

INTERNAL REVENUE SERVICE

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March 14, 2000

Legend:

Funds =

Trust =

Advisor =

State =

Dear

This responds to your request for a ruling dated August 13, 1999, submitted by your authorized representative on behalf of the Funds. The Funds request a ruling on the application of section 852(b)(6) of the Internal Revenue Code of 1986 to the proposed split-off of one of the classes of shares of the Funds to a newly-created fund.

FACTS

Trust is organized as a business trust under the laws of State. A series open-end management investment company, it is composed of the eleven Funds. Advisor is the investment advisor to each Fund.

Each Fund is treated as a separate corporation under section 851(g). Each offers two classes of shares: a retirement shares class and an institutional class. Institutional shares are offered to separate accounts of insurance companies and to certain qualified retirement plans. Retirement shares are offered only to qualified retirement plans.

The shares of each Fund are currently sold only to qualified retirement plans and insurance companies in order to satisfy the diversification requirements of section 817(h) with respect to shares held by the insurance company separate accounts. Advisor believes, however, that it would be advantageous for holders of the retirement shares class to have an interest in a fund that has a wider market of investors, in order that the fund might be expanded and the relative operating expenses of the fund reduced. Because the diversification requirements do not apply to shares

held by qualified retirement plans, Advisor could avoid these restrictions if the interests represented by the retirement shares class constituted a separate fund. Accordingly, it proposes to split off the retirement shares class of each Fund to a new fund.

In order to carry out the split-off, the approval of the retirement shares class shareholders will be sought by shareholder vote. The required vote will take place in person or by proxy at a shareholder meeting.

Once shareholder approval has been obtained, each Fund will take the following steps to effect the split-off of the retirement shares class. First, a new business trust ("New Trust") will be established pursuant to the laws of State. Second, each Fund will distribute pro rata to the holders of the two classes of shares all ordinary income and capital gains realized by the Fund through the date of the split-off. Third, the retirement shares class of each fund will be designated a separate series and each Fund's net assets will be allocated equitably between the new series and that Fund based on the relative net assets of the two classes. Fourth, the assets of each newly created retirement shares series will be transferred to a corresponding fund ("New Fund") of the New Trust in exchange for shares in the New Fund. Fifth, each Fund will distribute shares of New Fund to the holders of retirement shares in exchange for their shares.

The Funds represent that (1) they will transfer a pro rata share of each securities position (identified by the time when the securities were purchased) held by a Fund to the New Fund, except for (a) securities that are subject to restrictions on resale or transfer, such as private placement securities, and (b) rounding off to eliminate fractional shares and odd lots of securities, and (2) a Fund's tax basis in the assets transferred to the New Fund, as a percentage of the Fund's tax basis in all its assets (prior to the transfer), will be no more than 1% more or less than the percentage of assets being transferred to the New Fund. For example, if a total of 10% of Fund assets are being transferred to the New Fund, the Fund's aggregate tax basis of all the assets being transferred will equal not less than 9% nor more than 11% of the Fund's aggregate tax basis in all its assets (prior to the transfer).

LAW AND ANALYSIS

Section 311(b) of the Code provides, in general, that if a corporation distributes appreciated property to a shareholder, it recognizes gain as if the property were sold to the distributee at its fair market value. Section 852(b)(6) provides, however, that section 311(b) shall not apply to any distribution by a

regulated investment company (RIC) to which subchapter M, Part I applies, if the distribution is in redemption of its stock upon the demand of its shareholder.

Section 317(b) defines a redemption as the acquisition of a corporation's stock, by the corporation, from a shareholder in exchange for property. Section 317(a) defines property as money, securities and any other property, except stock in the corporation making the distribution (or rights to acquire such stock).

Section 852(b)(6) does not define the term "redemption upon demand" of a shareholder. Elsewhere in the tax law, the term has been read to apply to redemptions of stock in an open-end regulated investment company. Cf. Section 162(k)(2)(B); H.R. Conf. Rep. No. 99-841, 99th Cong., 2d Sess., at 168.

Under applicable securities law, an open-end management company is a management company which is offering for sale or has outstanding any redeemable security of which it is the issuer. 15 U.S.C. § 80a-5(a)(1). A redeemable security is defined as any security, other than short-term paper, under the terms of which the holder, upon its presentation to the issuer or to a person designated by the issuer, is entitled (whether absolutely or only out of surplus) to receive approximately his proportionate share of the issuer's current net assets, or the cash equivalent thereof. 15 U.S.C. § 80a-2(32).

Under the proposed transaction, a holder of retirement shares will surrender shares in a Fund in exchange for shares in a New Fund that represent the shareholder's proportionate share of the Fund's current net assets. The proposed transaction will require the approval of the holders of retirement shares by shareholder vote. In substance, the shareholders by this vote will collectively exercise their securities law right of redemption of their shares upon presentment and will redeem their shares on demand within the meaning of section 852(b)(6).

Accordingly, under section 852(b)(6), a Fund will recognize neither gain nor loss upon the distribution of shares of the New Fund to its shareholders in exchange for retirement shares pursuant to the transaction described in this letter.

No opinion is expressed or implied concerning the federal income tax consequences of the transaction described in this letter, except as expressly provided.

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

A copy of this letter should be attached to the federal income tax return of each Fund for the taxable year in which it participates in the transaction described in this letter.

Sincerely yours,

Assistant Chief Counsel
(Financial Institutions & Products)

By: _____
William E. Coppersmith
Chief, Branch 2

Enclosure: 6110 copy