Internal Revenue Service Department of the Treasury

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Washington, DC 20224

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Date:

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Trust =
Fund 1 =
Fund 2 =
Fund 3 =
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Fund 5 =
Fund 6 =
Fund 7 =
Fund 8 =
Fund 9 =
State X =

This is in response to your letter dated November 14, 1997, submitted on behalf of the Funds listed above. You asked for rulings regarding the multiple class distribution system described below. Generally, the requested rulings involve the qualification of each Fund's distributions as dividends and the consequences of each Fund's share conversion features. As we discussed, the rulings granted herein only apply to Funds 1 through 5. We decline to rule on any issues related to Funds 6 through 9.

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FACTS

Trust is a State X business trust registered with the Securities and Exchange Commission (SEC) as an open-end management investment company under the Investment Company Act of 1940, 15 U.S.C. § 80a-1 et seq., as amended (1940 Act), and issues voting shares of beneficial interest registered under the Securities Act of 1933. Funds 1 through 5 are each a series of Trust. Each Fund offers, or intends to offer multiple classes of shares representing interests in the Fund.

Multiple Class Structure

Under the existing declaration of trust each Fund is permitted to issue multiple classes of shares of beneficial interest. Each share within a given Fund, regardless of class designation, represents or will represent an undivided interest in the assets of the Fund. Each class within a given Fund is or will be identical in all respects except for the differences discussed below.

The differences among the classes relate primarily to the distribution and/or shareholder servicing arrangements to which each class is or will be subject. Each Fund may offer an unlimited number of different classes of shares in connection with a plan of distribution adopted pursuant to Rule 12b-1 of the 1940 Act. A particular class may incur distribution fees and possibly also service fees under a Rule 12b-1 plan and/or a non-Rule 12b-1 shareholder services plan. Alternatively, a class could be issued that is not subject to either plan. Fees paid pursuant to a Rule 12b-1 plan or a non-Rule 12b-1 shareholder services plan are referred to as Plan Payments. In general, the above differences among the classes will be attributable to the services provided to the class, the amount of compensation paid to the organization providing the services, the market to which a class of shares is targeted, the sales channels through which the class is sold, and the associated sales charges. Shares of any class may be offered subject to a front-end sales charge, a deferred sales charge, a combination of front-end and deferred sales charges, or no sales charge. Each class of shares may also be subject to class-specific expenses (Class Expenses) such as, transfer agency fees and state "Blue Sky" registration fees, that differ from class-specific expenses borne by another class.

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Compliance with Rev. Proc. 96-47

Each Fund makes the following representations under Rev. Proc. 96-47, 1996-2 C.B. 338:

(1) Each Fund is, or will be at all times after commencing operations, described in §§ 851(a) and 851(b)(1) of the Internal Revenue Code.

(2) Groups of shares of each Fund (referred to above as classes of shares) have or will have, different arrangements for shareholder services or the distribution of shares or both (Qualified Groups). Expenses related to these arrangements will be allocated to the Qualified Group of shares on behalf of which the expenses were incurred.

(3) Advisory fees and other expenses related to the management of each Fund's assets (including custodial fees and tax return preparation fees) will be allocated to all shares by net asset value, regardless of Qualified Group.

(4) Expenses other than those described in (2) and (3) above (for example, transfer agent fees), that are incurred on behalf of one or more Qualified Groups in a different amount or at a different rate from the amount or rate at which the expense is incurred on behalf of one or more other Qualified Groups, are allocated either by net asset value, regardless of Qualified Group, or on the basis of the amount incurred on behalf of each Qualified Group.

(5) The rights and obligations of the shareholders of each Qualified Group are fixed in the relevant Trust's or Fund's organizing documents, including the Trust's declaration of trust and by-laws, the Trust's multiple-class plan adopted pursuant to SEC Rule 18f-3, and the applicable Rule 12b-1 plans and shareholder services plans, each of which may be adopted or amended only by action of the Trust's board of trustees. Except as otherwise provided in (1) through (4) above, each Qualified Group is entitled to distributions calculated under those documents in the same manner and at the same time as all other Qualified Groups. For purposes of this calculation, expenses are allocated under those documents to each Qualified Group at the same time as to all other Qualified Groups.

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(6) Each Qualified Group of each Fund will separately meet the requirements of § 67(c)(2)(B).

(7) Variations, if any, in distributions to shareholders of different Qualified Groups will exist solely as a result of the allocation of expenses in accordance with the applicable provisions of section 3 of Rev. Proc. 96-47.

Fee Waivers

A Fund's investment adviser may waive or reimburse its advisory fee, in whole or in part, provided that the fee is waived or reimbursed to all shares of the Fund in proportion to their relative average daily NAVs.

A Fund's investment adviser, or an entity related to the investment adviser, who charges a fee that is a Class Expense, may waive or reimburse that fee in whole or in part only if the revised fee more accurately reflects the relative costs of providing to each Qualified Group of the Fund the service for which the Class Expense is charged.

A Fund's distributor, or an authorized dealer, other distributor or service organization may waive or reimburse a Plan Payment in whole or in part.

Share Conversion Features

The multiclass structure also provides for conversion of shares of one class in a Fund, to shares of a different class in the same Fund. Shares of one class will be converted to shares of another class upon the occurrence of an automatic conversion event. Additionally, a shareholder may request that their shares be converted to shares of a different class if the shareholder determines that it would be more appropriate to own shares of a different class.

An automatic conversion event is an event that automatically results in the conversion of the shareholder's existing shares into shares of a different class in the same fund, such as a change in the shareholder's eligibility to hold shares in a particular class, or in the case of shares of a class that require conversion to a different class after the expiration of a set amount of time, the expiration of that time.

A shareholder may request conversion of its shares into shares of a different class based upon a change in circumstances such that the shareholder becomes eligible to own shares of a different class. For example, the shareholder's holdings could rise to a level sufficient to qualify it to own shares in a different class, or the creation of a new class of shares that did not exist when the shareholder purchased its existing shares.

All conversions will be done at net asset value without the imposition of a sales load, fee or other charge. Thus, the net asset value of the shareholder's shares after conversion will be the same as it was immediately before conversion.

LAW AND 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 852(b)(2)(D) allows a RIC a deduction for dividends paid (as defined in section 561 with certain modifications). Section 561 defines the deduction for dividends paid and applies the rules of section 562 to determine which dividends are eligible for the deduction for dividends paid.

Section 562(c) provides that the amount of any distribution is not considered a dividend for purposes of computing the dividends paid deduction under section 561 unless the distribution is pro rata, does not prefer any share of stock of a class over any other share of stock of that same class, and does not prefer one class of stock over another class except to the extent that one class is entitled (without reference to waivers of their rights by shareholders) to the preference.

Rev. Proc. 96-47 describes conditions under which distributions made to shareholders of a RIC may vary and nevertheless be deductible as dividends under section 562. Rev. Proc. 96-47 applies only to a RIC meeting the requirements of section 3 of the revenue procedure. Under Rev. Proc. 96-47, if variations in distributions to shareholders of different Qualified Groups exist solely as a result of the allocation of

expenses in accordance with the applicable provisions of section 3 of the revenue procedure, those variations do not prevent the distributions from being dividends under section 562. The information and representations submitted by each Fund covered by this ruling indicate that the Fund satisfies section 3 of Rev. Proc. 96-47.

CONCLUSIONS

Based on the facts and representations submitted by each Fund, we rule as follows with respect to each of Funds 1 through 5:

(1) The operation of the multiple class distribution system described in this letter will not cause dividends, within the meaning of section 316, declared and paid with respect to any class or classes of shares of the Fund to be preferential dividends within the meaning of § 562(c), and, therefore, will not preclude the Fund from deducting the dividends pursuant §§561 and 852(b).

(2) With respect to the conversion of shares of one class of a Fund into shares of a different class of that Fund under the circumstances described in this letter, (a) no gain or loss will be recognized by the Fund or its shareholders, (b) each shareholder's basis in the shares received upon the conversion will equal the shareholder's basis in the converted shares immediately before the conversion, and (c) each shareholder's holding period for the shares received upon the conversion will include the period for which the shareholder held the converted shares, provide that the shareholder held the converted shares as capital assets immediately before the conversion.

Except as specifically ruled upon above, no opinion is expressed or implied regarding the federal tax consequences to a Fund or shareholder of the transactions described herein. We express no opinion as to whether any Fund will qualify as a RIC that is taxable under subchapter M, Chapter 1, Subtitle A of the Code. Further, assuming it does qualify, no opinion is expressed as to whether it will qualify for any tax year during which expenses are allocated other than as provided by Rev. Proc. 96-47

or expenses are waived or reimbursed other than as described above.

This ruling is directed only to Funds 1 through 5. Section 6110(k)(3) 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 each taxable year in which the Fund has outstanding shares in more than one of the Qualified Groups described above.

Sincerely yours,

Assistant Chief Counsel
(Financial Institutions & Products)

By _____
Alvin A. Kraft
Chief, Branch 1

Enclosures:
Copy of this letter
Copy for section 6110 purposes