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Acquiring =

Target =

State X =

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This letter responds to your representative's October 31, 1999, request for rulings under § 368 (a)(1)(C) of the Internal Revenue Code (the "Code") on behalf of the above-captioned taxpayers. The information submitted for consideration is summarized below.

Acquiring is organized under the laws of State X and registered under the Investment Company Act of 1940 (the "1940 Act") as a diversified, open-end management company. Acquiring has elected to be taxed as a regulated investment company ("RIC") under §§ 851-855 of the Code. Acquiring's investment objective is to provide shareholders with income and long-term growth of capital. It seeks to obtain its objective by investing in a diversified portfolio of equity securities located outside the United States.

Target is organized under the laws of State X and registered under the 1940 Act as a diversified, open-end management company. Target has elected to be taxed as a RIC under §§ 851-855. Target's investment objective is to provide investors with income and long-term growth of capital by investing in equity securities located outside the United States.

Acquiring offers four classes of stock. Class A shares have a maximum initial sales charge of a percent and are offered to a limited group of investors. Class B shares incur no initial sales charge when purchased, but are subject to ongoing account maintenance fees and Rule 12b-1 (of the 1940 Act) distribution fees of b percent and c percent, respectively, of the Fund's average daily net assets attributable to the Class B shares and a contingent deferred sales charge ("CDSC") ranging between d percent and e percent if redeemed within f years from purchase. In general, Class B shares will automatically convert into Class D shares g years from purchase. Class C shares incur no initial sales charge when purchased and are subject to ongoing account maintenance fees and distribution fees under a Rule 12b-1 plan of b percent and c percent, respectively, of the Fund's average daily net assets attributable to the Class C shares and are subject to a CDSC of e percent if redeemed within h years from purchase. Class D shares incur a maximum initial sales charge of a percent and are subject to an ongoing maintenance fee of b percent.

Target offers only one class of ownership. That class is structured similarly to the Class C shares of Acquiring. Investors incur no initial sales charge on purchase, and shares are subject to ongoing account maintenance fees and distribution fees of b percent and c percent, respectively, of the Fund's daily net assets and are subject to a CDSC of e percent if redeemed within h years from purchase.

Acquiring and Target have entered into an agreement and plan of reorganization for what are represented to be valid business reasons. Pursuant to the agreement, the transaction consists of the following steps:

- (1) Target will transfer all of its assets and liabilities to Acquiring in exchange for an equal value of newly issued Acquiring Class C common voting stock.
- (2) Target will distribute to its shareholders all of the Acquiring stock it received in the transaction. The aggregate net asset value ("NAV") of the shares issued by Acquiring and received by Target shareholders will equal the aggregate NAV of the outstanding shares of Target stock on the date that steps (1) and (2) are consummated (hereinafter referred to as "the date of the transaction").
- (3) Target will dissolve in accordance with the laws of State X and terminate its registration under the 1940 Act.

After the transaction, Acquiring (in the ordinary course of its business) may sell up to 66 percent of the assets received from Target to unrelated parties, but will reinvest the proceeds consistent with its investment objectives and policies.

The following representations have been made in connection with the proposed 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) Acquiring will acquire at least 90 percent of the fair market value of the net assets and at least 70 percent of the fair market value of the gross assets held by Target immediately prior to the transaction. For purposes of this representation, 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 redemptions in the ordinary course of Target's business as an open-end investment company as required by § 22(e) of the 1940 Act pursuant to a demand of a shareholder, and regular, normal dividends) made by Target immediately preceding the transfer will be included as assets of Target held immediately prior to the transaction. There will be no payments to dissenters, as shareholders may redeem their shares at any time.
- (c) Acquiring has no plan or intention to reacquire any of its stock issued in the transaction except in connection with its legal obligations under § 22(e) of the 1940 Act.
- (d) 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.

(e) Target will distribute to its shareholders the stock of Acquiring it receives pursuant to the Plan of Reorganization.

(f) 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.

(g) 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.

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

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

(j) Acquiring and Target each meets the requirements of a regulated investment company as defined in § 368(a)(2)(F)(i) and (ii).

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

(l) 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.

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

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

(o) 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 redemptions in the ordinary course of Acquiring's business as an open-end investment company as required by § 22(e) of the 1940 Act.

(p) 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 stock with consideration other than Acquiring stock or Target stock except redemptions in the ordinary course of Target's business as an open-end investment company as required by § 22(e) of the 1940 Act; and (iii) no distributions will have been made with respect to Target's stock (other than ordinary, normal, regular, dividend distributions 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 §§ 852 and 4982 of the Internal Revenue Code.

(q) The aggregate value of the acquisitions, redemptions, and distributions discussed in paragraphs (o) and (p), above, will not exceed 50 percent 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 upon the information and representations set forth above, we hold 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, followed by the distribution by Target to its shareholders of Acquiring shares, in complete liquidation, will qualify as a reorganization within the meaning of § 368(a)(1)(C). For purposes of this ruling, "substantially all" means at least 90 percent of the fair market value of the net assets and at least 70 percent of the fair market value of the gross assets of Target. Acquiring and Target will each be a "party to a reorganization" within the meaning of § 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 Acquiring voting common stock and Acquiring's assumption of Target's liabilities (§§ 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 (§ 361(c)(1)).

(4) Acquiring will not recognize any gain or loss on the receipt of the assets of Target in exchange for voting shares of Acquiring (§ 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 reorganization (§ 362(b)).

(6) Acquiring's holding period for the Target assets acquired will include the period during which such assets were held by Target (§ 1223(2)).

(7) The shareholders of Target will not recognize any gain or loss on the receipt of voting shares of Acquiring solely in exchange for their shares in Target (§ 354(a)(1)).

(8) The basis of the Acquiring shares received by Target shareholders will be the same, in the aggregate, as the basis of the Target shares surrendered in exchange therefor (§ 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 the Target shareholders on the date of the exchange (§ 1223(1)).

(10) Pursuant to § 381(a) and § 1.381(a)-1, 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. Pursuant to § 1.381(b)-1, the taxable year of Target will end with the close of the date of transfer.

No opinion is expressed as to the Federal income tax treatment of the proposed transaction under other provisions of the Code and regulations or as to the tax treatment of any conditions existing at the time of, or effects resulting from, the proposed transaction that are not specifically covered by the above rulings. Specifically, no opinion was requested, and none is expressed, about 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 taxpayers requesting it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

A copy of this letter must be attached to any income tax return to which it is relevant.

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

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

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

Sincerely yours,

Assistant Chief Counsel (Corporate)

By *Ken Cohen*

Ken Cohen

Senior Technician Reviewer, Branch 3