MEMO# 1544

November 20, 1989

NO-ACTION LETTER PERMITTING A CLOSED-END FUND'S DIVIDEND REINVESTMENT PLAN TO ACQUIRE NEWLY ISSUED SHARES WITHOUT REGISTRATION UNDER THE 1933 ACT

November 20, 1989 TO: CLOSED-END FUND MEMBERS NO. 63-89 RE: NO-ACTION LETTER PERMITTING A CLOSED-END FUND'S DIVIDEND REINVESTMENT PLAN TO ACQUIRE NEWLY ISSUED SHARES WITHOUT REGISTRATION UNDER THE 1933 ACT ____ The Division of Corporation Finance issued the attached no- action letter assuring a closed-end fund (the "Fund") that it would not recommend enforcement action if the Fund amended its dividend reinvestment plan to allow the plan agent to acquire newly issued shares of the Fund without registration of such shares under the Securities Act of 1933. Pursuant to the Fund's dividend reinvestment plan, shares are acquired by the plan agent for the accounts of plan participants, depending on the circumstances as described below, either (i) through purchase of additional shares of unissued but authorized shares from the Fund ("newly issued shares") or (ii) by purchase of outstanding shares of the Fund on the open market ("open-market purchases"). On the payment date for the dividend, if the net asset value of the Fund's shares is equal to or less than the market price plus estimated brokerage commissions, the plan agent will invest the dividend amount in newly issued shares. However, if on that date the net asset value is greater than the market value, the plan agent will invest the dividend amount in shares acquired in open-market purchases. The Fund stated that shares of yield-oriented closed-end funds, such as the Fund, frequently trade at close to their net asset value. Accordingly, the shares may shift from a market discount to a market premium, especially if the plan agent is making open-market purchases. If the shares shifted from a market discount to a market premium before the plan agent has completed its open-market purchases, plan participants will receive fewer shares than if the dividend had been paid in newly- issued shares on the dividend payment date. To avoid this result, the Fund proposed to amend its plan to allow the plan agent, if it is unable to invest the full dividend amount in open-market purchases because the market discount has shifted to a market premium or otherwise, to invest the uninvested portion of the dividend amount in newly issued shares at the close of business on the "last purchase date," as defined by the plan. Amy B. Rosenblum Assistant General Counsel Attachment