

MEMO# 8772

April 2, 1997

SEC STAFF REQUIRES CLOSED-END FUND TO INCLUDE SHAREHOLDER PROPOSAL RECOMMENDING THAT BOARD CONSIDER OPEN-ENDING FUND

April 2, 1997 TO: CLOSED-END INVESTMENT COMPANY COMMITTEE No. 12-97 RE: SEC STAFF REQUIRES CLOSED-END FUND TO INCLUDE SHAREHOLDER PROPOSAL RECOMMENDING THAT BOARD CONSIDER OPEN-ENDING FUND

_____ The SEC staff recently required that a closed-end fund include in its proxy statement a shareholder proposal recommending that the funds board of directors consider open-ending the fund. A copy of the letter is attached. A fund shareholder submitted the following proposal: the shareholders . . . recommend that the Board of Directors expedite the process to ensure the funds shares can be purchased and/or sold at net asset value. Suggested alternatives include 1) conversion to an open-end investment company, or 2) merger of the fund with an existing open-end investment company. The fund proposed to omit the proposal as moot under Rule 14a-8(c)(10), noting that the funds board of directors had addressed the issue of the funds shares trading at a discount to net asset value, including considering converting the fund to an open-end fund. The SEC staff disagreed, stating that the proposal cannot be considered moot in the absence of any indication that the board considered expediting the process or merging with an existing open-end fund. The staff distinguished a recent letter to another closed-end fund that allowed the fund to omit a shareholder proposal as moot by noting that "the proposal [was] considered moot where Board of Directors had taken the exact action requested." (emphasis added.) Dorothy M. Donohue Associate Counsel
Attachment