

MEMO# 1473

October 17, 1989

NO-ACTION LETTER PERMITTING CLOSED-END FUND TO PURCHASE

October 17, 1989 TO: CLOSED-END FUND MEMBERS NO. 55-89 RE: NO-ACTION LETTER
PERMITTING CLOSED-END FUND TO PURCHASE

_____ The Division of Investment Management recently issued the attached no-action letter permitting Pilgrim Regional Bank Shares Inc., a closed-end diversified management investment company, to purchase its shares from shareholders who own fewer than 25 shares. The fund estimated that it has 1,500 shareholders who each own fewer than 25 shares of stock with a maximum asset value of approximately \$256. The annual cost for maintaining each shareholder account is estimated by the fund to be at least \$10.00 per account, not including other activity costs (e.g., printing and mailing of shareholder reports) which are at least \$5.00 per shareholder annually. The fund believes that it is capable of earning an annual average return of approximately 10% on its assets. Therefore, the fund believes that accounts with an asset value of less than \$150.00 (approximately 14 shares) are unable to generate the incremental revenues required to pay for the account, so as not to disadvantage larger shareholders. However, because of the imprecise nature of its cost estimates and the relatively large brokerage commissions paid on small securities transactions, the fund thought it would be best to make an offer to purchase shares from all shareholders with 24 shares or fewer. The purchase price of the shares purchased would be the lower of market value or net asset value. The fund represented that its repurchase program would be made in reliance on rule 23c-1 of the Investment Company Act of 1940. The fund noted that the staff previously granted a similar no-action request to CNA Income Shares, Inc. (pub. avail. February 6, 1976). Amy B. Rosenblum Assistant General Counsel Attachment

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