

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 Acquired Fund, 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

shares of the Acquired and Acquiring Funds are subject to a front-end sales charge and a rule 12b-1 distribution fee. Class B shares are subject to a contingent deferred sales charge and a rule 12b-1 distribution fee. No sales charges will be imposed in connection with the Reorganization. For purposes of calculating the deferred sales charge, shareholders of Class B of the Acquired Fund will be deemed to have held Class B shares of the Acquiring Fund since the date the shareholders initially purchased the shares of the Acquired Fund. NorthPointe and VCI will bear the Acquiring fund's costs associated with the Reorganization and B.C. Ziegler and Company ("Ziegler"), the Acquired Fund's distributor and administrator, will bear the Acquired Fund's costs.

6. The Boards, including all of the Disinterested Trustees, determined that the Reorganization was in the best interests of each Fund and its shareholders, and that the interests of the existing shareholders of the Funds would not be diluted as a result of the Reorganization. In assessing the Reorganization, the Boards considered various factors, including: (a) The investment objectives and strategies of the Acquired Fund and the Acquiring Fund; (b) the investment advisory and other fees paid by the Acquiring Fund and the projected expense ratio of the Acquiring Fund; (c) the terms and conditions of the Plans; (d) the anticipated tax consequences of the Reorganization for the Funds and their shareholders; and (e) the benefits to Ziegler, VMF and its affiliates that could result from the Reorganization.

7. The Reorganization is subject to a number of conditions precedent, including that: (a) The parties will have complied with all material aspects of the Plan on or before the Closing Date; (b) there will have been no material adverse changes to either the Acquiring or the Acquired Fund; (c) the Funds will have received opinions of counsel concerning the tax-free nature of the Reorganization; (d) the Acquired Fund's shareholders will have approved the Plan; (e) an N-14 registration statement relating to the Reorganization will have become effective with the Commission; (f) the Acquired Fund shall have declared and paid dividends and other distributions on or before the Closing Date; and (g) applicants will have received from the Commission the exemptive relief requested by the Application.

8. The Plan may be terminated and the Reorganization abandoned at any time prior to the Closing Date by the mutual consent of the parties. In addition, the plan may be terminated by

either party under certain circumstances specified in the Plan. Applicants agree not to make any material changes to the Plan without prior approval of the Commission staff.

9. A registration statement on Form N-14 and definitive proxy solicitation materials have been filed with the SEC and were mailed to the Acquired Fund's shareholders on January 23, 2001. A shareholders meeting of the Acquired Fund is scheduled for February 22, 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: (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 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 believe that they may not rely on rule 17a-8 in connection with the Reorganization because the Funds may be deemed to be affiliated by reasons other than having a common investment adviser, common directors, and/or common officers. Applicants state that the Acquiring Fund may be deemed to be an affiliated person of VMF because VMF owns more than 5% of the outstanding voting securities of the Acquiring Fund. Additionally, VMF and NorthPointe are under the common control of VCI. Therefore, the Acquiring Fund may be deemed an "affiliated person of an affiliated person" of the Acquired Fund.

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 request an order under section 17(b) of the Act exempting them from section 17(a) to the extent necessary to complete the Reorganization. Applicants submit that the Reorganization satisfies the standards of section 17(b) of the Act. Applicants state that the terms of the Reorganization are reasonable and fair and do not involve overreaching. Applicants state that the investment objectives and strategies of the Acquired Fund are similar to those of the Acquiring Fund. Applicants also state that the Boards, including all of the Disinterested Trustees, found that the participation of the Acquired and the Acquiring Funds in the Reorganization is in the best interests 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 Reorganization 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. 01-3627 Filed 2-12-01; 8:45 am]

**BILLING CODE 8010-01-M**

## **SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-43930; File No. 265-22]**

### **Advisory Committee on Market Information**

**AGENCY:** Securities and Exchange Commission.

**ACTION:** Notice of meeting of the Securities and Exchange Commission Advisory Committee on Market Information.

**SUMMARY:** The third meeting of the Securities and Exchange Commission Advisory Committee on Market Information ("Committee") will be held on March 1, 2001, in the William O. Douglas Room, at the Commission's main offices, 450 Fifth Street, NW., Washington, DC, beginning at 9 a.m. The meeting will be open to the public, and the public is invited to submit written comments to the Committee.