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Third Party Communication: None

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PLR-166099-04

Date:

July 08, 2005

Acquiring =

Target =

Series =

Adviser =

State X =

Date 1 =

Dear :

This letter responds to a letter dated December 8, 2004, which requests rulings on certain Federal income tax consequences of a proposed transaction. The proposed transaction was consummated on Date 1. Additional information was received in subsequent letters dated December 28, 2004, January 18, 2005, January 31, 2005, February 9, 2005, February 25, 2005, February 28, 2005, March 24, 2005, April 11, 2005, April 29, 2005, May 18, 2005, and July 8, 2005. The material information submitted for consideration is summarized below.

Prior to Date 1, Target was, and Acquiring was and still is, a State X corporation and a series of Series. Acquiring and Target each elected to be treated as a regulated investment company (a "RIC") under § 851 of the Internal Revenue Code. Series is an open-end management investment company for purposes of the Investment Company Act of 1940 (the "1940 Act").

Prior to Date 1, Adviser was the investment adviser of both Acquiring and Target, and Adviser is still the investment adviser of Acquiring. Acquiring and Target each had, and Acquiring still has, three classes of voting common stock, Class A, Class B, and Class C. The three classes of voting common stock of Acquiring were substantially similar to the corresponding three classes of voting stock of Target.

For what has been represented to be valid business reasons, the following transaction was consummated on Date 1:

- (i) Target transferred all of its assets to Acquiring in exchange for Class A, Class B, and Class C shares of Acquiring stock and the assumption by Acquiring of all of Target's liabilities. The Acquiring Class A, Class B, and Class C shares issued to Target had an aggregate value approximately equal to the aggregate value of the corresponding Target shares immediately prior to the transfer.
- (ii) Upon receipt of the Acquiring shares, Target distributed the shares to its shareholders. The Class A, Class B, and Class C shareholders of Target received, respectively, Class A, Class B, and Class C shares of Acquiring.
- (iii) Target subsequently dissolved under applicable state law.

Steps (i), (ii) and (iii) are collectively referred to as the Reorganization.

Pursuant to the Reorganization, no cash was distributed in lieu of fractional shares.

The following representations have been made in connection with the Reorganization.

- (a) The fair market value of the Acquiring stock received by each Target shareholder approximately equaled the fair market value of the Target stock surrendered in the exchange.
- (b) Acquiring acquired 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 paid by Target to shareholders who received cash or other property, amounts used by Target to pay Target's Reorganization expenses, and all redemptions and distributions (except redemptions in the ordinary course of Target's business as an open-end investment company pursuant to § 22(e) of the 1940 Act and regular, normal dividends) made by Target immediately preceding the transfer are included as assets of Target held immediately prior to the Reorganization.

- (c) Acquiring has no plan or intention to reacquire any of its stock issued in the transaction, except in the ordinary course of business as an open-end investment company pursuant to § 22(e) of the 1940 Act.
- (d) After the transaction, the shareholders of Target were in control of Acquiring within the meaning of §§ 368(a)(2)(H)(i) and 304(c).
- (e) At the time of the transaction, Acquiring did not have outstanding any warrants, options, convertible securities, or any other type of right pursuant to which any person could acquire stock in Acquiring that, if exercised or converted, would affect the Target shareholders' acquisition or retention of control of Acquiring, as defined in §§ 368(a)(2)(H)(i) and 304(c).
- (f) The liabilities of Target assumed (as determined under § 357(d)) by Acquiring were incurred in the ordinary course of its business and were associated with the assets transferred.
- (g) Acquiring, Target, and the shareholders of Target paid their respective expenses, if any, incurred in connection with the Reorganization, based proportionately on the expected benefits to each as a result of the Reorganization. The remainder of the expenses, if any, were assumed and have been or will be paid directly by Adviser.
- (h) There was no intercorporate indebtedness existing between Acquiring and Target that was issued, acquired, or settled at a discount.
- (i) The fair market value of the assets of Target transferred to Acquiring equaled or exceeded the sum of the liabilities assumed (as determined under § 357(d)) by Acquiring.
- (j) Target was not under the jurisdiction of a court in a Title 11 or similar case within the meaning of § 368(a)(3)(A).
- (k) There is no plan or intention for Acquiring 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 Reorganization, with consideration other than Acquiring stock, Acquiring stock furnished in exchange for a proprietary interest in Target in the Reorganization, either directly or through any transaction, agreement, or arrangement with any other person, other than redemptions by Acquiring in the ordinary course of its business as an open-end investment company pursuant to § 22(e) of the 1940 Act.
- (l) During the five-year period ending at the effective date of the Reorganization:
 - (a) neither Acquiring nor any person related (as defined in § 1.368-1(e)(3)) to Acquiring will have acquired Target shares with consideration other than

- Acquiring shares (other than a de minimis number of Target shares acquired by Acquiring in the ordinary course of administering its deferred compensation plan); (b) 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 shares with consideration other than Acquiring shares or Target shares; and (c) no distribution will have been made with respect to Target stock (other than normal, regular, dividend distributions made pursuant to the historic dividend paying practice of Target), either directly or through any transaction, agreement, or arrangement with any other person, except for (i) distributions described in §§ 852 and 4982 as required for Target's tax treatment as a RIC, and (ii) redemptions by Target of its stock in the ordinary course of its business as an open-end investment company pursuant to § 22(e) of the 1940 Act.
- (m) Acquiring is in the same line of business as Target was preceding the Reorganization for purposes of § 1.368-1(d)(2). Following the Reorganization, Acquiring will continue such line of business and has no plan or intention to change such line of business. Neither Acquiring nor Target entered into such line of business as part of the plan of reorganization. On the date of the Reorganization, at least 33 1/3% of Target's portfolio assets met the investment objectives, strategies, policies, risks and restrictions of Acquiring. Target did not alter its portfolio in connection with the Reorganization to meet the 33 1/3% threshold. On the date of the Reorganization, Acquiring had no plan or intention to change any of its investment objectives, strategies, policies, risks and restrictions after the Reorganization.
- (n) To the best of the knowledge of Acquiring's management, as of the record date for Target shareholders entitled to vote on the Reorganization, there was no plan or intention by the Target shareholders to sell, exchange, or otherwise dispose of a number of Target shares (or Acquiring shares received in the Reorganization), in connection with the Reorganization, that would reduce the Target shareholders' ownership of Target shares (or equivalent Acquiring shares) to a number of shares that is less than 50% of the number of Target shares as of the record date.
- (o) Acquiring and Target each elected to be taxed as a RIC under § 851, and for all their taxable periods (including the last short taxable period ending on the date of the Reorganization for Target), qualified or intend to qualify for the special tax treatment afforded to RICs under the Code. After the Reorganization, Acquiring intends to continue to so qualify.

Based solely on the information submitted and the representations set forth above, we hold as follows:

- (1) The transfer by Target of all its assets to Acquiring in exchange for Acquiring stock and the assumption by Acquiring of the Target liabilities followed by the distribution of Acquiring stock in complete liquidation of Target qualifies as a reorganization within the meaning of § 368(a)(1)(D). Acquiring and Target are each “a party to a reorganization” within the meaning of § 368(b).
- (2) No gain or loss is recognized by Target upon the transfer of all of its assets to Acquiring in exchange for Acquiring stock and the assumption by Acquiring of Target liabilities (§§ 361(a) and 357(a)).
- (3) No gain or loss is recognized by Target on the distribution of Acquiring stock to its shareholders (§ 361(c)).
- (4) No gain or loss is recognized by Acquiring upon the receipt of the assets of Target in exchange for Acquiring stock (§ 1032(a)).
- (5) The basis of the assets of Target in the hands of Acquiring will be the same as the basis of those assets in the hands of Target immediately prior to the transfer (§ 362(b)).
- (6) The holding period of the assets of Target in the hands of Acquiring includes the period during which those assets were held by Target (§ 1223(2)).
- (7) The basis of the shares of Acquiring received by the Target shareholders will be the same as the basis of the Target stock surrendered in exchange therefor (§ 358(a)(1)).
- (8) The holding period of Acquiring stock received by the Target shareholders includes the period during which the Target shareholders held the Target stock surrendered in exchange therefor, provided the Target stock was held as a capital asset on the date of the transaction (§ 1223(1)).
- (9) No gain or loss is recognized by the Target shareholders on the receipt of Acquiring stock solely in exchange for their Target stock (§ 354(a)).
- (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 tax year of Target ended on the effective date of the Reorganization.

Except as set forth above, no opinion is expressed or implied concerning the Federal tax consequences of the proposed transaction under any other provision of the Code and regulations, or about the tax treatment of any conditions existing at the time of, or effects resulting from, the proposed transaction.

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

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

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

Sincerely,

Ken Cohen
Senior Technician Reviewer, Branch 3
Office of Associate Chief Counsel (Corporate)