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Department of the Treasury

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LEGEND:

Trust =

Fund 1 =

Fund 2 =

Fund 3 =

Fund 4 =

Fund 5 =

Fund 6 =

Fund 7 =

Fund 8 =

Advisor =
Distributor =

State X =

M% =
N% =
P% =

$K =

This is in response to a letter dated May 20, 1998, and subsequent correspondence requesting a ruling concerning the eligibility of the dividends paid by each of Funds 1 through 8 (collectively, the "Funds") for the dividends paid deduction under § 561 and § 852 of the Internal Revenue Code.

FACTS

The Trust is organized as a State X business trust and is registered as an open-end management investment company under the Investment Company Act of 1940, 15 U.S.C. 80a-1 et. seq., as amended (the "1940 Act"). The Trust is also a "series company" pursuant to Rule 18f-2 under the 1940 Act with multiple portfolio series outstanding, including all of the Funds. Each Fund will be operated in a manner intended to qualify it as a regulated investment company ("RIC") under § 851 and will distribute all or substantially all of its income to avoid being subject to tax under § 852.

The Trust has adopted a system of multiple classes of shares for each of the Funds effective October 31, 1997. Each Fund offers three classes of shares: "Class A" shares, "Class B" shares, and "Institutional Class" shares. The Multiple Class System enables the Trust to offer investors the option of purchasing shares of the Funds subject to:

(i) a front-end sales load of up to P% of the public offering price (the Class A shares); or
(ii) ongoing distribution fees payable from the assets of the class at the annual rate of N% of average daily net assets for the first five years that such shares are held and a contingent deferred sales charge if the shares are redeemed within the first five years after purchase (the Class B shares).

Both the Class A shares and the Class B shares are subject to an ongoing service fee, payable from the assets of the class at an annual rate of M% of average daily net assets of the class. In addition, the Funds offer a separate class of shares (the Institutional Class shares) for purchase by institutional investors, subject generally to a minimum investment of $K. The Institutional Class shares are offered without imposition of a front-end sales load, a contingent deferred sales charge, or any distribution or service fees.

All expenses other than distribution fees and shareholder servicing fees are allocated pro rata to each class of a Fund on the basis of relative net asset values of the respective classes.

Advisor may waive or reimburse its management and advisory fees, in whole or in part, but only if the same proportionate amount is waived or reimbursed for each class. Distributor or another service provider under a Plan (whether or not related to Advisor) may waive or reimburse its fee charged to any group under a Distribution Plan or Shareholder Servicing Plan.

Shareholders of any of the Funds may exchange their shares for available shares of the same class in any of the other Funds at any time. Class B shares automatically convert into Class A shares of the same Fund at the end of five years following the issuance of the Class B shares and will no longer be subject to the higher expenses borne by the Class B shares. Any Class B shares of a Fund held by a shareholder at the end of such period that represent the reinvestment of dividends or capital gain distributions are also automatically converted to Class A shares.

Proposed Allocation of Expenses

At this time, all Class Expenses are allocated pro rata to each class of a Fund on the basis of the relative net asset values of the respective classes. The term "Class Expenses" includes all expenses (other than distribution fees and shareholder servicing fees) that are properly allocable to a separate class under Rule 18f-3 of the 1940 Act, including transfer agency fees, blue sky and Securities and Exchange Commission ("SEC") registration expenses, printing and postage expenses relating to preparing and distributing material to shareholders and investors (such as shareholder reports, prospectuses, and proxies), and litigation and other legal expenses relating solely to one class.

Each Fund intends to allocate to the Class A shares and the Class B shares, on a pro rata basis, the aggregate of certain of the Class Expenses (including transfer agency fees) incurred with respect to the Class A shares and the Class B shares (the "Specified Class Expenses"). Specified Class Expenses incurred with respect to the Class A shares and the Class B shares would be aggregated and would be allocated to the Class A shares and Class B shares, collectively, in proportion to their relative net asset values, in effect treating the Class A shares and Class B shares as forming a single retail class for purpose of allocating Specified Class Expenses. The grouping of Class A and Class B for purposes of allocating certain expenses is done as a matter of administrative convenience and does, in fact, represent an as-incurred allocation. Specified Class

Expenses incurred with respect to the Institutional Class shares would be specially allocated to the shares of that class.

By allocating Specified Class Expenses incurred with respect to the Class A and Class B shares to Class A and Class B shares collectively and by allocating other Class Expenses (such as de minimis items of Class Expenses) on a Fund-wide rather than on a class-specific basis, the Fund would ensure that the Class A and Class B shares would have equivalent expenses as well as equivalent dividends and distributions except for differences caused by the distribution plan adopted with respect to Class B shares. Consequently, the Class A and the Class B shares will have identical economic rights except for differences relating to the front-end sales load (applicable only to Class A shares) and the contingent deferred sales charge and the distribution plan (applicable only to the Class B shares).

Under the multiple class system, in computing the net asset value of all outstanding shares of all classes, all gross income and expenses will be allocated pro rata to each class on the basis of the relative net asset value of the respective classes except that Specified Class Expenses and Distribution Plan Fees and Shareholder Servicing Fees will differ among the classes. Trust represents that the proposed allocation of expenses is consistent with Rule 18f-3 of the 1940 Act.

Each Fund represents that it is described in §§ 851(a) and (b)(1) of the Internal Revenue Code. According to each Fund's organizational documents, groups of shares of the Fund will have different arrangements for shareholder services or the distribution of securities or both. The expenses related to these arrangements will be allocated to the group of shares on behalf of which the expenses were incurred. Under the Funds' organizational documents, each group is entitled to distributions calculated in the same manner and at the same time as all other groups. For purposes of this calculation, expenses are allocated to each group at the same time as all other groups. Each group is described in § 67(c)(2)(B)(i)(I), (II), or (III), as modified by § 67(c)(2)(B)(ii).

LAW AND ANALYSIS

Section 851(a)(1)(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 § 561 with certain modifications). Section 561 defines the deduction for dividends paid and applies the rules of § 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 § 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, 1996-2 C.B. 338, describes conditions under which distributions made to a RIC's shareholders may vary and nevertheless be deductible as dividends under § 562 of the Code. Rev.Proc. 96-47 applies only to a RIC that meets 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 § 562.

HOLDINGS

Based on the facts as represented, each Fund meets the requirements of section 3 of Rev. Proc. 96-47. Therefore, variations in distributions to shareholders of different Qualified Groups that exist solely as a result of the allocation of expenses in accordance with the applicable provisions of section 3 of the revenue procedure will not cause the distributions to be preferential dividends and, thus, will not prevent the distributions from being dividends under § 562. Furthermore, the allocation of the benefit of a waiver or a reimbursement in the manner described above will not prevent the distributions from being dividends under § 562.

The automatic conversion of shares of the Funds will not result in gain or loss to the shareholders nor will it affect their basis in, or holding period of, the shares.

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 qualify, no opinion is expressed as to whether it will qualify if expenses are allocated other than as

provided by Rev. Proc. 96-47, or if expenses are waived or reimbursed other than as described above.

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

In accordance with the provisions of a power of attorney currently on file, we are sending a copy of this ruling letter to your authorized representatives.

Sincerely,

Assistant Chief Counsel
(Financial Institutions and Products)

By: Alice M. Bennett
Alice M. Bennett
Chief, Branch 3

enclosures: Copy of letter for section 6110 purposes