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Date:

January 8, 2001

Legend

Acquiring =

Target =

State X =

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Dear :

This is in response to your authorized representative’s letter dated September 18, 2000, requesting rulings under § 368(a)(1)(C) of the Internal Revenue Code (the “Code”) with respect to a proposed transaction. Additional information was received in a letter dated November 6, 2000. The material information submitted is summarized below.

Acquiring is a closed-end non-diversified management investment company organized under the laws of State X and registered under the Investment Company Act of 1940 (the “1940 Act”). Acquiring has elected to be taxed as a regulated investment company (“RIC”) under §§ 851-855 of the Code. Acquiring currently has outstanding voting common stock and five series of voting preferred stock.

Target is also a closed-end non-diversified management investment company organized under the laws of State X and registered under the 1940 Act. Target has elected to be taxed as a RIC under §§ 851-855 of the Code. Target currently has outstanding voting common stock and one series of voting preferred stock.

For what are represented to be valid business reasons, Acquiring and Target propose the following transaction (the “Transaction”), which to the best of their managements’ knowledge and belief, does not qualify as a reorganization under section 368(a)(1)(A) of the Code:

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- (1) Pursuant to a plan of reorganization, Target will transfer to Acquiring all of Target's assets and liabilities in exchange for newly issued Acquiring common stock and voting preferred stock.
- (2) Target will distribute all of the Acquiring common and preferred stock received in the exchange to its shareholders. Each holder of Target Fund common stock will be entitled to receive a proportionate number of Acquiring common shares equal to the aggregate net asset value of the common stock owned by such shareholder on the exchange date. Each Target preferred shareholder, likewise, will be entitled to receive a number of Acquiring preferred shares having a liquidation preference and value equal to the liquidation preference and value of the Target shares owned by such shareholder on the exchange date. Target's preferred shares have the same terms as the Acquiring preferred shares to be issued.
- (3) As soon as practicable after the step described in paragraph (2) above, Target will dissolve in accordance with the laws of State X and will terminate its registration under the Investment Company Act of 1940.
- (4) Acquiring may sell up to a% of the assets received from Target in the exchange described in paragraph (1) above to unrelated purchasers and will reinvest any proceeds in a manner consistent with Acquiring's investment objectives and policies.

The following representations have been made in connection with the proposed transaction (hereinafter referred to as the "Transaction"):

(a) The fair market value of the Acquiring stock received by each Target shareholder will be approximately equal to the fair market value of the Target stock surrendered in the exchange.

(b) There is no plan or intention by Target shareholders who own 5% or more of Target's stock, and to the best of the knowledge of the management of Target, there is no plan or intention on the part of any other shareholders of Target to sell, exchange, or otherwise dispose of a number of shares of Acquiring received in the Transaction that would reduce such Target shareholders' ownership of Acquiring stock to a number of shares having a value, as of the date of the Transaction, of less than 50% of the value of all of the formerly outstanding stock of Target as of the same date. For purposes of this representation, shares of Target stock exchanged for cash or other property, surrendered by dissenters, or exchanged for cash in lieu of fractional shares of Acquiring stock will be treated as outstanding stock of Target on the date of the Transaction. Moreover, shares of Target and shares of Acquiring held by Target shareholders and otherwise sold, redeemed, or disposed of prior or subsequent to the Transaction will be considered in making this representation. Target represents that it

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is publicly traded, and therefore, may appropriately make the above representation with respect to its 5% shareholders rather than 1% shareholders under Rev. Proc. 86-42, 1986-2 C.B. 722.

(c) Acquiring will acquire at least 90% of the fair market value of the net assets and at least 70% of the fair market value of the gross assets held by Target immediately prior to the Transaction. For purposes of this representation, amounts paid by Target to dissenters, amounts used by Target to pay its reorganization expenses, amounts paid by Target to shareholders who receive cash or other property, and all redemptions and distributions (except for regular, normal dividends) made by Target immediately preceding the transfer will be included as assets of Target held immediately prior to the Transaction.

(d) Acquiring has no plan or intention to reacquire any of its stock issued in the Transaction.

(e) After the Transaction, Acquiring will use the assets acquired from Target in its business, except that a portion of these assets may be sold or otherwise disposed of in the ordinary course of Acquiring's business. Any proceeds will be invested in accordance with Acquiring's investment objectives. Acquiring has no plan or intention to sell or otherwise dispose of any of the assets of Target acquired in the Transaction, except for dispositions made in the ordinary course of business.

(f) Target will distribute to its shareholders the stock of Acquiring received pursuant to the plan of reorganization.

(g) The Acquiring preferred stock to be received by Target preferred shareholders in exchange for their Target preferred stock will be identical to the Target preferred stock exchanged therefor.

(h) The liabilities of Target assumed by Acquiring and any liabilities to which the transferred assets of Target are subject were incurred by Target in the ordinary course of its business.

(i) Following the Transaction, Acquiring will continue the historic business of Target or use a significant portion of Target's historic business assets in the continuing business.

(j) Target, Acquiring, and the shareholders of Target will pay their respective expenses, if any, incurred in connection with the Transaction.

(k) There is no intercorporate indebtedness existing between Target and Acquiring that was issued, acquired, or will be settled at a discount.

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(l) Acquiring and Target each meets the requirements of a RIC as referred to in section 368(a)(2)(F).

(m) The fair market value of the assets of Target transferred to Acquiring will equal or exceed the sum of the liabilities assumed by Acquiring, plus the amount of liabilities, if any, to which the transferred assets are subject.

(n) Acquiring does not own, directly or indirectly, nor has it owned during the past five years, directly or indirectly, any stock of Target.

(o) Cash is being distributed to shareholders of Target in lieu of fractional shares of Acquiring solely to save Acquiring the expense and inconvenience of issuing and transferring fractional shares, and such cash does not represent separately bargained for consideration in the Transaction. The total cash consideration that will be paid to Target shareholders instead of issuing fractional shares of Acquiring stock will not exceed 1% of the total consideration that will be issued to Target shareholders in exchange for their shares of Target stock. The fractional share interests of each Target shareholder will be aggregated, and no Target shareholder will receive cash in an amount equal to or greater than the value of one full share Acquiring stock.

(p) Target is not under the jurisdiction of a court in a Title 11 or similar case within the meaning of section 368(a)(3)(A).

(q) Target and Acquiring have elected to be taxed as RICs under section 851, and for all of their taxable periods (including the last short taxable period ending on the date of Transaction for Target), have qualified for the special tax treatment afforded RICs under the Code. After the Transaction, Acquiring intends to continue to so qualify.

(r) There is no plan or intention for Acquiring (the issuing corporation as defined in § 1.368-1(b)) or any person related (as defined in § 1.368-1(e)(3)) to Acquiring, to acquire, during the five-year period beginning on the date of the Transaction, with consideration other than Acquiring stock, Acquiring stock furnished in exchange for a proprietary interest in Target in the Transaction, either directly or through any transaction, agreement, or arrangement with any other person, except for cash distributed to Target's common shareholders in lieu of fractional shares of Target common stock.

(s) During the five-year period ending on the date of the Transaction: (i) neither Acquiring nor any person related (as defined in § 1.368-1(e)(3)) to Acquiring, will have acquired Target's stock with consideration other than Acquiring stock; (ii) neither Target, nor any person related (as defined in § 1.368-1(e)(3), without regard to § 1.368-1(e)(3)(i)(A)) to Target will have acquired Target's stock with consideration other than Acquiring stock or Target stock; and (iii) no distributions will have been made with respect to Target's stock (other than ordinary, normal, regular dividend distributions

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made pursuant to Target's historic dividend paying practice), either directly or through any transaction, agreement, or arrangement with any other person, except for (a) cash paid to dissenters and (b) distributions described in sections 852 and 4982 of the Code, as required for Target's tax treatment as a RIC.

(t) The aggregate value of the acquisitions, redemptions, and distributions discussed in paragraphs (r) and (s) above will not exceed 50% of the value (without giving effect to the acquisitions, redemptions, and distributions) of the proprietary interest in Target on the effective date of the proposed transaction.

Based solely on the information provided and the representations made, we conclude as follows:

- (1) The acquisition by Acquiring of substantially all of the assets of Target, in exchange for voting shares of Acquiring stock and Acquiring's assumption of Target's liabilities, as described above, followed by the distribution by Target to its shareholders of Acquiring shares in complete liquidation as described above, will qualify as a reorganization within the meaning of § 368(a)(1)(C), and Acquiring and Target will each be "a party to a reorganization" within the meaning of section 368(b).
- (2) Target will recognize no gain or loss upon the transfer of substantially all of its assets to Acquiring solely in exchange for voting stock of Acquiring and Acquiring's assumption of Target's liabilities (section 361(a) and 357(a)).
- (3) Target will recognize no gain or loss on the distribution of Acquiring stock to its shareholders in pursuance of the plan of reorganization (section 361(c)(1)).
- (4) Acquiring will recognize no gain or loss on the receipt of the assets of Target in exchange for voting shares of Acquiring (section 1032(a)).
- (5) The basis of Target's assets in the hands of Acquiring will be the same as the basis of those assets in the hands of Target immediately prior to the Transaction (section 362(b)).
- (6) Acquiring's holding period for Target assets transferred will include the period during which such assets were held by Target (section 1223(1)).
- (7) The shareholders of common and voting preferred Target stock will not recognize any gain or loss on their respective receipt of shares of common and voting preferred Acquiring stock solely in exchange for their Target shares (except to the extent that Target common shareholders

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receive cash representing an interest in fractional shares of Acquiring in the Transaction (section 354(a)(1)).

- (8) The basis of Acquiring shares received by Target shareholders will be the same, in the aggregate, as the basis of the Target shares surrendered in exchange therefor (section 358(a)(1)).
- (9) The holding period of the Acquiring shares received by Target shareholders in exchange for their Target shares will include the period during which the exchanged Target shares were held, provided that the Target shares are held as a capital asset in the hands of Target shareholders on the date of the exchange (section 1223(1)).
- (10) The payment of cash to the Target shareholders in lieu of fractional shares of Acquiring will be treated as though the fractional shares were distributed as part of the Transaction and then redeemed by Acquiring. The cash payment will be treated as a distribution in full payment for the fractional shares deemed redeemed under § 302(a), with the result that such Target shareholders will have short-term or long-term capital gain or loss to the extent that the cash distribution differs from the basis allocable to their fractional shares (Rev. Rul. 66-365, 1966-2 C.B. 116; Rev. Proc. 77-41, 1977-2 C.B. 574).
- (11) Pursuant to §§ 381(a) and (b) and §§ 1.381(a)-1 and 1.381-1(b)(1) of the Income Tax Regulations, the tax year of Target will end on the date of the Reorganization, and Acquiring will succeed to and take into account the items of Target described in § 381(c), subject to the provisions and limitations specified in §§ 381, 382, 383, and 384 and the regulations thereunder.

No opinion is expressed as to the tax treatment of the transaction under other provisions of the Code or regulations or about the tax treatment of any conditions existing at the time of, or effects resulting from, the transaction that are not specifically covered by the above ruling. Specifically, no opinion was requested, and none is expressed, as to whether Acquiring or Target qualifies as a RIC that is taxable under Subchapter M, Part I of the Code.

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

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

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the material submitted in support of the request for rulings, it is subject to verification on examination.

A copy of this letter should be attached to the federal income tax returns of the taxpayers involved for the taxable year in which the transaction covered by this ruling letter is consummated.

In accordance with a power of attorney on file in this office, a copy of this letter is being sent to your authorized representative.

Sincerely yours,
Assistant Chief Counsel (Corporate)
By: Charles M. Levy
Reviewer, Branch 2