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PLR-107150-25

Date:

November 20, 2025

## LEGEND

Company =

Acquiring Fund =

Target Fund =

Investment Advisor =

Foreign Bank =

Country X =

Date 1 =

State A =

Dear \_\_\_\_\_ :

This letter responds to your representative's letter dated March 31, 2025 on behalf of Target Fund, as supplemented by subsequent information and documentation, requesting rulings under section 368(a)(1) of the Internal Revenue Code of 1986, as amended (the "**Code**") with respect to certain federal income tax consequences of a series of transactions (the Proposed Transaction, as defined below). The material information submitted in that request and in subsequent correspondence is summarized below.

This letter is issued pursuant to Rev. Proc. 2025-1, 2025-1 I.R.B. 1. Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

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 the material submitted in support of the request for rulings, it is subject to verification on examination. Verification of the information, representations, and other data may be required as part of the audit process.

## **FACTS**

Company is a corporation registered under the Investment Company Act of 1940 (the "**1940 Act**") as an open-end management investment company. Acquiring Fund and Target Fund are each organized as a series of Company, and each is treated as a corporation and a regulated investment company ("**RIC**") for U.S. federal income tax purposes.

Target Fund and Acquiring Fund (collectively, the "**Funds**") have substantially similar investment portfolios, each of which includes stock in Foreign Bank. According to the Funds, there are sanctions that limit the ability to transfer stock of and distributions from Foreign Bank, a Country X corporation. The Target Fund's assets whose transfer is limited by sanctions are referred to as the "**Sanctioned Assets**."

The board of directors for the Funds adopted on behalf of each Fund an Agreement and Plan of Reorganization (the "**Plan**") on Date 1 that generally includes the Proposed Transaction (as defined below).

## PROPOSED TRANSACTION

Pursuant to the Plan, the Funds propose to undertake the following steps (together, the “**Proposed Transaction**”):

- Step 1:** Target Fund will transfer all of its assets and liabilities, except for the Sanctioned Assets, to Acquiring Fund in exchange for voting stock of Acquiring Fund and the assumption by Acquiring Fund of all of Target Fund’s liabilities.
- Step 2:** Target Fund will immediately thereafter distribute all the stock of Acquiring Fund to its shareholders pro rata. All of Target Fund shareholders’ stock in Target Fund will be redeemed in Step 2 and returned to the status of authorized but unissued stock of Target Fund, and no Target Fund shareholder will have any further rights with respect to Target Fund after the completion of Step 2.
- Step 3:** As soon as reasonably practicable, Target Fund (1) will transfer the Sanctioned Assets to Acquiring Fund for no additional consideration, or (2) if a transfer of the Sanctioned Assets in-kind is impossible, impractical, unduly burdensome, or unduly costly, Target Fund will sell or otherwise dispose of the Sanctioned Assets (such sales or other dispositions, “**Permitted Dispositions**”) and promptly transfer the net proceeds thereof, along with any remaining Sanctioned Assets not sold or disposed of, to Acquiring Fund for no additional consideration.

Immediately following Step 3, the liquidation of Target Fund will be completed under state law. It is possible that, at some point following Step 2 of the Proposed Transaction, one or both of Acquiring Fund and Target Fund may be renamed.

## REPRESENTATIONS

1. The Proposed Transaction will be undertaken pursuant to a plan of reorganization, as described in Treas. Regs. §§ 1.368-1(c) and 1.368-2(g), that was adopted by each of Target Fund and Acquiring Fund before the Proposed Transaction.
2. All exchanges effectuating the Proposed Transaction will be on a value-for-value basis under arm’s-length terms. In the Proposed Transaction, Acquiring Fund will issue no consideration to the Target Fund shareholders other than the Acquiring Fund stock (including fractional shares of stock, if any) provided in exchange for their Target Fund stock.

3. Target Fund will distribute the Acquiring Fund stock it receives in the Proposed Transaction to its shareholders in pursuance of the plan of reorganization.
4. Target Fund will distribute, for federal income tax purposes, any other property it receives in the Proposed Transaction to its shareholders and/or creditors, in pursuance of the plan of reorganization.
5. Target Fund will distribute, for U.S. federal income tax purposes, any properties not transferred to Acquiring Fund with respect to its stock or liabilities.
6. As of \_\_\_\_\_, Target Fund has a fair market value that exceeds the fair market value of Acquiring Fund.
7. There is no plan or intention by Acquiring Fund (or a person bearing a relationship to Acquiring Fund specified in sections 267(b) or 707(b)(1)) to issue additional shares of stock, or dispose of shares of Acquiring Fund stock, that will affect the Target Fund shareholders' retention of control of Acquiring Fund within the meaning of section 368(a)(2)(H)(i).
8. Acquiring Fund (or a person bearing a relationship to Acquiring Fund specified in sections 267(b) or 707(b)(1)) has no outstanding warrants, options, convertible securities, or any other type of right pursuant to which any person could acquire any stock in Acquiring Fund (or such related person(s)) that could affect the Target Fund shareholders' retention of control of Acquiring Fund within the meaning of section 368(a)(2)(H)(i).
9. There is no plan or intention by Acquiring Fund (or any related person, as defined in Treas. Reg. § 1.368-1(e)(4)) to acquire any of the Acquiring Fund stock received by Target Fund shareholders in exchange for their Target Fund stock in connection with the Proposed Transaction that will reduce the former Target Fund shareholders' ownership of Acquiring Fund stock to a number of shares having a value, of less than 40 percent of the fair market value, as of the relevant testing date, of the total consideration received by such Target Fund shareholders in exchange for their Target Fund stock in connection with the Proposed Transaction. For purposes of this representation cash or other property furnished by Acquiring Fund (or any related person, as defined in Treas. Reg. § 1.368-1(e)(4)) for redemptions of Target Fund stock (including Target Fund stock surrendered by dissenters or exchanged for cash in lieu of fractional shares), is treated as nonstock consideration received by such Target Fund shareholders, and is taken into account in determining the total consideration received by such Target Fund shareholders in exchange for their Target Fund stock.
10. Except for stock acquired in the Proposed Transaction, neither Acquiring Fund nor any related person of Acquiring Fund as defined in Treas. Reg. § 1.368-1(e)(4) has

acquired or will acquire any stock of Target Fund in connection with the Proposed Transaction.

11. Following receipt of Target Fund's assets and liabilities in Step 1, Acquiring Fund will continue the business and activities conducted by Target Fund.
12. Following the distribution of Acquiring Fund stock in Step 2, all of the Target Fund shareholders' stock in Target Fund will be redeemed and returned to the status of authorized but unissued stock of Target Fund, and no Target Fund shareholder will have any further rights with respect to Target Fund. While no stock of Target Fund will be outstanding, Target Fund will continue to exist under state law for the sole purpose of holding the Sanctioned Assets.
13. Following Step 2 of the Proposed Transaction, Target Fund and Acquiring Fund will treat Acquiring Fund as the owner of the Sanctioned Assets for U.S. federal income tax purposes, and Acquiring Fund will recognize any items of income, gain, loss, or deduction arising from a Permitted Disposition, or otherwise in respect of, the Sanctioned Assets.
14. Following Step 2 of the Proposed Transaction, Target Fund will continue to conduct no business other than the steps necessary to transfer the Sanctioned Assets or the proceeds thereof to Acquiring Fund.
15. There will be no plan or intention by Acquiring Fund (or a person bearing a relationship to Acquiring Fund specified in sections 267(b), 707(b)(1) or Treas. Reg. § 1.368-1(e)(4)) to acquire any of the Acquiring Fund stock received by Target Fund shareholders in exchange for their Target Fund stock in connection with the Proposed Transaction other than redemptions that Acquiring Fund will make as an open-end investment company pursuant to section 22(e) of the 1940 Act.
16. During the five years ending on the date of the Proposed Transaction, neither Target Fund nor any person related to Target Fund (as defined in Treas. Reg. § 1.368-1(e)(4) without regard to Treas. Reg. § 1.368-1(e)(4)(i)(A)) will have (i) acquired Target Fund stock with consideration other than stock of Acquiring Fund or Target Fund, except in the ordinary course of the Target Fund's business as an open-end investment company pursuant to section 22(e) of the 1940 Act, or (ii) made distributions with respect to Target Fund stock except for (a) normal, regular, dividend distributions made pursuant to the historical dividend paying practice of Target Fund, and (b) distributions and dividends declared and paid in order to ensure Target Fund's continuing qualification as a RIC and to avoid the imposition of fund-level tax.
17. Except for stock acquired in the Proposed Transaction, neither Acquiring Fund nor any person bearing a relationship to Acquiring Fund specified in sections 267(b), 707(b)(1) or Treas. Reg. § 1.368-1(e)(4) has acquired or will acquire any stock of

Target Fund in connection with the Proposed Transaction other than the redemptions by Target Fund as an open-end investment company pursuant to section 22(e) of the 1940 Act.

18. Acquiring Fund, or a person bearing a relationship to Acquiring Fund specified in sections 267(b), 707(b)(1) or Treas. Reg. § 1.368-1(e)(4), neither owns, directly or indirectly, nor has owned during the past two years, directly or indirectly, any stock of Target Fund.
19. Acquiring Fund will acquire assets of Target Fund solely in exchange for Acquiring Fund voting stock and the assumption (within the meaning of section 357(d)) of Target Fund's liabilities, if any. For purposes of this representation, Target Fund stock redeemed for cash or other property furnished by Acquiring Fund (or a person bearing a relationship to Acquiring Fund specified in sections 267(b) or 707(b)(1)) will be considered as acquired by Acquiring Fund.
20. Acquiring Fund will acquire from Target Fund assets with a fair market value of 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 Fund immediately prior to the Proposed Transaction. For purposes of this representation, amounts paid by Target Fund to dissenters, amounts used by Target Fund to pay its reorganization expenses, amounts used by Target Fund to pay liabilities or other obligations (other than operating liabilities incurred in the ordinary course of business), amounts paid by Target Fund to shareholders who receive cash or other property, and all redemptions and distributions made by Target Fund immediately preceding the transfer (except for (i) redemptions of stock pursuant to section 22(e) of the 1940 Act and (ii) distributions and dividends declared and paid in order to ensure the Target Fund's continuing qualification as a RIC and to avoid the imposition of fund-level tax) will be included as assets of Target Fund held immediately prior to the Transaction. For purposes of this representation: (i) the 70 percent test is based on the fair market value of the gross assets Target Fund transfers to Acquiring Fund over the fair market value of Target Fund's gross assets immediately prior to the Proposed Transaction; and (ii) the 90 percent test is based on the fair market value of the net assets Target Fund transfers to Acquiring Fund over the fair market value of Target Fund's net assets immediately prior to the Proposed Transaction. Also, for purposes of this representation, the Sanctioned Assets are treated as acquired by Acquiring Fund in the Proposed Transaction.
21. Acquiring Fund will continue the historic business of Target Fund or use a significant portion of Target Fund's historic business assets in a business within the meaning of Treas. Reg. § 1.368-1(d).

22. Following Step 2 of the Proposed Transaction, Target Fund will conduct no activities other than (i) holding, transferring, and/or disposing of the Sanctioned Assets as described in the ruling request (and actions incident thereto), and (ii) taking such actions as may be necessary to maintain its corporate existence under state law and subsequently to liquidate under state law following its transfer of the Sanctioned Assets or the proceeds thereof (as applicable) to Acquiring Fund.
23. There is no plan or intention to sell or otherwise dispose of any of Target Fund assets acquired in the Proposed Transaction, except for (i) dispositions made in the ordinary course of business or transfers allowed under section 368(a)(2)(C) and Treas. Reg. § 1.368-2(k), or (ii) dispositions of shares in certain country or region-specific exchange traded funds acquired by Target Fund in anticipation of the Proposed Transaction in order to remain consistent with its investment objectives using investments that would not be subject to foreign law restrictions on being transferred to Acquiring Fund, or (iii) as pertaining to the Sanctioned Assets, transfers and dispositions that constitute Permitted Dispositions.
24. The liabilities of Target Fund that will be assumed by Acquiring Fund, within the meaning of section 357(d), were incurred by Target Fund in the ordinary course of business and are associated with the assets transferred.
25. There will be no intercorporate indebtedness existing between Target Fund and Acquiring Fund that will be issued, acquired, or settled at a discount.
26. The fair market value of all property transferred in any exchange effectuating the Proposed Transaction will exceed all liabilities assumed under section 357(d) at the time of such exchange.
27. Target Fund, Acquiring Fund, and Target Fund shareholders will each pay their own expenses incurred in connection with the Proposed Transaction, except that certain expenses incurred in connection with the Proposed Transaction may be assumed or paid directly by Investment Adviser, the investment adviser to both Funds. Any expenses borne by Investment Advisor will be solely and directly related to the Proposed Transaction in accordance with the guidelines established in Rev. Rul. 73-54, 1973-1 C.B. 1987.
28. The Proposed Transaction is motivated, in whole or substantial part, by one or more bona fide non-federal income tax purposes as described in the ruling request.
29. No party to the Proposed Transaction is under the jurisdiction of a court in a title 11 or similar case (within the meaning of section 368(a)(3)(A)).
30. Target Fund and Acquiring Fund have elected to be taxed as RICs under section 851, and for all of their taxable periods, have qualified or intended to qualify for the special

tax treatment afforded to RICs under the Code. After Step 2 of the Proposed Transaction, Acquiring Fund intends to continue to so qualify.

31. None of the stock to be transferred is section 306 stock (within the meaning of section 306(c)).
32. No payment of cash in lieu of fractional shares will be made in the Proposed Transaction.
33. Target Fund will be solvent, for U.S. federal income tax purposes, immediately before the Proposed Transaction.
34. Acquiring Fund will be solvent, for U.S. federal income tax purposes, immediately before and immediately after Step 2 of the Proposed Transaction.
35. Neither Target Fund nor Acquiring Fund will be a U.S. real property holding corporation (as defined in section 897(c)(2)) at any time during the five-year period preceding the Proposed Transaction, and no party to the Proposed Transaction will be a U.S. real property holding corporation immediately after the Proposed Transaction.
36. The Proposed Transaction is not part of a plan (or series of related transactions) resulting in an acquisition described in section 7874(a)(2)(B)(i).
37. Neither Target Fund nor Acquiring Fund will be a controlled foreign corporation (within the meaning of section 957(a)) immediately before or after the Proposed Transaction.
38. Target Fund will not transfer as part of the Proposed Transaction stock in any corporation with respect to which Target Fund has in effect any unexpired "gain recognition agreement" within the meaning of Treas. Regs. §§ 1.367(a)-3 and 1.367(a)-8.
39. Acquiring Fund will recognize any items of income, gain, loss, or deduction arising from a Permitted Disposition, or otherwise in respect of, the Sanctioned Assets.
40. Target Fund will treat itself as being liquidated for U.S. federal income tax purposes even though it will remain in existence under State A law to hold the Sanctioned Assets.
41. All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to the Proposed Transaction for which the letter ruling is requested have been fully disclosed.



**RULINGS**

Based solely on the information submitted and the representations set forth above, we hold as set forth below.

1. The Proposed Transaction will qualify as a reorganization within the meaning of section 368(a)(1). Acquiring Fund and Target Fund will each be “a party to a reorganization” within the meaning of section 368(b).
2. The distribution requirement for reorganizations is waived, as applicable. See section 368(a)(2)(G)(ii).
3. No gain or loss will be recognized by Target Fund upon the transfer of its assets, including interests in the Sanctioned Assets, to Acquiring Fund in exchange for stock of Acquiring Fund and the assumption by Acquiring Fund of the liabilities of Target Fund. Sections 357(a) and 361(a).
4. No gain or loss will be recognized by Target Fund upon the distribution of the stock of Acquiring Fund to the shareholders of Target Fund. Section 361(c)(1).
5. No gain or loss will be recognized by Acquiring Fund on the receipt of the assets of Target Fund, including interests in the Sanctioned Assets, in exchange for its stock and the assumption by Acquiring Fund of the liabilities of Target Fund. Section 1032(a).
6. Acquiring Fund’s basis in each asset received from Target Fund, including interests in the Sanctioned Assets, will equal the basis of such assets in the hands of Target Fund immediately before the Proposed Transaction. Section 362(b).
7. Acquiring Fund’s holding period in each asset received from Target Fund, including interests in the Sanctioned Assets, will include the period during which such asset was held by Target Fund. Section 1223(2).
8. As provided by section 381(a), Acquiring Fund will succeed to the tax attributes of Target Fund enumerated in section 381(c), subject to the conditions and limitations specified in sections 381, 382, 383 and 384 and the regulations thereunder. Section 381(a) and Treas. Reg. § 1.381(a)-1.
9. No gain or loss will be recognized by the shareholders of Target Fund upon the surrender of their stock of Target Fund in exchange for stock of Acquiring Fund. Section 354(a)(1).
10. The basis of the Acquiring Fund stock in the hands of each shareholder of Target Fund will be the same as the shareholder’s basis in the Target Fund stock surrendered in exchange therefor. Section 358(a)(1).

11. The Target Fund shareholders' holding period in the Acquiring Fund stock received will include the holding period in their Target Fund stock surrendered in exchange therefor, provided that such Target Fund stock is held as a capital asset on the date of the exchange. Section 1223(1).
12. Following Step 2 of the Proposed Transaction, Target Fund will be treated as liquidated for U.S. federal income tax purposes.
13. Acquiring Fund (and not Target Fund) will recognize gain or loss from any Permitted Dispositions.

### **CAVEATS**

Except as expressly provided herein, no opinion is expressed or implied concerning the tax treatment of the proposed transaction under other provisions of the Code or regulations, or the tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transaction that is not specifically covered by the above rulings. No opinion is expressed or implied concerning the applicability or effects of sanctions under U.S. law including whether any violation of such sanctions would occur as a result of the Proposed Transaction.

### **PROCEDURAL STATEMENTS**

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.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, a taxpayer filing its return electronically may satisfy this requirement by attaching a statement to its return that provides the date and control number (PLR-107150-25) of the letter ruling.

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,

John Lovelace  
Senior Technical Reviewer, Branch 5  
Office of Associate Chief Counsel (Corporate)

PLR-107150-25

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cc: