

Internal Revenue Service

Department of the Treasury

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Person to Contact:

Telephone Number:

Refer Reply To:
CC:DOM:CORP:4 PLR-136337-01
Date:
January 4, 2002

A =

State X =

y =

This letter responds to your June 14, 2001 request for a ruling under § 305 of the Internal Revenue Code (“Code”). The information submitted in that letter and in subsequent correspondence is summarized below.

A is an investment company registered with the Securities and Exchange Commission under the Investment Company Act of 1940. A is a closed-end fund incorporated in State X, and its shares trade on the New York Stock Exchange.

Management of A believes that the market may undervalue its stock by trading at a price less than the value of the pro rata portion of its assets allocable to such shares. In order to encourage the market to value its shares at a price more closely reflecting the value of its underlying assets, A proposes to consider redeeming a portion of its stock pursuant to a tender offer (collectively, the “Proposed Offer”).

The following representations have been made in connection with the Proposed Offer:

(a) A intends to qualify annually and be taxed as a RIC under part I of subchapter M of the Code. Furthermore, A intends to distribute substantially all of its investment company taxable income and realized net capital gains at least annually.

(b) A is not required by its charter, by-laws, or otherwise to redeem any of its stock, and the shareholders of A have no right to require A to make a tender offer or otherwise redeem their stock. The Board of Directors of A has a fiduciary duty to A and the shareholders of A to consider the appropriateness of any share repurchase and has not, in any manner, relinquished this discretion in carrying out its fiduciary duties.

(c) The Proposed Offer, if undertaken, will be motivated solely by A's business considerations and will not be motivated by any intent on A's part to confer a federal income tax benefit on any of its shareholders.

(d) The Proposed Offer, if undertaken, will not be part of a plan to periodically increase the proportionate interests of any shareholder in the assets or earnings and profits of A.

(e) A has not redeemed any of its stock since its creation, except for a tender offer consummated on y (the "Y Transaction").

(f) The Proposed Offer, if undertaken, will be an isolated transaction and will not be related to any past or future transaction. With regard to both the Proposed Offer and the Y Transaction, each of these transactions will be or was motivated by its own circumstances, and for each transaction, the Board of Director's approval was or will be determined independently of any other transaction and will be or was based on the facts and circumstances current at the time of approval. At the present time, A has no plan or absolute commitment to make any further tender offers subsequent to the Proposed Offer. However, it is possible that A may consider making additional tender offers in future years based on circumstances prevailing at that time.

Based solely on the information submitted and the representations set forth above, we rule as follows regarding the Proposed Offer:

(1) If undertaken, the redemption of A stock pursuant to the Proposed Offer will constitute a single and isolated transaction. If undertaken, the Proposed Offer will not result in a § 305 deemed distribution to any A shareholder regardless of whether such shareholder has a portion of his or her stock redeemed in the transaction (see Example (10) and Example (11) of § 1.305-3(e) of the Income Tax Regulations; see also Rev. Rul. 77-19, 1979-1 C.B. 84).

The above ruling addresses only the application of § 305 to the shareholders of A who do not participate in the Proposed Offer (if undertaken)(or who participate only partially). We express no opinion as to the Proposed Offer's tax effects under §§ 302 and 301 on those shareholders who do participate in the Proposed Offer (if undertaken). Furthermore, we express no opinion about the tax treatment of the Proposed Offer (if undertaken) under any other provision of the Code and regulations, or the tax treatment of any conditions existing at the time of, or effects resulting from,

the Proposed Offer that are not specifically covered by the above ruling.

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

It is important that a copy of this letter be attached to the federal income tax return of each taxpayer affected by the transactions described herein.

Pursuant to a power of attorney on file in this office, a copy of this letter is being sent to the taxpayer and the taxpayer's second-named representative.

Sincerely

Associate Chief Counsel (Corporate)

By: _____

Lewis K Brickates

Acting Branch Chief, Branch 4

Office of the Associate Chief Counsel
(Corporate)