

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

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Date:

December 19, 2008

In Re:

Legend:

Fund =

State =

Exchange =

Date 1 =

Date 2 =

Month 1 =

Month 2 =

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Dear

This ruling responds to a letter dated November 21, 2008, and supplemental correspondence dated December 3, 2008, December 10, 2008, and December 16, 2008, submitted by your authorized representative on behalf of Fund. Fund requests that the Internal Revenue Service rule that: (1) any and all cash and shares of Fund's common stock distributed by Fund as part of the Dividend (as described in this letter) shall be treated as a distribution of property with respect to its common stock to which section 301 of Internal Revenue Code of 1986, as amended (the "Code") applies and (2) the amount of the dividend of shares of Fund's common stock received by any shareholder electing to receive such shares will be considered to equal the amount of

money which could have been received instead had the shareholder elected cash (without regard to the cash limit) pursuant to section 1.305-1(b)(2) of the Income Tax Regulations (the "Regulations").

FACTS

Fund is organized as a State corporation and is registered under the Investment Company Act of 1940, 15 U.S.C. 80a-1 et seq., as amended (the "1940 Act"), as a closed-end management investment company. Fund has elected to qualify as a regulated investment company ("RIC") under section 851 of the Code.

Fund has one class of common stock outstanding (the "Common Stock"), which is publicly traded and listed on the Exchange.

As a RIC, Fund regularly distributes its earnings and profits as required under section 852(a)(1) of the Code. In order to meet the requirements under section 852(a)(1) and to avoid incurring an excise tax under section 4982, Fund intends to declare a dividend in the total amount of approximately \$Z with respect to its taxable year ended Date 1 (the "Dividend"). The Dividend will be declared on or before Date 2 to shareholders of record as of a day in Month 1, and paid on a day in Month 2 (the "Payment Date").

Each shareholder entitled to receive the Dividend will be permitted to designate by a specified date (the "Shareholder Election Date") whether it desires to receive its distribution in the form of (a) cash (the "Cash Option") or (b) Common Stock (the "Stock Option"). If any shareholder does not make a valid election by the Shareholder Election Date, the shareholder will receive the Dividend entirely in Common Stock pursuant to the Stock Option (the "Default Election"). Generally, Fund will pay cash in lieu of any fractional shares. Fund will issue fractional shares to direct shareholders (those who own their shares directly with Fund and not through an intermediary) who participate in Fund's dividend reinvestment plan. All other Fund shareholders will receive cash in lieu of fractional shares. There are no provisions in Fund's charter that would limit share ownership of Common Stock received as part of the Dividend.

Fund expects that Common Stock issued as part of the Dividend will be of equivalent value to the amount of cash which would have been distributed instead had the shareholder elected the Cash Option (without regard to the "Cash Limit" as defined below). The number of shares of Common Stock to be issued as part of the Dividend will be calculated in accordance with a formula that is based on the fair market value of Fund's shares of Common Stock as of a date (the "Valuation Date") that will be as close as reasonably practicable to the Payment Date. The formula referred to in the preceding sentence will incorporate an adjustment that reflects the decrease in the stock's price which will result from a delayed ex-dividend date.

Pursuant to the terms of the Dividend, the total amount of cash distributed, excluding cash paid in lieu of fractional shares of Common Stock, will be limited to 20% of the total Dividend (such amount, the "Cash Limit"). Any remaining unpaid balance of the Dividend in excess of cash equal to the Cash Limit will be paid in shares of Common Stock.

If the total number of shares of Common Stock electing for the Cash Option ("Cash Election Shares") would result in the payment of cash in an aggregate amount that is less than or equal to the Cash Limit, then all holders of Cash Election Shares will receive cash on all such shares. If the number of Cash Election Shares would result in the payment of cash in an aggregate amount that is greater than the Cash Limit, then each shareholder electing the Cash Option will receive the following on its Cash Election Shares: (a) cash on each shareholder's Cash Election Shares equal to the proportion that such shareholder's Cash Election Shares bear to the total Cash Election Shares of all shareholders, multiplied by an amount equal to the Cash Limit, plus (b) shares of Common Stock on each shareholder's remaining Cash Election Shares. If the number of Cash Election Shares would result in the payment of cash in an aggregate amount that is greater than the Cash Limit, a shareholder electing the Cash Option will instead receive a pro rata amount of cash but in no case less than 20% of its share of the Dividend in cash.

LAW AND ANALYSIS

Section 852(a)(1) of the Code provides, in part, that the provisions of part I of subchapter M of Chapter 1 (except section 852(c)) shall not apply to a RIC for a tax year unless the deduction for dividends paid during the taxable year (as defined in section 561, but determined without regard to capital gains dividends) equals or exceeds 90 percent of its investment company taxable income.

Section 852(b)(2)(B) of the Code provides that in determining investment company taxable income, the taxable income of the RIC shall be adjusted by, among other things, the deduction for dividends paid during the year (as defined in section 561) computed without regard to capital gain dividends and exempt-interest dividends.

Section 561(a) of the Code provides, in part, that the deduction for dividends paid shall be the sum of (1) the dividends paid during the taxable year, and (2) the consent dividends for the taxable year (determined under section 565).

Section 562(a) of the Code provides that the term dividend shall, except as otherwise provided in that section, include only dividends described in section 316.

Section 301(a) of the Code generally provides that a distribution of property made to a shareholder shall be treated in the manner provided in section 301(c). Section 301(c)(1) provides that in the case of a distribution to which section 301(a) applies, that portion of the distribution that is a dividend (as defined in section 316) shall

be included in gross income. The term dividend is defined in section 316(a) as any distribution of property made by a corporation to its shareholders out of current or accumulated earnings and profits.

Section 305(a) of the Code provides that, except as otherwise provided in section 305, gross income does not include the amount of any distribution of the stock of a corporation made by such corporation to its shareholders with respect to its stock.

Section 305(b)(1) provides that section 305(a) shall not apply to a distribution by a corporation of its stock, and the distribution shall be treated as a distribution of property to which section 301 applies, if the distribution is, at the election of any of the shareholders (whether exercised before or after the declaration thereof), payable either in its stock or in property.

Section 305(b)(2) provides that section 305(a) shall not apply to a distribution by a corporation of its stock, and the distribution shall be treated as a distribution of property to which section 301 applies, if the distribution (or a series of distributions of which such distribution is one) has the result of the receipt of property by some shareholders, and an increase in the proportionate interests of other shareholders in the assets or earnings and profits of the corporation.

Section 1.305-2 of the Regulations generally provides that under section 305(b)(1), if any shareholder has the right to an election or option with respect to whether a distribution shall be made either in money or any other property, or in stock or rights to acquire stock of the distributing corporation, then, with respect to all shareholders, the distribution of stock or rights to acquire stock is treated as a distribution of property to which section 301 applies.

CONCLUSION

Based solely on the information provided and the representations made, we rule as follows: Any and all of the cash and stock distributed in the Dividend by Fund shall be treated as a distribution of property with respect to its stock to which section 301 applies. We further rule that the amount of the distribution of the stock received by any shareholder electing to receive stock will be considered to equal the amount of the money that could have been received instead under section 1.305-1(b)(2) of the Regulations.

CAVEATS

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. In particular, no opinion is expressed with regard to whether Fund qualifies as a RIC under subchapter M of the Code.

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.

Pursuant to the power of attorney on file in this office, a copy of this ruling letter will be sent to your authorized representative.

Sincerely,

Susan Thompson Baker
Susan Thompson Baker
Assistant to the Branch Chief, Branch 2
Office of Associate Chief Counsel
(Financial Institutions and Products)