

the initial shareholder, the pertinent Fund's shareholders purchase shares on the basis of a prospectus containing the disclosure contemplated by condition 2 below. Similarly, before a Future Fund may rely on the order requested in the application, the operation of the Future Fund in the manner described in the application will be approved by its initial shareholder before a public offering of shares of such Future Fund, provided that shareholders purchase shares on the basis of a prospectus containing the disclosure contemplated by condition 2 below.

2. Each Fund will disclose in its prospectus the existence, substance and effect of any order granted pursuant to the application. In addition, each Fund and any Future Fund relying on the requested order will hold themselves out to the public as employing the management structure described in the application. The prospectus with respect to each Fund and any Future Fund will prominently disclose that the Adviser has the ultimate responsibility (subject to oversight by the Board) to oversee the Subadvisers and recommend their hiring, termination, and replacement.

3. At all times, a majority of the Board will be Independent Trustees, and the nomination of new or additional Independent Trustees will be at the discretion of the then existing Independent Trustees.

4. The Adviser will not enter into a Subadvisory Agreement with any Affiliated Subadviser without that agreement, including the compensation to be paid thereunder, being approved by the shareholders of the applicable Fund.

5. When a Subadviser change is proposed for a Fund or any Future Fund with an Affiliated Subadviser, the Board, including a majority of the Independent Trustees, will make a separate finding, reflected in the Board minutes, that the change is in the best interests of the Fund or the Future Fund and its shareholders and does not involve a conflict of interest from which the Adviser or the Affiliated Subadviser derives an inappropriate advantage.

6. Within 90 days of the hiring of any new Subadviser, shareholders will be furnished all information about the new Subadviser that would be included in a proxy statement, including any change in such disclosure caused by the addition of the new Subadviser. Each Fund will meet this condition by providing shareholders with an information statement meeting the requirements of Regulation 14C, Schedule 14C and Item 22 of Schedule 14A under the Securities Exchange Act

of 1934 within 90 days of the hiring of any new Subadviser.

7. The Adviser will provide general management services to each Fund, including overall supervisory responsibility for the general management and investment of each Fund's assets, and, subject to review and approval by the Board, will: (a) Set the Fund's overall investment strategies, (b) select Subadvisers, (c) when appropriate, allocate and reallocate a Fund's assets among multiple Subadvisers; (d) monitor and evaluate the performance of the Subadvisers, and (e) ensure that the Subadvisers comply with each Fund's investment objective, policies and restrictions by, among other things, implementing procedures reasonably designed to ensure compliance.

8. No trustee or officer of the Trust, or director or officer of the Adviser will own, directly or indirectly (other than through a pooled investment vehicle that is not controlled by such person), any interest in a Subadviser, except for: (a) Ownership of interests in the Adviser or any entity that controls, is controlled by, or is under common control with the Adviser; or (b) ownership of less than 1% of the outstanding securities of any class of equity or debt of a publicly traded company that is either a Subadviser or an entity that controls, is controlled by, or is under common control with a Subadviser.

9. Shareholders of a Fund will approve any change to a Subadvisory Agreement if such change would result in an increase in the overall management and advisory fees payable by the Fund that have been approved by the shareholders of the Fund.

For the Commission, by the Division of Investment Management, under delegated authority.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 01-3566 Filed 2-12-01; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 24856; 812-12410]

Mutual Fund Select Group, et al.; Notice of Application

February 8, 2001.

AGENCY: Securities and Exchange Commission ("Commission").

ACTION: Notice of application under section 17(b) of the Investment

Company Act of 1940 ("Act") for an exemption from section 17(a) of the Act.

Summary of Application: Applicants request an order to permit the proposed reorganization of (a) Chase Vista Select Short-Term Bond Fund ("Select Short-Term Bond Fund"), a series of Mutual Fund Select Group ("MFSG"), with and into Chase Vista Short-Term Bond Fund ("Short-Term Bond Fund"), a series of Mutual Fund Group ("MFG"), and (b) Chase Vista Bond Fund ("Bond Fund"), a series of MFG, with and into Chase Vista Select Bond Fund ("Select Bond Fund"), a series of MFSG. Because of certain affiliations, applicants may not rely on rule 17a-8 under the Act.

Applicants: MFSG, MFG, and The Chase Manhattan Bank ("Chase").

Filing Dates: The application was filed on January 16, 2001. Applicants have agreed to file an amendment during the notice period, the substance of which is reflected in this notice.

Hearing or Notification of Hearing: An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on February 28, 2001, and should be accompanied by proof of service on applicants, in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons may request notification of a hearing by writing to the Commission's Secretary.

ADDRESSES: Secretary, Commission, 450 Fifth Street, NW., Washington, DC 20549-0609. Applicants, 1211 Avenue of the Americas, 41st Floor, New York, New York, 10036.

FOR FURTHER INFORMATION CONTACT: John L. Sullivan, Senior Counsel, at (202) 942-0681, or Michael W. Mundt, Branch Chief, at (202) 942-0564 (Division of Investment Management, Office of Investment Company Regulation).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee at the Commission's Public Reference Branch, 450 Fifth Street, NW., Washington, DC 20549-0102 (tel. 202-942-8090).

Applicant's Representations

1. MFSG, a Massachusetts business trust, is registered under the Act as an open-end management investment

company and currently offers ten series, including Select Short-Term Bond Fund and Select Bond Fund. MFG, a Massachusetts business trust, is registered under the Act as an open-end management investment company and currently offers twenty series, including Bond Fund and Select Short-Term Bond Fund. Select Short-Term Bond Fund, Select Bond Fund, Short-Term Bond Fund and Bond Fund are each a "Fund." Chase serves as investment adviser, and Chase Fleming Asset Management (USA) Inc. ("CFAM"), a wholly owned subsidiary of Chase, serves as subadviser to each Fund. Chase is not currently required to register as an investment adviser pursuant to section 202(a)(11)(A) of the Investment Advisers Act of 1940 ("Advisers Act"), while CFAM is an investment adviser registered under the Advisers Act. Chase holds of record for the benefit of others, in trust, more than 5% (in some cases, more than 25%) of the total outstanding voting securities of each of the Funds.

2. On September 19, 2000 and October 24, 2000, the boards of trustees of the Funds (together, the "Boards") including the trustees who are not "interested persons" of the Funds, as defined in section 2(a)(19) of the Act ("Independent Trustees"), unanimously approved plans of reorganization ("Plans") under which Select Short-Term Bond Fund will reorganize into Short-Term Bond Fund, and Bond Fund will reorganize into Select Bond Fund (Select Short-Term Bond Fund and Bond Fund are "Acquired Funds," and Short-Term Bond Fund and Select Bond Fund are "Acquiring Funds"). Under the Plans, each Acquiring Fund will acquire all of the assets and liabilities of the corresponding Acquired Fund in exchange for shares of the Acquiring Fund (each a "Reorganization"). The shares of each Acquiring Fund exchanged will have an aggregate net asset value equal to the aggregate net asset value of the corresponding Acquired Fund's shares determined as of the close of regular trading on the New York Stock Exchange on the closing date of each Reorganization (each a "Closing Date"), currently anticipated to occur as soon as practicable after the granting of the order of the Commission requested by the application. The value of the assets of each Fund will be determined according to the Fund's then-current prospectus and statement of additional information. On the Closing Date, each Acquired Fund will be liquidated by the distribution of the corresponding

Acquiring Fund's shares pro rata to the shareholders of the Acquired Fund.

3. Applicants state that the investment objectives and policies of each Acquired Fund are identical to those of the corresponding Acquiring Fund. Select Short-Term Bond Fund currently offers shares that are not subject to sales charges or distribution fees, but are subject to shareholder servicing fees. Shareholders of Select Short-Term Bond Fund will receive shares of a class of Short-Term Bond Fund with the same sales charge and fee arrangements. Bond Fund offers three classes of shares, and Select Bond Fund currently offers only one class of shares. However, in connection with the Reorganizations, Select Bond Fund will introduce two new classes, and shareholders of Bond Fund will receive shares of Select Bond Fund subject to the same sales charges, distribution fees, and shareholder servicing fees as their current shares. For purposes of calculating deferred sales charges on certain shares, the amount of time a shareholder held shares of Bond Fund will be added to the amount of time the shareholder holds shares of Select Bond Fund. No sales charge will be imposed in connection with the Reorganizations. Chase will bear all of the costs associated with the Reorganizations.

4. Each Board, including the Independent Trustees, unanimously determined that the participation of its Fund in the respective Reorganization was in the best interests of the Fund and the shareholders, and that the interests of the shareholders of the Fund would not be diluted as a result of the Reorganization. In approving the Reorganizations, the Board of Each Acquired Fund considered various factors, including: (a) The terms of the Plan; (b) the Funds' historical, current and projected expense ratios; (c) the Funds' investment objectives and policies; and (d) the tax-free nature of the Reorganizations. The Board of each Acquiring Fund considered factors including: (a) The terms of the Plan; (b) the potential operational and administrative efficiencies resulting from the Reorganizations, and (c) the fact that Chase would bear the expenses of the Reorganizations.

5. The Reorganizations are subject to a number of conditions, including that: (a) The shareholders of each Acquired Fund will have approved the Reorganization; (b) the Funds will have received opinions of counsel concerning the tax-free nature of each Reorganization; and (c) applicants will have received exemptive relief from the Commission to permit the Reorganization. An Acquired Fund or

Acquiring Fund may terminate its Plan by written notice if certain conditions are not satisfied prior to the Closing Date. Applicants agree not to make any material changes to either Plan that affect the exemptive order without prior approval of the Commission or its staff.

6. A registration statement on Form N-14 with respect to each Reorganization, containing a proxy statement/prospectus, was filed on October 25, 2000 with the Commission and became effective on November 27, 2000. Definitive proxy materials were filed with the Commission on December 13, 2000 and first mailed to shareholders on or about December 14, 2000. The shareholders of each Acquired Fund considered and approved the Reorganizations at special meetings held on January 26, 2001.

Applicants' Legal Analysis

1. Section 17(a) of the Act, in relevant part, prohibits an affiliated person of a registered investment company, or an affiliated person of such a person, acting as principal, from selling any security to, or purchasing any security from, the company. Section 2(a)(3) of the Act defines an "affiliated person" of another person to include, among others: (a) Any person directly or indirectly owning, controlling, or holding with power to vote 5% or more of the outstanding voting securities of the other person; (b) any person 5% or more of whose securities are directly or indirectly owned, controlled, or held with power to vote by the other person; (c) any person directly or indirectly controlling, controlled by, or under common control with the other person; and (d) if the other person is an investment company, any investment adviser of that company.

2. Rule 17a-8 under the Act exempts from the prohibitions of section 17(a) certain mergers, consolidations, and sales of substantially all of the assets of registered investment companies that are affiliated persons, or affiliated persons of an affiliated person, solely by reason of having a common investment adviser, common directors, and/or common officers, provided that certain conditions are satisfied.

3. Applicants state that Chase holds of record for the benefit of others, in trust, more than 5% (in some cases, more than 25%) of the total outstanding voting securities of each of the Funds. Because Chase holds these securities, each Acquiring Fund and Acquired Fund may be deemed to be affiliated persons for reasons other than those set forth in rule 17a-8 and therefore unable to rely on the rule.

4. Section 17(b) of the Act provides, in relevant part, that the Commission may exempt a transaction from the provisions of section 17(a) if evidence establishes that the terms of the proposed transaction, including the consideration to be paid or received, are reasonable and fair and do not involve overreaching on the part of any person concerned, and that the proposed transaction is consistent with the policy of each registered investment company concerned and with the general purposes of the Act.

5. Applicants requests an order under section 17(b) of the Act exempting them from section 17(a) to the extent necessary to complete the Reorganizations. Applicants submit that the Reorganizations satisfy the standards of section 17(b). Applicants state that the Boards, including the Independent Trustees, unanimously found that the participation of the Acquired Funds and Acquiring Funds in the Reorganizations is in the best interest of each Fund and its shareholders and that such participation will not dilute the interests of the existing shareholders of each Fund. In addition, applicants state that the Reorganizations will be on the basis of the Funds' relative net asset values.

For the Commission, by the Division of Investment Management, under delegated authority.

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 01-3626 Filed 2-12-01; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 24855; 812-12404]

Nationwide Mutual Funds, et al.; Notice of Application

February 7, 2001.

AGENCY: Securities and Exchange Commission ("SEC" or "Commission").

ACTION: Notice of an application under section 17(b) of the Investment Company Act of 1940 (the "Act") for an exemption from section 17(a) of the Act.

Summary of Application: Applicants request an order to permit a series of Nationwide Mutual Funds ("Nationwide") to acquire all of the assets, net of liabilities, of a series of Principal Preservation Portfolios, Inc. ("Principal Preservation") (the "Reorganization"). Because of certain affiliations, applicants may not rely on rule 17a-8 under the Act.

Applicants: Nationwide, Principal Preservation, Villanova Mutual Fund Capital Trust ("VMF"), and NorthPointe Capital, LLC ("NorthPointe").

Filing Dates: The application was filed on January 16, 2001. Applicants have agreed to file an amendment to the application during the notice period, the substance of which is reflected in this notice.

Hearing or Notification of Hearing: An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission's Secretary and serving applicants with copies of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on February 27, 2001, and should be accompanied by proof of service on Applicants, in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons may request notification of a hearing by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 5th Street NW., Washington, DC 20549-0609. Applicants, c/o Elizabeth A. Davin, Esq., Nationwide Mutual funds, 1-35-10, One Nationwide Plaza, Columbus, Ohio 43215.

FOR FURTHER INFORMATION CONTACT: Bruce R. MacNeil, Senior Counsel, at (202) 942-0634, or Nadya B. Roytblat, Assistant Director, at (202) 942-0564 (Division of Investment Management, Office of Investment Company Regulation).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee at the SEC's Public Reference Branch, 450 Fifth Street NW., Washington, DC 20549-0102 (telephone (202) 942-8090).

Applicants' Representations

1. Nationwide, an Ohio business trust, is an open-end management investment company registered under the Act. Nationwide currently offers thirty-seven series, including Nationwide Value Opportunities Fund (the "Acquiring Fund"). Principal Preservation, a Maryland corporation, is an open-end management investment company registered under the Act. Principal Preservation currently offers nine series including Select Value Fund (the "Acquired Fund," together with the "Funds").

2. VMF is an investment adviser registered under the Investment Advisers Act of 1940 ("Advisers Act")

and serves as investment adviser to the Acquiring Fund. VMF is a wholly-owned subsidiary of Villanova Capital, Inc. ("VCI"), a holding company. VCI is a subsidiary of Nationwide Financial Services. As of December 29, 2000, VMF owns approximately 13.3% of the Acquiring Fund's shares.

3. NorthPointe is an investment adviser registered under the Advisers Act and serves as investment adviser to the Acquired Fund. NorthPointe also serves as the sub-adviser of the Acquiring Fund. NorthPointe is a majority-owned subsidiary of VCI.

4. On December 12, 2000, and December 15, 2000, the board of trustees of Principal Preservation ("Principal Board"), and the board of trustees of Nationwide ("Nationwide Board") and together with the Principal Board, the "Boards"), respectively, including all of the trustees who are not "interested persons," as defined in section 2(a)(19) of the Act ("Disinterested Trustees"), approved the agreement and plan of reorganization entered into between the Funds ("Plan"). Pursuant to the Plan, as a result of the Reorganization, the Acquiring Fund will acquire substantially all of the assets, net of liabilities, of the Acquired Fund in exchange for shares of the Acquiring Fund. The shares of the Acquiring Fund exchanged will have a total net asset value equal to the total net asset value of the Acquired Fund's shares determined as of the close of regular trading on the New York Stock Exchange on the business day preceding the day of the closing of the Reorganization ("Closing Date"). The value of the assets of the Acquired Fund will be determined according to the Acquired Fund's then-current prospectuses and statement of additional information.

Contemporaneously with the distribution of the Acquiring Fund's shares pro rata to the Acquired Fund's shareholders, the Acquired Fund will satisfy its liabilities with its remaining assets and will be liquidated.

Applicants anticipate the Closing Date will be on or around February 28, 2001.

5. Applicants state that the investment objectives and strategies of the Acquired Fund are similar to those of the Acquiring Fund. The Acquiring Fund has four classes of shares: Class A, Class B, Class C, and Investor Service Class. The Acquired Fund has three classes, Class A, Class B and Class C. Only Class A and Class B shares will be involved in the Reorganization. Neither the Acquiring Fund nor the Acquired Fund currently offers Class C shares, and the Acquired Fund has no Class C shares issued or outstanding. Class A