

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

Margaret H. McFarland,

Deputy Secretary.

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[Investment Company Act Rel. No. 21629; 812-9850]

Mutual Fund Group, et al.; Notice of Application

December 28, 1995.

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

ACTION: Notice of Application for Exemption under the Investment Company Act of 1940 (the "Act").

APPLICANTS: Mutual Fund Group ("MFG"), Mutual Fund Trust, Mutual Fund Variable Annuity Trust, Growth & Income Portfolio, Capital Growth Portfolio, International Equity Portfolio, Global Fixed Income Portfolio (collectively, the "Chase Funds"); Atlanta Capital Management Company ("Atlanta Capital"); and The Chase Manhattan Bank, National Association (the "Adviser").

RELEVANT ACT SECTIONS: Order requested under section 6(c) for an exemption from section 15(a).

SUMMARY OF APPLICATION: The Chase Manhattan Corporation ("Chase"), the Adviser's holding company, will be merged with Chemical Banking Corporation ("CBC"). The merger will result in the assignment, and thus the termination, of the Chase Funds' existing investment advisory and sub-advisory contracts with the Adviser and Atlanta Capital, a sub-adviser.

Applicants request an order to permit the implementation, without shareholder approval, of interim advisory and sub-advisory contracts, during a period of up to 120 days following January 31, 1996. The order also will permit the Adviser and Atlanta Capital to receive fees earned under the interim advisory and sub-advisory contracts following approval by the Chase Funds' shareholders.

FILING DATES: The application was filed on November 6, 1995 and amended on December 28, 1995.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on

January 22, 1996, 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 such notification by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, NW., Washington, DC 20549. Applicants: The Chase Manhattan Bank, National Association, One Chase Manhattan Plaza, New York, New York 10081; Atlanta Capital Management Company, Two Midtown Plaza, 1360 Peachtree Street, Suite 1600, Atlanta, Georgia 30309; all other applicants, 125 West 55th Street, New York, New York 10019.

FOR FURTHER INFORMATION CONTACT: Marianne H. Khawly, Staff Attorney, at (202) 942-0562, or Robert A. Robertson, 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 from the SEC's Public Reference Branch.

Applicant's Representations

1. The Chase Funds are registered open-end management investment companies. The Adviser is a national banking association and is a wholly-owned subsidiary of Chase, a bank holding company. Each Chase Fund has entered into a investment advisory agreement with the Adviser. The Adviser and Atlanta Capital have entered into an investment sub-advisory agreement pursuant to which Atlanta Capital acts as sub-adviser to a portfolio of MFG, IEEB Balanced Fund (the sub-advisory agreement together with the investment advisory agreements, the "Existing Agreements").

2. On August 27, 1995, CBC and Chase entered into an Agreement and Plan of Merger, pursuant to which Chase will be merged with and into CBC (the "Holding Company Merger"). CBC will be the surviving corporation and will continue its corporate existence under the name "The Chase Manhattan Corporation." The Holding Company Merger will be effected as a stock transaction, with the outstanding shares of Chase common stock being exchanged for newly issued shares of CBC common stock at a predetermined exchange rate. Applicants anticipate that the Holding Company Merger will occur on or before January 31, 1996.

Subsequent to the Holding Company Merger, the Adviser will be merged with Chemical Bank, a wholly-owned direct subsidiary of CBC (the "Bank Merger" and together with the Holding Company Merger, the "Mergers"). The surviving bank will continue operations under the name "The Chase Manhattan Bank."

3. On December 11, 1995, the respective shareholders of Chase and CBC voted to approve the Holding Company Merger. At a special meeting held on December 14, 1995, the respective Boards of Trustees of the Chase Funds (the "Boards") met to discuss the Mergers. During this meeting, the Boards, met to discuss the Mergers. During this meeting, the Boards, including a majority of the Board members who are not "interested persons," as that term is defined in the Act (the "Independent Trustees"), of the respective Chase Funds, with the advice and assistance of counsel to the Independent Trustees, made a full evaluation of interim investment advisory and sub-advisory agreements (the "Interim Agreements"). In accordance with section 15(c) of the Act, the Boards voted to approve the Interim Agreements. The Boards of each Chase Fund also voted to recommend that shareholders of each Chase Fund approve the Interim Agreements.

4. In approving the Interim Agreements, the Boards concluded that payment of the advisory and sub-advisory fees during the interim period would be appropriate and fair because there will be no diminution in the scope and quality of services provided to the Chase Funds, the fees to be paid are unchanged from the fees paid under the Existing Agreements, the fees would be maintained in an interest-bearing escrow account until payment is approved or disapproved by shareholders, and the nonpayment of fees would be inequitable to the Adviser (including its successor in the event that the Bank Merger occurs during the interim period, the "Successor") and Atlanta Capital in view of the substantial services to be provided.

5. Chase and CBC expect a combination of Chase Funds and registered investment companies that are advised by CBC subsidiaries (collectively, the "CBC Funds") into a family of mutual funds with consistent structural characteristics where appropriate, consolidated management, consistent share class structures, rationalized investment objectives and policies, and consolidated marketing efforts (the "Fund Family Combination"). Applicants expect that a number of Chase Funds will consummate a transaction with (a) an

existing CBC Fund providing for the transfer of substantially all of the assets of one such fund to the other in exchange for the other's shares, or (b) a CBC Fund to be newly created providing for the transfer of substantially all of the assets of such Chase Fund to the newly created CBC Fund in exchange for shares of the newly created CBC Fund (each such transaction, a "Fund Merger").

6. Applicants believe that it will not be possible to complete the Fund Family Combination or any of the expected Fund Mergers prior to the Holding Company Merger. Accordingly, applicants request an exemption from section 15(a) of the Act to permit the implementation, without shareholder approval, of the Interim Agreements. The exemption would cover the period commencing on the date of the Holding Company Merger and continuing through the date the Interim Agreements are approved or disapproved by shareholders of the respective Chase Funds, which period shall be no longer than 120 days after January 31, 1996 (the "Interim Period"). Applicants also request that such relief extend to the Bank Merger during the Interim Period.

Applicants' Legal Analysis

1. Section 15(a) prohibits an investment adviser from providing investment advisory services to an investment company except under a written contract that has been approved by a majority of the investment company's voting securities. The section further requires that the written contract provide for its automatic termination in the event of an assignment. Section 2(a)(4) of the Act defines "assignment" to include any direct or indirect transfer of a contract by the assignor or of a controlling block of the assignor's outstanding voting securities by a security holder of the assignor.

2. Section 2(a)(9) defines "control" as the power to exercise a controlling influence over the management or policies of a company. Beneficial ownership of more than 25% of a company's voting securities is presumed to constitute control.

3. Upon consummation of the Holding Company Merger, approximately 43% of the voting securities of the surviving corporation will be owned by the current Chase shareholders and 57% will be owned by the current CBC shareholders. Thus, the Holding Company Merger may be deemed to result in an "assignment" of the Existing Agreements. Therefore, these agreements will terminate by their terms. Similarly, the Bank Merger may be deemed to result in an "assignment"

of the Interim Agreements, thus terminating these agreements.

4. Rule 15a-4 provides, among other things, that if an advisory contract is terminated by assignment, the investment adviser may continue to act as such for 120 days at the previous compensation rate if a new contract is approved by the board of directors of the investment company, and if the investment adviser or a controlling person of the investment adviser does not directly or indirectly receive money or other benefit in connection with the assignment. Because Chase and the Adviser will receive a benefit in connection with the assignment of the contracts, applicants may not rely on the rule.

5. Absent the requested relief, applicants believe that it may be necessary, in the case of most Chase Funds, to undertake multiple proxy solicitations within a relatively short time frame. Applicants believe that engaging in the solicitation of multiple proxies from the shareholders of a single investment company for approvals arising out of the same series of events would be confusing to shareholders, burdensome, inefficient, costly, and not in the best interests of the Chase Funds or their shareholders.

6. Applicants believe that the requested relief will allow for the orderly completion of the Fund Mergers and the Fund Family Combination, as well as reasonable adjournments of shareholder meetings if necessary to obtain sufficient shareholder responses to proxy solicitations to obtain the various approvals as may be necessary in connection with the Fund Mergers.

7. Section 6(c) of the Act provides that the SEC may exempt any person, security, or transaction from any provision of the Act, if and to the extent that such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act. Applicants believe that the requested relief from section 15(a) meets this standard.

Applicants' Conditions

Applicants agree as conditions to the requested exemptive relief that:

1. Each Interim Agreement will have the same terms and conditions as the respective Existing Agreement, except for the effective and termination dates.

2. Fees earned by the Adviser (or the Successor, if applicable) and Atlanta Capital and paid by a Chase Fund during the Interim Period in accordance with the Interim Agreement will be maintained in an interest-bearing

escrow account, and amounts in such account (including interest earned on such paid fees) will be paid to the Adviser (or the Successor, if applicable) and in the case of IEEE Balanced Fund, paid to Atlanta Capital only upon approval of the related Chase Fund shareholders or, in the absence of such approval, to the related Chase Fund.

3. Each Chase Fund will hold meetings of shareholders to vote on approval of the related Interim Agreement, on or before the 120th day following January 31, 1996.

4. Chase, CBC and/or one or more subsidiaries of the foregoing will pay the costs of preparing and filing this application. Chase, CBC and/or one or more subsidiaries of the foregoing will pay the costs relating to the solicitation of the approvals of the Chase Fund shareholders, to the extent such costs relate to the shareholder approval of Interim Agreements necessitated by the Mergers.

5. The Adviser (or the Successor, if applicable) and Atlanta Capital, as the case may be, will take all appropriate actions to ensure that the scope and quality of advisory and other services provided to the Chase Funds under the Interim Agreements will be at least equivalent, in the judgment of the respective Boards, including a majority of the Independent Trustees, to the scope and quality of services previously provided. In the event of any material change in personnel providing services under the Interim Agreements, the Adviser (or the Successor, if applicable) or Atlanta Capital, as the case may be, will apprise and consult the Boards of the affected Chase Funds to assure that such Boards, including a majority of the Independent Trustees, are satisfied that the services provided by the Adviser (or the Successor, if applicable) or Atlanta Capital, as the case may be, will not be diminished in scope or quality.

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

Jonathan G. Katz,

Secretary.

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