

INTERNAL REVENUE SERVICE
UIL Nos: 0851.00-00; 0852.00-00
305.00-00
Number: **199945031**
Release Date: 11/12/1999

CC:DOM:FI&P/PLR-110034-99

August 13, 1999

Legend:

Fund 1 =

Fund 2 =

Fund 3 =

Fund 4 =

Fund 5 =

Fund 6 =

Fund 7 =

Fund 8 =

Fund 9 =

Fund 10 =

Fund 11 =

Fund 12 =

Fund 13 =

Fund 14 =

Fund 15 =

Fund 16 =

Fund 17 =

Fund 18 =

Fund 19 =

Fund 20 =

Fund 21 =

Fund 22 =

Fund 23 =

Fund 24 =

Fund 25 =

Fund 26 =

Fund 27 =

Fund 28 =

Fund 29 =

Fund 30 =

Fund 31 =

Fund 32 =

Fund 33 =

Fund 34 =

Fund 35 =

Fund 36 =

Fund 37 =

Fund 38 =

Fund 39 =

Fund 40 =

Fund 41 =

Fund 42 =

Fund 43 =

Fund 44 =

Fund 45 =

Fund 46 =

Fund 47 =

Fund 48 =

Fund 49 =

Advisor =

Distributor =

Distributor
Affiliate =

Administrator =

State A =

State B =

Dear

This responds to your request dated May 21, 1999, submitted on behalf of Funds 1 through 49, that the Internal Revenue Service rule as follows:

(1) No fund or shareholder will recognize gain or loss on the conversion of Class A shares, Class B shares, or Class C shares to Class D shares of the same fund pursuant to a proposed conversion feature;

(2) Each shareholder's basis in the Class D shares received on the conversion will equal the shareholder's basis in the converted Class A, Class B, or Class C shares immediately before the conversion; and

(3) Each shareholder's holding period for the Class D shares received on the conversion will include the shareholder's holding period for the converted Class A, Class B, or Class C shares, provided that the shareholder held those converted shares as capital assets immediately before the conversion.

FACTS

Funds 1 through 49 are open-end management investment companies registered under the Investment Company Act of 1940, 15 U.S.C. 80a-1 et seq., as amended (the 1940 Act). The funds are organized as State A business trusts or as State B corporations. The funds have elected or intend to elect to be taxed as regulated investment companies (RICs) under part I of subchapter M of the Code.

The funds have retained Advisor to manage the business affairs of the funds, to manage the investment of the funds' assets, and to provide them with administrative services. Advisor contracts with Administrator to perform the latter duties.

Distributor has been retained as the distributor for the funds. Distributor has entered into dealer agreements with Distributor Affiliate, a broker-dealer which through its own sales organization sells shares of the funds.

Each fund currently offers qualified investors the option of purchasing shares in four classes. The classes are distinguished on the basis of distribution charges, sales charges, fee structures, or purchase restrictions. Each class represents a proportionate interest in the net assets of the same portfolio of securities and has identical voting, dividend, and liquidation rights.

The funds propose to revise the current multiple class distribution system to accommodate participation in an asset allocation program. Under this program, sponsored by Advisor and Distributor Affiliate, Distributor Affiliate will invest assets in Class D shares of the funds.

Distributor Affiliate will invest assets of a participant in this program pursuant to an asset allocation strategy tailored to the participant's investment objectives. Distributor Affiliate will invest those assets in Class D shares of the funds and in certain other single-class mutual funds. Distributor Affiliate charges an annual asset allocation fee computed as a percentage of total assets under management in the program.

The funds propose to create a new conversion feature to permit current shareholders of a fund to acquire Class D shares in exchange for Class A, Class B, and Class C shares of the same fund. Any contingent deferred sales charge (CDSC) payable on Class A Shares or Class C shares that are so converted would be waived. Any CDSC payable in connection with the conversion of Class B shares would be carried over to the newly acquired Class D shares with certain revisions.

The funds make the following representations:

(1) The funds satisfy the requirements of section 3 of Rev. Proc. 96-47, 1996-2 C.B. 338;

(2) Groups of shares ("Qualified Groups") of the funds have different arrangements for shareholder services or the distribution of shares, and expenses related to these arrangements are allocated to the Qualified Groups of shares on behalf of which the expenses were incurred; and

(3) The rights and obligations of the shareholders of each Qualified Group are fixed pursuant to a multiple class plan under Rule 18f of the 1940 Act that has been adopted by the Board of Directors for each fund.

LAW & ANALYSIS

Section 851(a) defines a RIC, in part, as a domestic corporation registered under the 1940 Act as a management company.

Section 851(b) limits the definition of a RIC to a corporation meeting certain election, gross income, and diversification requirements.

Section 851(g)(1) provides that each fund of a RIC shall be treated as a separate corporation for federal income tax purposes. Section 851(g)(2) defines the term "fund", for this purpose, as a segregated portfolio of assets, the beneficial interests in which are owned by the holders of a class or series of stock of the RIC that is preferred over all other classes or series in respect of such portfolio of assets.

Section 1036(a) provides that no gain or loss shall be recognized upon the exchange of common stock for common stock of the same corporation.

HOLDINGS

Based on the facts as represented, we rule as follows:

(1) No fund or shareholder will recognize gain or loss on the conversion of Class A shares, Class B shares, or Class C shares to Class D shares of the same fund pursuant to the proposed conversion feature;

(2) Each shareholder's basis in the Class D shares received on the conversion will equal the shareholder's basis in the converted Class A, Class B, or Class C shares immediately before the conversion; and

(3) Each shareholder's holding period for the Class D shares received on the conversion will include the shareholder's holding period for the converted Class A, Class B, or Class C shares, provided that the shareholder held those converted shares as capital assets immediately before the conversion.

No opinion is expressed, however, as to whether any fund qualifies as a RIC that is taxable under subchapter M, part I of the Code. Further, assuming a fund does so qualify, no opinion is expressed as to whether dividends paid by it are considered as dividends for purposes of computing the dividends paid deduction under sections 561 and 562(c).

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 the proposed conversion is effected.

Sincerely yours,

Assistant Chief Counsel
(Financial Institutions and
Products)

By _____
William E. Coppersmith
Chief, Branch 2

Enclosure: 6110 copy