

mailers and advertisers in making related business decisions prior to the current cutoff date; and notes that it has begun contacting participants in the underlying experimental case regarding settlement. Request at 2.

Proceedings; authorization of settlement negotiations. The Commission hereby establishes docket no. MC2001-3, ride-along experiment extension, for consideration of the Service's proposed change in the previously-approved expiration date. The Commission authorizes settlement proceedings in this case, appoints the Postal Service as settlement coordinator, and forgoes setting a prehearing conference date in recognition that a prompt settlement may be possible.

Intervention. Those wishing to be heard in this matter are directed to file a written notice of intervention with Steven W. Williams, acting secretary of the Commission, 1333 H Street NW., suite 300, Washington, DC 20268-0001, on or before October 19, 2001. Notices should indicate whether the intervenor requests a hearing or conference, and to the extent possible, the position of the intervenor with regard to the Postal Service request. See rule 20(b), 39 CFR 3001.20(b). In the absence of a specific request, evidentiary hearings may not be held.

Representation of the general public. In conformance with § 3624(a) of title 39, the Commission designates Shelley S. Dreifuss, acting director of the Commission's office of the consumer advocate (OCA), to represent the interests of the general public in this proceeding. Pursuant to this designation, Ms. Dreifuss will direct the activities of Commission personnel assigned to assist her and, upon request, will supply their names for the record. Neither Ms. Dreifuss nor any of the assigned personnel will participate in or provide advice on any Commission decision in this proceeding. The OCA shall be separately served with three copies of all filings, in addition to and at the same time as, service on the Commission of the 24 copies required by Commission rule 10(d).

D. Ordering Paragraphs

It is ordered:

1. The Commission establishes docket no. MC2001-3, ride-along experiment extension, to consider the request referred to in the body of this order.

2. Notices of intervention shall be filed no later than October 19, 2001.

3. Answers to the motion of the United States for waiver of rules are due no later than October 19, 2001.

4. The Postal Service is authorized to act as settlement coordinator in this proceeding.

5. The acting secretary shall arrange for publication of this notice and order in the **Federal Register**.

By the Commission.

Steven W. Williams,

Acting Secretary.

[FR Doc. 01-25938 Filed 10-15-01; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. IC-25208; 812-12398]

CCM Advisors Funds, et al.; Notice of Application

October 11, 2001.

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

ACTION: Notice of an application under section 6(c) of the Investment Company Act of 1940 (the "Act") for an exemption from section 15(a) of the Act and rule 18f-2 under the Act, as well as from certain disclosure requirements.

SUMMARY OF APPLICATION: Applicants seek an order that would permit them to enter into and materially amend subadvisory agreements without shareholder approval and would grant relief from certain disclosure requirements.

APPLICANTS: CCM Advisors Funds ("Master Trust"), CCMA Select Investment Trust ("Select Trust"), AHA Investment Funds, Inc. ("AHA Funds") (collectively, the "Funds"), and CCM Advisors, LLC (the "Adviser").

FILING DATES: The application was filed on January 9, 2001 and amended on October 10, 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 October 31, 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 who wish to be notified of a hearing may request

notification by writing to the Commission's Secretary.

ADDRESSES: Secretary, Commission, 450 Fifth Street, NW., Washington, DC 20549-0609. Applicants, 190 South LaSalle Street, Chicago, Illinois, 60603.

FOR FURTHER INFORMATION CONTACT: Sara P. Crovitz, Senior Counsel, at (202) 942-0667, 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 20549-0101, (202) 942-8090.

Applicants' Representations

1. Each Fund is registered under the Act as an open-end management investment company. Master Trust, a Delaware business trust, consists of seven series (each a "Master Portfolio") that will issue interests solely through private placement transactions that do not involve any "public offering" within the meaning of section 4(2) of the Securities Act of 1933 ("1933 Act"). Investments in the Master Portfolios may only be made by investment companies and certain other entities that are "accredited investors" within the meaning of regulation D under the 1933 Act. Each Master Portfolio will serve as a master fund in a master/feeder structure. Select Trust, a Delaware trust, consists of two series (each a "Select Series"). Each Master Portfolio and Select Series is a "Portfolio." AHA Funds, a Maryland corporation, consists of four series. As of November 1, 2001, each series of AHA expects to invest all of its investable assets in a corresponding Master Portfolio and become a "Feeder Portfolio."

2. The Adviser, a Delaware limited liability company, is registered under the Investment Advisers Act of 1940 ("Advisers Act") and currently serves as investment adviser to AHA Funds pursuant to an investment advisory agreement ("Advisory Agreement") that was approved by the board of directors of AHA Funds, including a majority of the directors who are not "interested persons," as defined in section 2(a)(19) of the Act, and by shareholders. The boards of trustees of Master Trust and Select Trust, including a majority of the trustees who are not "interested persons," as defined in section 2(a)(19) of the Act, also have approved Advisory Agreements with the Adviser. The board of each Fund is a "Board," and the

disinterested directors or trustees of each Board are "Independent Directors."¹

3. Under the terms of each Advisory Agreement, the Adviser will serve as investment adviser to the Portfolios and will be responsible for providing general, overall advice and guidance to the Portfolios. Subject to oversight by the Board, the Adviser may hire subadvisers (each a "Subadviser Agreements"). Each Subadviser is or will be an investment adviser registered or exempt from registration under the Advisers Act. Subadvisers will be recommended to the Board by the Adviser and selected and approved by the Board, including a majority of the Independent Directors. Each Subadviser's fees will be paid by the Adviser out of the management fees received by the Adviser from the representative Portfolio.

4. The Adviser will monitor the Portfolio and the Subadvisers and will make recommendations to the Board regarding allocation, and reallocation, of assets between Subadvisers and will be responsible for recommending the hiring, termination and replacement of Subadvisers. The Adviser will recommend Subadvisers based on a number of factors used to evaluate their skills in managing assets pursuant to particular investment objectives. The AHA Funds currently use 5 Subadvisers.

5. Applicants request relief to permit the Adviser, subject to Board oversight, to enter into and materially amend Subadvisory Agreements without shareholder approval. The requested relief will not extend to a Subadviser that is an affiliated person, as defined in section 2(a)(3) of the Act, of the Portfolios and Feeder Portfolios or of the

Adviser, other than by reason of serving as a Subadviser to one or more of the Portfolios ("Affiliated Subadviser").

6. Applicants also request an exemption from the various disclosure provisions described below that may require each Portfolio or Feeder Portfolio to disclose the fees paid by the Adviser to each Subadviser. Each Portfolio and Feeder Portfolio would disclose (both as a dollar amount and as a percentage of the Portfolio's net assets): (a) aggregate fees paid to the Adviser and any Affiliated Subadvisers; and (b) aggregate fees paid to Subadvisers other than the Affiliated Subadvisers ("Non-Affiliated Subadvisers") (collectively, "Modified Fee Disclosure"). For any Portfolio that employs an Affiliated Subadviser, the Portfolio and Feeder Portfolio will provide separate disclosure of any fees paid to the Affiliated Subadviser.

Applicants' Legal Analysis

1. Section 15(a) of the Act provides, in relevant part, that it is lawful for any person to act as investment adviser to a registered investment company except pursuant to a written contract that has been approved by the vote of a majority of the company's outstanding voting securities. Rule 18f-2 under the Act provides that each series or class of stock in a series company affected by a manner must approve such matter if the Act requires shareholder approval.²

2. Form N-1A is the registration statement used by open-end investment companies. Item 15(a)(3) of Form N-1A requires disclosure of the method and amount of the investment adviser's compensation.

3. Rule 20a-1 under the Act requires proxies solicited with respect to an investment company to comply with Schedule 14A under the Securities Exchange Act of 1934 ("Exchange Act"). Items 22(c)(1)(ii), 22(c)(1)(iii), 22(c)(8), and 22(c)(9) of Schedule 14A, taken together, require a proxy statement for a shareholder meeting at which the advisory contract will be voted upon to include the "rate of compensation of the investment adviser," the "aggregate amount of the investment adviser's fees," a description of "the terms of the contract to be acted upon," and, if a change in the advisory fee is proposed, the existing and proposed fees and the difference between the two fees.

4. Form N-SAR is the semi-annual report filed with the Commission by registered investment companies. Item

48 of Form N-SAR requires investment companies to disclose the rate schedule for fees paid to their investment advisers, including the Subadvisers.

5. Regulation S-X sets forth the requirements for financial statements required to be included as part of investment company registration statements and shareholder reports filed with the Commission. Section 6-07(2)(a), (b) and (c) of Regulation S-X require that investment companies include in their financial statements information about investment advisory fees.

6. Section 6(c) of the Act provides that the Commission may exempt any person, security, or transaction or any class or classes of persons, securities or transactions from any provision of the Act, or from any rule thereunder, if such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policies and provisions of the Act. Applicants state that the requested relief meets this standard for the reasons discussed below.

7. Applicants assert that shareholders are relying on the Adviser to select and monitor the activities of Subadvisers best suited to achieve the Portfolios' investment objectives. Applicants assert that, from the perspective of the investor, the role of the Subadvisers is comparable to that of individual portfolio managers employed by other investment advisory firms. Applicants contend that requiring shareholder approval of each Subadvisory Agreement may impose unnecessary costs and delays on the Portfolio, and may preclude the Adviser from acting promptly and efficiently in a manner considered advisable by the Board and the Adviser. Applicants note that the Advisory Agreement will remain subject to section 15(a) of the Act and rule 18f-2 under the Act.

8. Applicants assert that many Non-Affiliated Subadvisers charge their customers for advisory services according to a "posted" rate schedule. Applicants state that the Adviser may not be able to negotiate below "posted" fee rates with Non-Affiliated Subadvisers if each Non-Affiliated Subadviser's fees are required to be disclosed. Applicants submit that the relief will allow Non-Affiliated Subadvisers to accept lower advisory fees from the Adviser, the benefits of which will be passed on to shareholders in the form of lower advisory fees.

¹ Applicants also request relief with respect to (1) any existing or future series of the Funds and any other registered open-end management investment companies or series thereof that are advised by the Adviser and operate in the same manner as the Portfolios (each such entity, also a "Portfolio"), and (2) any registered open-end management investment companies or series thereof that are advised by the Adviser and operate in the same manner as the Portfolios (each such entity, also a "Portfolio"), and (2) any registered open-end management investment company or series thereof that now or in the future invests all of its investable assets in a Portfolio (each such entity, also a "Feeder Portfolio"). Any Portfolio or Feeder Portfolio that relies on the requested order will do so only in accordance with the terms and conditions contained in the application. The Funds are the only existing investment companies that currently intend to rely on the requested order. If the name of a Portfolio or Feeder Portfolio contains the name of a Subadviser (as defined below), the name of the Portfolio or Feeder Portfolio will also contain the name of the Adviser, which will appear before the name of the Subadviser.

² In the case of the Master Portfolios, shareholder approval requirements under section 15(a) and rule 18f-2 also are governed by the voting provisions set forth in section 12(d)(1)(E) of the Act.

Applicants' Conditions

Applicants agree that any order granting the requested relief will be subject to the following conditions:

1. Before a Portfolio may rely on the order requested in the application, the operation of the Portfolio in the manner described in the application will be approved by a majority of the outstanding voting securities of the Portfolio, within the meaning of the Act, or if applicable, pursuant to voting instructions provided by shareholders of any Feeder Portfolios investing in the Portfolio or other voting arrangements that comply with section 12(d)(1)(E)(iii)(aa) (of the Act, if applicable. Before a future Portfolio or Feeder Portfolio may rely on the order requested in the application, the operation of the future Portfolio or Feeder Portfolio in the manner described in the application will be approved by a majority of the outstanding voting securities of the future Portfolio or Feeder Portfolio within the meaning of the Act, or if applicable, pursuant to voting instructions provided by the shareholders of the future Feeder Portfolio in accordance with section 12(d)(1)(E)(iii)(aa) of the Act, or in the case of a future Portfolio or Feeder Portfolio whose shareholders purchase shares in a public offering on the basis of a prospectus containing the disclosure contemplated by condition 2 below, by the initial shareholder(s) before the shares of the future Portfolio or Feeder Portfolio are offered to the public.

2. A Portfolio's prospectus, a Feeder Portfolio's prospectus or, in the case of a Portfolio offering its shares in a private placement offering, its offering document, will disclose the existence, substance and effect of any order granted pursuant to the application. Each Portfolio and Feeder Portfolio will hold itself out as employing the management structure described in the application. A Portfolio's prospectus, a Feeder Portfolio's prospectus, or in the case of a Portfolio offering its shares in a private placement offering, its offering documents, will prominently disclose that the Adviser has ultimate responsibility, subject to oversight by the Board, to oversee the Subadvisers and recommend their hiring, termination, and replacement.

3. Within 90 days of the hiring of a Subadviser, the Adviser will furnish shareholders of the applicable Portfolio and Feeder Portfolio with the information about the Subadviser that would be included in a proxy statement, except as modified to permit Modified

Fee Disclosure. This information will include Modified Fee Disclosure and any changes in such disclosure caused by the addition of a new Subadviser. To meet this obligation, the Adviser will provide shareholders of the applicable Portfolio and Feeder Portfolio, within 90 days of the hiring of a Subadviser, an information statement meeting the requirements of Regulation 14C, Schedule 14C, and Item 22 of Schedule 14A under the Exchange Act, except as modified by the order to permit Modified Fee Disclosure.

4. The Adviser will not enter into a Subadvisory Agreement with any Affiliated Subadviser without such Subadvisory Agreement, including the compensation to be paid thereunder, being approved by the shareholders of the Portfolio, or, if applicable, pursuant to voting instructions provided by shareholders of any Feeder Portfolios investing in such Portfolio or other voting arrangements that comply with section 12(d)(1)(E)(iii)(aa) of the Act, if applicable.

5. At all times, a majority of each Board will be Independent Directors, and the nomination of new or additional Independent Directors will be at the discretion of the then-existing Independent Directors.

6. When a Subadviser change is proposed for a Portfolio with an Affiliated Subadviser, the applicable Board, including a majority of the Independent Directors, will make a separate finding, reflected in the applicable Portfolio's and Feeder Portfolio's Board minutes, that the change is in the best interests of the Portfolio and its shareholders and any Feeder Portfolio investing in the Portfolio and its respective shareholders, and does not involve a conflict of interest from which the Adviser or the Affiliated Subadviser derives an inappropriate advantage.

7. Independent legal counsel, as defined in rule 0-1(a)(6) under the Act, will be engaged to represent the Independent Directors. The selection of such counsel will be within the discretion of the then-existing Independent Directors.

8. The Adviser will provide the applicable Board, no less frequently than quarterly, with information about the profitability of the Adviser on a per-Portfolio basis. This information will reflect the impact on profitability of the hiring or termination of any Subadviser during the applicable quarter.

9. Whenever a Subadviser is hired or terminated, the Adviser will provide the applicable Board with information showing the expected impact on the profitability of the Adviser.

10. The Adviser will provide general management services to each Portfolio, including overall supervisory responsibility for the general management and investment of the Portfolio's assets and, subject to review and approval of the Board, will: (a) set each Portfolio's overall investment strategies; (b) evaluate, select and recommend Subadvisers to manage all or part of the Portfolio's assets; (c) allocate and, when appropriate, reallocate the Portfolio's assets among multiple Subadvisers; (d) monitor and evaluate the performance of Subadvisers; and (e) implement procedures reasonably designed to ensure that the Subadvisers comply with each Portfolio's investment objectives, policies and restrictions.

11. No trustee, director, or officer of the Portfolios or Feeder Portfolios 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 any publicly-traded company that is either a Subadviser or an entity that controls, is controlled by, or is under common control with a Subadviser.

12. Each Portfolio and Feeder Portfolio in its registration statement and each Portfolio offering its shares in a private placement offering, in its offering documents, will disclose the Modified Fee Disclosure.

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

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 01-25986 Filed 10-15-01; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Securities Exchange Act of 1934; Rel. No. 44916/October 10, 2001]

Order Regarding Government Securities Reconciliations

Section 36 of the Securities Exchange Act of 1934 ("Exchange Act") authorizes the Commission, by rule, regulation, or order, to conditionally or unconditionally exempt any person, security, or transaction, or any class or classes of persons, securities, or transactions, from any provision or