

**MEMO# 22497**

May 6, 2008

## **SEC Comments on ICI Letter Requesting Relief from Asset Coverage Requirements for AMPS Issuers; May 8th Conference Call**

[22497]

May 6, 2008

TO: CLOSED-END INVESTMENT COMPANY COMMITTEE No. 21-08  
SEC RULES COMMITTEE No. 35-08 RE: SEC COMMENTS ON ICI LETTER REQUESTING RELIEF FROM ASSET COVERAGE REQUIREMENTS FOR AMPS ISSUERS; MAY 8TH CONFERENCE CALL

As you know, the ICI previously submitted to the Securities and Exchange Commission a request for temporary exemptive relief that would, if granted, conditionally permit closed-end funds that have issued auction market preferred stock ("AMPS") to replace their AMPS with debt subject to a lower asset coverage requirement than is currently permitted by Section 18(a) of the Investment Company Act. In particular, we asked the SEC to permit these funds to have 200 percent, rather than 300 percent, asset coverage subject to several conditions. [\[1\]](#) Attached and briefly summarized below are the SEC's initial comments on that request.

We have scheduled a conference call for this Thursday, May 8th at 3:30 Eastern time to discuss the ICI's response to the SEC's comments. If you wish to participate in the call, please rsvp to Maureen Maher at [mmaher@ici.org](mailto:mmaher@ici.org). Maureen will then provide the dial-in information to you.

The SEC has asked for additional information, including a list of each closed-end fund that intends to redeem its outstanding AMPS and borrow in reliance on the requested order (“Fund”); for each Fund, whether it intends to redeem the AMPS partially; and for each Fund, an explanation of any limitations on the lenders, including whether they will be limited to qualified institutional buyers and how the terms of the loans will be structured to ensure that the Funds “will meet the asset coverage requirements of Section 18 while the exemptive order is in effect.”

In addition, the SEC has asked for a number of representations, including a statement that the board of each Fund will have voted to approve the refinancing based on a conclusion that such action is in the best interests of each class of the Fund’s shareholders before implementing the refinancing; and a statement that each board, prior to authorizing a Fund to enter into a refinancing, will adopt a plan to ensure that the Fund will have 300 percent asset coverage within a reasonable period of time, not to exceed expiration of the order.

Finally, the SEC has asked for additional analysis, including a discussion of the differences in risks to the Fund’s shareholders from a Fund’s shareholders being leveraged with debt at 200 percent asset coverage, as compared to debt at 300 percent asset coverage and to AMPS at 200 percent asset coverage.

Dorothy M. Donohue  
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[Attachment](#)

#### **endnotes**

[\[1\]](#) See Institute Memorandum to Closed-End Investment Company Members No. 12-08 and SEC Rules Members No. 33-08 [22441], dated April 18, 2008.