

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 26472; 812-13039]

MMA Praxis Mutual Funds, et al.; Notice of Application

June 23, 2004.

AGENCY: Securities and Exchange Commission ("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 certain entities excluded from the definition of investment company under section 3(c)(10) or 3(c)(11) of the Act to transfer certain classes of assets held in separate accounts to two series of a registered open-end management investment company in exchange for shares of the series.

APPLICANTS: MMA Praxis Mutual Funds ("Trust"), The Mennonite Insurance Services Inc. d/b/a MMA Capital Management ("MMA").

FILING DATES: The application was filed on November 14, 2003 and amended on June 21, 2004.

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 July 19, 2004, and should be accompanied by proof of service on the 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 20549-06090; Applicants, c/o MMA Praxis Mutual Funds, 3435 Stelzer Roads, Columbus, OH 43219.

FOR FURTHER INFORMATION CONTACT: John Yoder, Attorney-Adviser, at (202) 942-0544, or Mary Kay Frech, 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 (telephone (202) 942-8090).

Applicant's Representations

1. The Trust, a Delaware statutory trust, is registered under the act as an open-end management investment company. The Trust is organized as a series investment company consisting of 4 series, two of which are the MMA Praxis Intermediate Income Fund ("Intermediate Income Fund") and MMA Praxis Core Stock Fund ("Core Stock Fund") (collectively, the "Mutual Funds"). The Intermediate Income Fund invests primarily in undervalued securities of medium to large capitalization companies. MMA, an Indiana corporation, is an investment adviser to the Mutual Funds pursuant to an investment advisory agreement with the Trust.

2. MF, a not-for-profit corporation organized under the laws of Indiana, is excluded from the definition of investment company under the Act pursuant to section 3(c)(10) of the Act. MF's board of directors manages and controls the business of MF. MF's portfolio securities are segregated by asset class and are held in separate accounts. Each separate account is a sub-account of MF and is not a legal entity separate from MF. Two of these sub-accounts, Common Stock Fund and Intermediate Bond Fund, are managed by MMA.

3. MRT, a qualified retirement plan, is excluded from the definition of investment company under the Act pursuant to section 3(c)(11) of the Act. MRT's board of trustees manages its investment activities. MRT's portfolio securities are segregated by asset class and are held in separate accounts. Each separate account is a sub-account of MRT and is not a legal entity separate from MRT. Two of these sub-accounts, Large Cap Blend Fund and Bond Fund, are managed by MMA. The directors/trustees of MRT and MF (collectively, the "Unregistered Funds") also serve as directors of Mennonite Mutual Aid, Inc., the controlling company of MMA.

4. Applicants seek relief to permit MRT and MF to transfer substantially all the assets in MRT's Bond Fund and MF's Intermediate Bond Fund, respectively, (the "Assets") to the Intermediate Income Fund in exchange for shares (the "Shares") of the Intermediate Income Fund. Applicants also propose that MRT and MF will transfer substantially all of the assets in MRT's Large Cap Blend Fund and MF's Common Stock Fund (included in the term, "Assets") to the Core Stock Fund

in exchange for Shares of the Core Stock Fund. The Transfers are referred to, collectively, as the "Exchange".

5. The Assets of the Unregistered Funds contemplated for transfer to the Mutual Funds in the Exchange will consist of individual securities that are substantially similar to those held as investments by the Mutual Funds. The Assets will be valued by each Mutual Fund at the time of acquisition at the independent "current market price" of the securities as defined in rule 17a-7 under the Act, the same valuation procedures set forth in the Mutual Funds' registration statements. The Shares of the Intermediate Income Fund and the Core Stock Fund received in the Exchange will have an aggregate net asset value ("NAV") equal to the NAV of the Assets transferred by MF and MRT to the Intermediate Income Fund and the Core Stock Fund. The Unregistered Funds and the Mutual Funds will each pay their own expenses incurred in connection with the Exchange.

6. After the Exchange, MF's Common Stock Fund and Intermediate Bond Fund will not make any investments other than investments in shares of the Core Stock Fund and Intermediate Income Fund, respectively. Similarly, after the Exchange, MRT's Bond Fund and MRT's Large Cap Blend Fund will not make any investments other than investments in shares of Intermediate Income Fund and Core Stock Fund, respectively.

Applicants' Legal Analysis

1. Section 17(a) of the Act, in relevant part, prohibits an affiliated person of a registered investment company, or any affiliated person of such person, acting as principal, from selling to or purchasing from such investment company any security or other property.

2. Section 2(a)(3) of the Act defines an "affiliated person" of another person to include (a) any person directly or indirectly controlling, controlled by, or under common control with the other person and (b) if the other person is an investment company, any investment adviser of that company. Applicants state that the Unregistered Funds and MMA may be considered to be under common control because a majority of the directors/trustees serving on the Unregistered Funds' boards of directors/trustees also serve as directors of MMA. Applicants also state that the Unregistered Funds and the Mutual Funds may be considered to be under common control and therefore may be considered affiliated persons of each other under section 2(a)(3) of the Act. Thus, applicants state that the proposed

Exchange may be prohibited under Section 17(a) of the Act.

3. Rule 17a-7 exempts certain purchase and sale transactions otherwise prohibited by section 17(a) of the Act if an affiliation exists solely by reason of having a common investment adviser, investment advisers that are affiliated persons of each other, common directors, and/or common officers, provided, among other requirements, that the transaction is for no consideration other than cash. Applicants state that the relief provided by rule 17a-7 may not be available for the Exchange because the Exchange will involve consideration other than cash (*i.e.*, Shares of the Mutual Funds). Applicants also state that the Unregistered Funds may be deemed to be affiliated with the Mutual Funds for reasons other than those set forth in rule 17a-7.

4. Rule 17a-8 exempts certain transactions (including mergers, consolidations or purchases or sales of substantially all of the assets of a company) between registered investment companies and eligible unregistered funds, as defined in rule 17a-8 ("Eligible Unregistered Fund"). Applicants state that the relief provided by rule 17a-8 is not available for the Exchange because the Unregistered Funds are not registered investment companies or Eligible Unregistered Funds, and the Exchange does not involve substantially all of the assets of the Unregistered Funds.¹

5. Section 17(b) of the Act provides that the Commission may exempt a transaction from the provisions of section 17(a) of the Act if the evidence establishes that the terms of the proposed transaction, including the consideration to be paid, 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.

6. Applicants submit that the terms of the Exchange satisfy the standards set forth in section 17(b) of the Act. Applicants state that the board of the Trust, including a majority of the trustees who are not interested persons as defined in section 2(a)(19) of the Act, found that participation in the Exchange is in the best interests of each Mutual Fund and that the interests of the

existing shareholders of each Mutual Fund will not be diluted as a result of the Exchange. Applicants state that the Exchange will comply with the terms of paragraphs (a) (other than the cash payment requirement) through (g) of rule 17a-7 and the provisions of rule 17a-8 (as those provisions apply to the merger of an Eligible Unregistered Fund with a registered investment company). No brokerage commissions, fees (except for customary transfer fees, if any) or other remuneration will be paid by the Mutual Funds or the Unregistered Funds in connection with the Exchange.

Applicants' Condition

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

The Exchange will comply with the terms of paragraphs (a) (other than the cash payment requirement) through (g) of rule 17a-7 and the provisions of rule 17a-8 (as those provisions apply to the merger of an Eligible Unregistered Fund with a registered investment company).

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

Jill M. Peterson,
Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-49902; File No. SR-MSRB-2004-02]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Municipal Securities Rulemaking Board Relating to Proposed Amendments to the MSRB's Rule G-12(f) on Automated Comparison and G-14 on Transaction Reporting, and to the Implementation of a Facility for Real-Time Transaction Reporting and Price Dissemination

June 22, 2004.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on June 2, 2004, the Municipal Securities Rulemaking Board ("MSRB" or "Board") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the MSRB. The Commission is publishing this notice to

solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The MSRB's proposed rule change relates to Rule G-14, on transaction reporting, Rule G-12(f), on automated comparison, and the implementation of a facility for real-time transaction reporting and price dissemination (the "Real-Time Transaction Reporting System" or "RTRS"). Below is the text of the proposed rule change. Proposed new language is in *italics*; proposed deletions are in brackets.

* * * * *

Rule G-12. Uniform Practice

- (a)-(e) No change.
- (f) Use of Automated Comparison, Clearance and Settlement Systems.
- (i) Notwithstanding the provisions of sections (c) and (d) of this rule, [a] *an Inter-Dealer T[ra]nSACTION E[el]igible for [automated trade] C[c]omparison by a C[c]learing A[a]gency R[r]egistered with the [Securities and Exchange] Commission (registered clearing agency) shall be compared through a registered clearing agency. Each party to such a transaction shall submit or cause to be submitted to a registered clearing agency all information and instructions required from the party by the registered clearing agency for automated comparison of the transaction to occur. Each transaction effected during the RTRS Business Day shall be submitted for comparison within 15 minutes of the Time of Trade, unless the transaction is subject to an exception specified in the Rule G-14 RTRS Procedures paragraph (a)(ii), in which case it shall be submitted for comparison in the time frame specified in the Rule G-14 RTRS Procedures paragraph (a)(ii). Transactions effected outside the hours of an RTRS Business Day shall be submitted no later than 15 minutes after the beginning of the next RTRS Business Day. In the event that a transaction submitted to a registered clearing agency for comparison in accordance with the requirements of this paragraph (i) shall fail to compare, the party submitting such transaction shall, as soon as possible, use the [post-original-comparison] procedures provided by the registered clearing agency in connection with such transaction until such time as the transaction is compared or final notification of a failure to compare the transaction is received from the contra-party. A broker, dealer or municipal securities dealer ("dealer") that effects inter-dealer transactions eligible for comparison by a clearing agency*

¹ Although the Exchange will involve substantially all of the assets of MF's Common Stock Fund and Intermediate Bond Fund and MRT's Bond Fund and Large Cap Blend Fund, these entities do not have an existence separate from the Unregistered Funds.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.