respective successors unless any of them ceases to be a primary U.S. Government securities dealer in New York City (a Primary Treasury Dealer), in which case we shall substitute another Primary Treasury Dealer, and (2) any other two Primary Treasury Dealers selected by us.

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**Reference Treasury Dealer Quotations** means, with respect to the Reference Treasury Dealer and any redemption date, the average, as determined by the trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the trustee by that Reference Treasury Dealer at 3:30 p.m., New York City time, on the third business day preceding that redemption date.

**Treasury Rate** means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity (computed as of the third business day immediately preceding that redemption date) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Reference Treasury Dealer Quotations for that redemption date.

## **Change of Control Offer to Repurchase**

If a Change of Control Triggering Event occurs, unless we have exercised our right to redeem the senior notes as described under **Optional Redemption**, holders of senior notes will have the right to require us to repurchase all or a portion of their senior notes pursuant to the offer described below (the **Change of Control Offer**), at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase, subject to the rights of holders of senior notes on the relevant record date to receive interest due on the relevant interest payment date.

Within 30 days following the date upon which the Change of Control Triggering Event occurred, or at our option, prior to any Change of Control but after the public announcement of the pending Change of Control, we will be required to send, by first class mail, a notice to holders of senior notes, with a copy to the trustee, which notice will govern the terms of the Change of Control Offer. Such notice will state, among other things, the purchase date, which must be no earlier than 30 days nor later than 60 days from the date such notice is mailed, other than as may be required by law (the **Change of Control Payment Date**). The notice, if mailed prior to the date of consummation of the Change of Control, will state that the Change of Control Offer is conditioned on the Change of Control being consummated on or prior to the Change of Control Payment Date. Holders of senior notes electing to have senior notes purchased pursuant to a Change of Control Offer will be required to surrender their senior notes, with the form entitled **Option of Holder to Elect Purchase** on the reverse of the senior note completed, to the paying agent at the address specified in the notice, or transfer their senior notes to the paying agent by book-entry transfer pursuant to the applicable procedures of the paying agent, prior to the close of business on the third business day prior to the Change of Control Payment Date.

We will not be required to make a Change of Control Offer if a third party makes such an offer in the manner, at the times and otherwise in compliance with the requirements for such an offer made by us and such third party purchases all senior notes properly tendered and not withdrawn under its offer.

For purposes of the Change of Control Offer discussion above, the following definitions are applicable:

**Below Investment Grade Rating Event** means the senior notes are rated below Investment Grade by each Rating Agency on any date during the period (the **Trigger Period**) commencing 60 days prior to the first public announcement by the Company of any Change of Control (or pending Change of Control) and ending 60 days following consummation of such Change of

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Control (which 60-day period shall be extended so long as the rating of the senior notes is under publicly announced consideration for possible downgrade by any Rating Agency).

Change of Control means the occurrence of any one of the following:

- (1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Company and its subsidiaries taken as a whole to any person (as that term is used in Section 13(d)(3) of the Exchange Act) other than to the Company or one of its subsidiaries;
- (2) the consummation of any transaction (including without limitation, any merger or consolidation) the result of which is that any person (as that term is used in Section 13(d)(3) of the Exchange Act) becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the outstanding Voting Stock of the Company, measured by voting power rather than number of shares;
- (3) the Company consolidates with, or merges with or into, any person, or any person consolidates with, or merges with or into, the Company, in a transaction in which any of the outstanding Voting Stock of the Company or such other person is converted into or exchanged for cash, securities or other property, other than any such transaction where the shares of the Voting Stock of the Company outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the Voting Stock of the surviving person immediately after giving effect to such transaction;
- (4) the first day on which the majority of the members of the board of directors of the Company cease to be Continuing Directors;  
or
- (5) the adoption of a plan relating to the liquidation, dissolution or winding up of the Company.

Change of Control Triggering Event means the occurrence of both a Change of Control and a Below Investment Grade Rating Event. Notwithstanding the foregoing, no Change of Control Triggering Event will be deemed to have occurred in connection with any particular Change of Control unless and until such Change of Control has actually been consummated.

Company means The Dun & Bradstreet Corporation and any successor thereto permitted under the Indenture.

Continuing Director means, as of any date of determination, any member of the board of directors of the Company who:

- (1) was a member of such board of directors on the date of the issuance of the senior notes; or
  - (2) was nominated for election or elected to such board of directors with the approval of a majority of the Continuing Directors who were members of such board of directors at the time of such nomination or election.
- Fitch means Fitch Inc., a subsidiary of Fimalac, S.A., and its successors.

Investment Grade means a rating of BBB- or better by S&P (or its equivalent under any successor rating category of S&P) and a rating of BBB- or better by Fitch (or its equivalent under any successor rating category of Fitch).

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**Rating Agency** means (1) each of S&P and Fitch; and (2) if any of S&P or Fitch ceases to rate the senior notes or fails to make a rating of the senior notes publicly available for reasons outside of the Company's control, a nationally recognized statistical rating organization within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act, selected by us (as certified by a resolution of the board of directors of the Company and reasonably acceptable to the Trustee) as a replacement agency for S&P or Fitch, or all of them, as the case may be.

**S&P** means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors.

**Voting Stock** of any specified person as of any date means the capital stock of such person that is at the time entitled to vote generally in the election of the board of directors of such person.

## **Certain covenants**

The indenture does not contain any provisions that would limit our ability to incur indebtedness or that would afford holders of senior notes protection in the event of a sudden and significant decline in the credit quality of D&B or a takeover, recapitalization or highly leveraged or similar transaction involving D&B.

### ***Limitation on liens***

D&B will not, and will not permit any subsidiary to, create, incur, assume or permit to exist any lien on any property or asset, to secure any debt of D&B, any subsidiary or any other person, or permit any subsidiary to do so, without securing the senior notes equally and ratably with such debt for so long as such debt shall be so secured, subject to certain exceptions. Exceptions include:

liens existing on the date of this prospectus supplement;

liens on assets or property of a corporation at the time it becomes a subsidiary securing only indebtedness of such corporation, provided such indebtedness was not incurred in connection with such corporation becoming a subsidiary;

liens existing on assets created at the time of the acquisition, purchase, lease, improvement or development of such assets to secure all or a portion of the purchase price or lease for, or the costs of improvement or development of, such assets;

liens to secure any extension, renewal, refinancing or refunding (or successive extensions, renewals, refinancings or refundings), in whole or in part, of any indebtedness secured by liens referred to above or liens created in connection with any amendment, consent or waiver relating to such indebtedness, so long as such lien does not extend to any other property, the amount of debt secured is not increased (other than by the amount equal to any costs and expenses incurred in connection with any extension, renewal, refinancing or refunding) and the indebtedness so secured does not exceed the fair market value (as determined by our board of directors) of the assets subject to such liens at the time of such extension, renewal, refinancing or refunding, or such amendment, consent or waiver, as the case may be;

liens incurred in connection with the financing of accounts receivable of D&B or any of its subsidiaries so long as (i) such lien extends only to the assets of the entity that received the proceeds of such financing, and (ii) the lien secures indebtedness not in excess of the proceeds received, and (iii) the aggregate indebtedness secured does not, at any time, exceed \$200,000,000.

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liens on property incurred in permitted sale and leaseback transactions;

liens in favor of only D&B or one or more subsidiaries granted by D&B or a subsidiary to secure any obligations owed to D&B or a subsidiary of D&B;

mechanics , landlords and similar liens arising in the ordinary course of business securing obligations that are not overdue for a period of more than 90 days or that are being contested in good faith by appropriate proceedings;

liens arising out of a judgment, decree or order of court being contested in good faith by appropriate proceedings, provided that adequate reserves with respect thereto are maintained on the books of D&B or the books of its subsidiaries, as the case may be, in conformity with GAAP;

liens for taxes not yet due and payable, or being contested in good faith by appropriate proceedings, provided that adequate reserves with respect thereto are maintained on the books of D&B or the books of its subsidiaries, as the case may be, in conformity with GAAP;

easements, rights of way and similar liens incurred in the ordinary course of business that do not secure any monetary obligations and materially impair the use or value of the property subject thereto or materially interfere with the ordinary conduct of D&B's business or of such subsidiary; and

liens otherwise prohibited by this covenant, securing indebtedness which, together with the value of attributable debt incurred in sale and leaseback transactions described under Limitation on Sale and Leasebacks below, do not at any time exceed the greater of 10% of shareholders' equity or an aggregate amount of \$450,000,000.

***Limitation on sale and leasebacks***

D&B will not, and will not permit any subsidiary to, enter into any arrangement with any person pursuant to which D&B or any subsidiary leases any property that has been or is to be sold or transferred by D&B or the subsidiary to such person (a sale and leaseback transaction), except that a sale and leaseback transaction is permitted if D&B or such subsidiary would be entitled to secure the property to be leased (without equally and ratably securing the outstanding senior notes) in an amount equal to the present value of the lease payments with respect to the term of the lease remaining on the date as of which the amount is being determined, discounted at the rate of interest set forth or implicit in the terms of the lease, compounded semi-annually (such amount is referred to as the attributable debt).

In addition, permitted sale and leaseback transactions not subject to the limitation above and the provisions described in Limitation on Liens above include:

temporary leases for a term, including renewals at the option of the lessee, of not more than three years;

leases between only D&B and a subsidiary of D&B or only between subsidiaries of D&B; and

leases of property executed by the time of, or within 12 months after the latest of, the acquisition, the completion of construction or improvement, or the commencement of commercial operation of the property.



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### ***Consolidation, merger and sale of assets***

D&B may not consolidate or merge with or into, or sell, lease, convey, transfer or otherwise dispose of our property and assets substantially as an entirety to another entity unless:

(1) D&B is the continuing corporation or (2) the successor entity, if other than D&B, is a U.S. corporation, partnership, limited liability company or trust and assumes by supplemental indenture all of D&B's obligations under the senior notes and the indenture;

immediately after giving effect to the transaction, no Event of Default (as defined below), and no event that, after notice or lapse of time or both, would become an Event of Default, has occurred and is continuing; and

if, as a result of any consolidation, merger, sale or lease, conveyance or transfer described in this covenant, properties or assets of D&B would become subject to any lien which would not be permitted by the asset lien restriction described above without equally and ratably securing the senior notes, D&B or such successor person, as the case may be, will take the steps as are necessary to secure effectively the senior notes equally and ratably with, or prior to, all indebtedness secured by those liens as described above.

In connection with any transaction that is covered by this covenant, we must deliver to the trustee an officers' certificate and an opinion of counsel each stating that the transaction complies with the terms of the indenture.

In the case of any such consolidation, merger, sale, transfer or other conveyance, but not a lease, in a transaction in which there is a successor entity, the successor entity will succeed to, and be substituted for, D&B under the indenture and D&B will be released from the obligation to pay principal and interest on the senior notes.

### **Events of default**

Any one of the following is an Event of Default :

if D&B defaults in the payment of interest on the senior notes, and such default continues for 30 days;

if D&B defaults in the payment of the principal or any premium on the senior notes when due by declaration, when called for redemption or otherwise;

if D&B fails to perform or if D&B breaches any covenant or warranty in the senior notes or in the indenture and applicable to the senior notes continuing for 90 days after notice to D&B by the trustee or by holders of at least 25% in principal amount of the outstanding senior notes; and

if certain events of bankruptcy or insolvency occur with respect to D&B (the bankruptcy provision ).  
If an Event of Default (other than the bankruptcy provision) with respect to the senior notes occurs and is continuing, the trustee or the holders of at least 25% in principal amount of all of the outstanding senior notes may declare the principal of all the senior notes to be due and payable. When such declaration is made, such principal will be immediately due and payable. If a bankruptcy or insolvency event occurs, the principal of and accrued and unpaid interest on the





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senior notes shall immediately become due and payable without any declaration or other act on the part of the trustee or the holders of the senior notes. The holders of a majority in principal amount of senior notes may rescind such declaration or acceleration and its consequences if the rescission would not conflict with any judgment or decree and if all existing events of default have been cured or waived (other than nonpayment of principal or interest that has become due solely as a result of acceleration).

Holders of senior notes may not enforce the indenture or the senior notes, except as provided in the indenture. The trustee may require indemnity satisfactory to it before it enforces the indenture or the senior notes. Subject to certain limitations, the holders of more than 50% in principal amount of the outstanding senior notes may direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power of the trustee. The trustee may withhold from holders notice of any continuing default (except a default in the payment of principal or interest) if it determines that withholding notice is in their interests.

## **Amendment and waiver**

With the consent of the holders of more than 50% of the principal amount of the outstanding senior notes, we and the trustee may amend or supplement the indenture or modify the rights of the holders. Such majority holders may also waive compliance by us with any provision of the indenture, any supplemental indenture or the senior notes except a default in the payment of principal or interest. However, without the consent of the holder of each senior note affected, an amendment or waiver may not:

reduce the principal amount of outstanding senior notes whose holders must consent to an amendment or waiver,

change the rate or the time for payment of interest;

change the principal or the fixed maturity;

waive a default in the payment of principal or interest;

make any senior note payable in a different currency other than that stated in the senior note or change the place of payment; or

make any change in the provisions of the indenture concerning (1) waiver of existing defaults; (2) rights of holders of the senior notes to receive payment; or (3) amendments and waivers with the consent of holders of the senior notes.

We and the trustee may amend or supplement the indenture without the consent of any holder to cure any ambiguity, defect or inconsistency in the indenture, the senior notes or for certain other limited purposes, including to make any change that does not adversely affect the rights of any holder of the senior notes.

## **Defeasance and covenant defeasance**

The indenture provides that we (a) may be discharged from our obligations in respect of the senior notes ( defeasance and discharge ), or (b) may cease to comply with certain restrictive covenants ( covenant defeasance ), including those described under Certain Covenants Limitation on Liens, Limitation on Sale and Leasebacks and Consolidation, Merger and Sale

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of Assets, when we have irrevocably deposited with the trustee, in trust, (i) sufficient funds to pay the principal of and interest to stated maturity (or redemption) on, the senior notes, or (ii) such amount of direct obligations of, or obligations guaranteed by, the government of the United States, as will, together with the predetermined and certain income to accrue thereon without consideration of any reinvestment, be sufficient to pay when due the principal of and interest to stated maturity (or redemption) on, the senior notes. Such defeasance and discharge and covenant defeasance are conditioned upon, among other things, our delivery of an opinion of counsel (which counsel may include our in house counsel) that the holders of the senior notes will not recognize income, gain or loss for United States federal income tax purposes as a result of such defeasance, and will be subject to tax in the same manner as if no defeasance and discharge or covenant defeasance, as the case may be, had occurred.

## **Governing law**

The indenture and the senior notes will be governed by, and construed in accordance with, the laws of the State of New York.

## **The trustee**

The indenture provides that, except during the continuance of an Event of Default, the trustee will perform only such duties as are specifically set forth in such indenture. If an Event of Default has occurred and is continuing, the trustee will exercise such rights and powers vested in it under the indenture and use the same degree of care and skill in its exercise as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

The indenture and the provisions of the Trust Indenture Act, incorporated by reference therein, contain limitations on the rights of the trustee thereunder should it become a creditor of D&B, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The trustee is permitted to engage in other transactions; provided, however, that if it acquires any conflicting interest (as defined), it must eliminate such conflict or resign.

## **Book entry; delivery and form**

We will initially issue the senior notes in the form of one or more fully registered global senior notes. Each global senior note will be deposited with, or on behalf of, DTC, and registered in the name of its nominee Cede & Co. You may hold your beneficial interests in any global senior note directly through DTC if you have an account with DTC or indirectly through organizations which have accounts with DTC.

So long as DTC, or its nominee, is the registered holder and owner of such global senior notes, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the senior notes represented by such global senior notes for the purposes of receiving payment on the senior notes, receiving notices and for all other purposes under the indenture and the senior notes. Except as described below, owners of beneficial interests in the global senior notes will not be entitled to receive physical delivery of senior notes in definitive form and will not be considered the holders thereof for any purpose under the indenture. Accordingly, each person owning a beneficial interest in the global senior notes must rely on the procedures of DTC and, if such person is not a participant, on the procedures of the participant through which such person owns its interest, to exercise any rights of the holder under the indenture.

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Owners of book-entry interests in the global senior notes will receive individual certificated senior notes in fully registered form, or definitive registered senior notes, only in the following circumstances:

if DTC notifies us or the book-entry depository in writing that it (or its nominee) is unwilling or unable to continue to act as a depository registered under the Exchange Act and a successor depository registered as a clearing agency under the Exchange Act is not appointed by us within 90 days; or

at any time if we determine that the global senior notes should be exchanged for definitive registered senior notes (in whole but not in part).

Any definitive registered senior notes will be issued in fully registered form in denominations of \$1,000 principal amount and integral multiples of \$1,000 in excess thereof. To the extent permitted by law, we, the trustee and any paying agent shall be entitled to treat the person in whose name any definitive registered note is registered as the absolute owner thereof.

## **Payments on the senior notes**

Payments of any amounts owing in respect of the global senior notes will be made through one or more paying agents appointed under the indenture to DTC or its nominee as the holder of the global senior notes. Initially, the paying agent for the senior notes will be The Bank of New York, as trustee. We may change the paying agent or registrar without prior notice to the holders of the senior notes, and we may act as paying agent or registrar.

Payments of principal or any premium owing in respect of definitive registered senior notes will be made at the maturity of each senior note in immediately available funds upon presentation of the senior note at the corporate trust office of the trustee in the Borough of Manhattan, The City of New York, or at any other place as we may designate. Payment of interest due on the definitive registered senior notes at maturity will be made to the person to whom payment of the principal of the senior note will be made. Payment of interest due on definitive registered senior notes other than at maturity will be made at the corporate trust office of the trustee or, at our option, may be made by check mailed to the address of the person entitled to receive payment as the address appears in the security register, except that a holder of \$1,000,000 or more in aggregate principal amount of senior notes in certificated form may, at our option, be entitled to receive interest payments on any interest payment date other than at maturity by wire transfer of immediately available funds if appropriate wire transfer instructions have been received in writing by the trustee at least 15 days prior to the interest payment date. Any wire instructions received by the trustee will remain in effect until revoked by the holder.

None of D&B, the trustee or any paying agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of book-entry interests or for maintaining, supervising or reviewing any records relating to such book-entry interests or beneficial ownership interests.

## **Information concerning DTC**

DTC has advised us as follows:

DTC is a limited purpose trust company organized under the laws of the State of New York, a banking organization within the meaning of the New York Banking law, a member of the Federal Reserve System, and a clearing agency registered pursuant to the provision of

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Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly ( indirect participants ).

Upon the issuance of the global senior notes, DTC or its custodian will credit, on its internal system, the respective principal amount of the individual beneficial interest represented by such global senior notes to the accounts of persons who have accounts with such depository. Ownership of beneficial interests in the global senior notes will be limited to persons who have accounts with DTC ( participants ) or persons who hold interests through participants. Ownership of beneficial interests in the global senior notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of persons other than participants).

We understand that, under existing industry practices, in the event that we request any action of holders, or an owner of a beneficial interest in such permanent global senior note desires to give or take any action (including a suit for repayment of principal or interest) that a holder is entitled to give or take under the senior notes, DTC would authorize the participants holding the relevant beneficial interest to give or take such action or would otherwise act upon the instruction of beneficial owners owning through them.

Payments of the principal of and interest on the global senior notes will be made to DTC or its nominee, as the case may be, as the registered owner thereof. We expect that DTC or its nominee, upon receipt of any payment of principal or interest in respect of the global senior notes, will credit participants' accounts with payments in amounts proportionate to their respective beneficial ownership interests in the principal amount of such global senior notes, as shown on the records of DTC or its nominee. We also expect that payments by participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules and will be settled in immediately available funds.

Neither we nor the trustee will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

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## Underwriting

Citigroup Global Markets Inc. and J.P. Morgan Securities Inc. are acting as joint book-running managers of the offering. Citigroup Global Markets Inc. and J.P. Morgan Securities Inc. are acting as representatives of the several underwriters named below.

Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus supplement, each underwriter named below has agreed to purchase, and we have agreed to sell to that underwriter, the principal amount of senior notes set forth opposite the underwriter's name.

<b>Underwriter</b>	<b>Principal Amount of Senior Notes</b>
Citigroup Global Markets Inc.	\$
J.P. Morgan Securities Inc.	
Barclays Capital Inc.	
<b>Total</b>	<b>\$</b>

The underwriting agreement provides that the obligations of the several underwriters to purchase the senior notes included in this offering are subject to conditions. The underwriters are obligated to purchase all the senior notes if they purchase any of the senior notes.

The underwriters propose to offer some of the senior notes directly to the public at the public offering price set forth on the cover page of this prospectus supplement and some of the senior notes to dealers at the public offering price less a concession not to exceed % of the principal amount of the senior notes. The underwriters may allow, and dealers may reallow, a concession not to exceed % of the principal amount of the senior notes on sales to other dealers. After the initial offering of the senior notes to the public, the representatives may change the public offering price and concessions.

The following table shows the underwriting discounts and commissions that we are to pay to the underwriters in connection with this offering (expressed as a percentage of the principal amount of the senior notes).

	<b>Paid by The Dun &amp; Bradstreet Corporation</b>
Per senior note	%
<b>Total</b>	<b>\$</b>

We expect that the delivery of the senior notes offered hereby will be made against payment therefor on or about the business day following the date of pricing the senior notes offered hereby (such settlement being referred to as T + ). Under Rule 15c6-1 of the Securities Exchange Act of 1934, as amended, trades in the secondary market are generally required to settle in three business days unless the parties to any such trades expressly agree otherwise. Accordingly, purchasers who wish to trade such senior notes prior to the delivery of



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the senior notes offered hereby will be required, by virtue of the fact that such senior notes will initially settle T +            to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of senior notes offered hereby who wish to trade such senior notes prior to their delivery hereunder should consult their own advisors.

In connection with the offering, Citigroup Global Markets Inc. and J.P. Morgan Securities Inc., on behalf of the underwriters, may purchase and sell senior notes in the open market. These transactions may include over-allotments, syndicate covering transactions and stabilizing transactions. Over-allotment involves syndicate sales of senior notes in excess of the principal amount of senior notes to be purchased by the underwriters in the offering, which creates a syndicate short position. Syndicate covering transactions involve purchases of the senior notes in the open market after the distribution has been completed in order to cover syndicate short positions. Stabilizing transactions consist of certain bids or purchases of senior notes made for the purpose of preventing or retarding a decline in the market price of the senior notes while the offering is in progress.

The underwriters also may impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when Citigroup Global Markets Inc. and J.P. Morgan Securities Inc., in covering syndicate short positions or making stabilizing purchases, repurchase senior notes originally sold by that syndicate member.

Any of these activities may have the effect of preventing or retarding a decline in the market price of the senior notes. They may also cause the price of the senior notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The underwriters may conduct these transactions in the over-the-counter market or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

We estimate that our total expenses for this offering will be \$            .

The underwriters have performed investment banking, commercial banking and advisory services for us from time to time for which they have received customary fees and expenses. The underwriters may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business for which they will receive customary fees and expenses.

As described in Use of Proceeds , we intend to use all of the net proceeds to repay approximately \$            million of indebtedness under our revolving credit facility. If the net proceeds are used in this manner, more than 10% of the net proceeds of this offering, not including underwriting compensation, may be received by the underwriters. As a result, this offering is being conducted in compliance with National Association of Securities Dealers ( NASD ) Conduct Rule 2710(h). Pursuant to that rule, the appointment of a qualified independent underwriter is not necessary in connection with this offering because the offering is of a class of securities rated investment grade.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make because of any of these liabilities.



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## **Legal matters**

Certain legal matters in connection with the senior notes offered hereby will be passed upon for us by Shearman & Sterling LLP, New York, New York, and the validity of the senior notes will be passed upon for the underwriters by Sullivan & Cromwell LLP, New York, New York.

## **Experts**

The financial statements and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) incorporated in this prospectus supplement by reference to our Annual Report on Form 10-K for the year ended December 31, 2007 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

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**Prospectus**

***THE DUN & BRADSTREET CORPORATION***

***Senior Debt Securities***

The senior debt securities may be offered from time to time, in amounts, on terms and at prices that will be determined at the times they are offered for sale. These terms and prices will be described in more detail in a supplement to this prospectus, which will be distributed at the time the senior debt securities are offered.

**You should read this prospectus and any prospectus supplement carefully before you invest.**

**This prospectus may not be used to sell any of the senior debt securities unless it is accompanied by a prospectus supplement.**

**The senior debt securities have not been approved by the Securities and Exchange Commission or any state securities commission, nor have these organizations determined that this prospectus is accurate or complete. Any representation to the contrary is a criminal offense.**

**This prospectus is dated March 19, 2008.**

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## About this prospectus

You should rely only on the information provided in or incorporated by reference in this prospectus or any prospectus supplement. We have not authorized anyone else to provide you with different information. We are not making an offer of any senior debt securities in any jurisdiction where the offer is not permitted. You should not assume that the information in this prospectus, any prospectus supplement or any document incorporated by reference is accurate as of any date other than the date of the document in which it is contained or such other date referred to in such document, regardless of the time of any sale or issuance of a senior debt security.

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission (the SEC) using a shelf registration process. Each time we sell or issue senior debt securities pursuant to this prospectus, we will provide a prospectus supplement that will contain specific information about the terms of that specific offering of senior debt securities and the specific manner in which they may be offered. The prospectus supplement may also add to, update or change any of the information contained in this prospectus. The prospectus supplement may also contain information about any material federal income tax considerations relating to the senior debt securities described in the prospectus supplement. You should read both this prospectus and the applicable prospectus supplement together with the additional information described under Where You Can Find More Information. **This prospectus may not be used to sell our senior debt securities unless it is accompanied by a prospectus supplement.**

This prospectus contains summaries of certain provisions contained in some of the documents described herein, but reference is made to the actual documents for complete information. All of the summaries are qualified in their entirety by the actual documents. Copies of some of the documents referred to herein have been filed or will be filed or incorporated by reference as exhibits to the registration statement of which this prospectus is a part, and you may obtain copies of those documents as described below under Where You Can Find More Information.

The registration statement that contains this prospectus, including the exhibits to the registration statement, contains additional information about us and the senior debt securities offered under this prospectus. That registration statement can be read at the SEC's web site ([www.sec.gov](http://www.sec.gov)) or at the SEC's offices mentioned under the heading Where You Can Find More Information.

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## **Where you can find more information**

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public over the Internet at the SEC's web site at

<http://www.sec.gov>. You may also read and copy any document we file at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Such information may also be inspected at the New York Stock Exchange, 20 Broad Street, New York, New York 10005, on which our common stock is listed.

The SEC allows us to incorporate by reference the information we file with it into this prospectus, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus, and information that we file later with the SEC will automatically update and supersede the previously filed information. We incorporate by reference the documents listed below and any future filings made with the SEC under Sections 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), other than any portions of the respective filings that were furnished under applicable SEC rules, rather than filed, until we complete our offerings of the senior debt securities:

our Annual Report on Form 10-K for the year ended December 31, 2007;

our Proxy Statement on Schedule 14A filed with the SEC on March 26, 2007; and

our Current Reports on Form 8-K filed with the SEC, not including such portions that have been furnished, on January 30, 2008, February 15, 2008 and March 17, 2008.

Our filings with the SEC, including our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports, are available free of charge on our website as soon as reasonably practicable after they are filed with, or furnished to, the SEC. Our Internet website is located at <http://www.dnb.com>. We have included our website address as an inactive textual reference only. The contents of the website are not incorporated by reference into this prospectus. You may request a copy of these filings at no cost by writing or telephoning us at the following address:

The Dun & Bradstreet Corporation

103 JFK Parkway

Short Hills, New Jersey 07078

Attention: Corporate Secretary

Telephone: (973) 921-5500

You should rely only on the information incorporated by reference or provided in this prospectus or any prospectus supplement. We have not authorized anyone else to provide you with other information.

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**Use of proceeds**

Unless we specify otherwise in the applicable prospectus supplement, we will use the net proceeds from the sale of the senior debt securities for general corporate purposes.

**Ratio of earnings to fixed charges**

Set forth below is information concerning our ratio of earnings to fixed charges. This ratio shows the extent to which our business generates enough earnings after the payment of all expenses other than interest to make required interest payments on our debt.

For these ratios, earnings have been calculated by adding fixed charges (i.e., interest expense and the portion of rental payments on operating leases estimated to represent an interest component) to Income before Provision for Income Taxes.

	<b>Year Ended December 31,</b>				
	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>Ratio of earnings to fixed charges</b>	11.7x	13.0x	12.8x	12.3x	10.2x

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## Senior debt securities

We may from time to time offer to sell our senior debt securities. We will set forth a description of the senior debt securities that may be offered under this prospectus in a prospectus supplement or other offering materials.

Senior debt securities offered under this prospectus will be governed by a document called the indenture. Unless we specify otherwise in the applicable prospectus supplement, the indenture is a contract between us and The Bank of New York, which acts as Trustee. A copy of the indenture is filed as an exhibit to our Current Report on Form 8-K filed with the Commission on March 14, 2006.

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## **Plan of distribution**

The senior debt securities may be sold to or through underwriters, through dealers or agents or through a combination of these methods. If an offering of the senior debt securities involves any underwriters, dealers or agents, then the prospectus supplement will name the underwriters, dealers or agents and will provide information regarding any fee, commission or discount arrangements with those underwriters, dealers or agents.

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## **Legal matters**

The validity of the senior debt securities will be passed upon for us by Shearman & Sterling LLP, New York, New York.

## **Experts**

The financial statements and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) incorporated in this prospectus by reference to our Annual Report on Form 10-K for the year ended December 31, 2007 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.



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