

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 23472; 812-11234]

The Sessions Group, et al.; Notice of Application

September 28, 1998.

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 series of a registered open-end management investment company to acquire all of the assets and assume all of the liabilities of certain series of another registered open-end management investment company. Because of certain affiliations, applicants may not rely on rule 17a-8 under the Act.

APPLICANTS: The Sessions Group ("Sessions"), The Coventry Group ("Coventry") and 1st Source Bank (the "Adviser").

FILING DATES: The application was filed on July 30, 1998. 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 19, 1998, 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, Securities & Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549. Applicants, 3435 Stelzer Road, Columbus, Ohio 43219.

FOR FURTHER INFORMATION CONTACT: Lawrence W. Pisto, Senior Counsel, at (202) 942-0527, or George J. Zornada, Branch Chief, at (202) 942-0546 (Office of Investment Company Regulation, Division of Investment Management).

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 (tel. (202) 942-8090).

Applicant's Representation

1. Coventry, a Massachusetts business trust, is registered under the Act as an open-end management investment company. Coventry currently offers five series, and has registered four newly formed series, two of which, 1st Source Monogram Diversified Equity Fund and 1st Source Monogram Income Fund, are the "Acquiring Series."¹

2. Sessions, and Ohio business trust, is registered under the Act as an open-end management investment company. Sessions currently offers 12 series, two of which, 1st Source Monogram Diversified Equity Fund and 1st Source Monogram Income Fund, are the "Acquired Series."

3. The Adviser, an Indiana banking corporation and a wholly-owned subsidiary of 1st Source Corporation, a publicly-held bank holding company, is not required to register as an investment adviser under the Investment Advisers Act of 1940. The Adviser is the investment adviser for both the Acquiring Series and the Acquired Series. Certain defined benefit plans maintained for the benefit of the employees of the Adviser (the "1st Source Plans"), own 5% or more of the outstanding voting securities of each of the Acquired Series.

4. On July 23, 1998, the boards of trustees of the Acquired Series and the Acquiring Series (together, the "Boards"), including a majority of the trustees who are not "interested persons" within the meaning of section 2(a)(19) of the Act (the "Independent Trustees"), approved an Agreement and Plan of Reorganization and Liquidation (the "Agreement"). Under the Agreement, on the date of the exchange (the "Exchange Date"), which is currently anticipated to be October 24, 1998, the Acquiring Series will acquire all of the assets and liabilities of the corresponding Acquired Series in exchange for shares of the Acquiring Series that have an aggregate net asset value ("NAV") equal to the aggregate NAV of the Acquired Series at 4:00 p.m. EST on the day before the Exchange Date (the "Valuation Time"), followed by the liquidation and dissolution of the corresponding Acquired Series and the pro rata distribution to the shareholders of the Acquired Series of shares of the corresponding Acquiring Series (the

"Reorganization"). The value of the net assets of each Acquired Series will be determined in the manner described in its current prospectus. Because the Acquiring Series are newly formed and will have no assets or liabilities as of the Valuation Time, the NAV per share of the applicable Acquiring Series will be set initially to equal the NAV per share of the corresponding Acquired Series as of the Valuation Time.²

5. Each Acquired Series currently has a single class of shares that is subject to a front-end sales charge. The shares also are subject to a 0.25% asset-based sales charge. Each Acquiring Series has a single class of shares that is subject to an identical sales charge and an identical asset-based sales charge.

6. No sales charge will be incurred by shareholders of the Acquired Series in connection with their acquisition of shares of the Acquiring Series. Applicants state that the investment objectives, policies and restrictions of the Acquiring Series are identical to those of the Acquired Series. BISYS Fund Service, LP, the Acquired Series' principal underwriter and distributor, will be responsible for all fees and expenses of the Reorganization.

7. The Boards, including the Independent Trustees, determined that the Reorganization is in the best interests of the shareholders of the Acquired Series and the Acquiring Series, and that the interest of the shareholders of the Acquired Series and the Acquiring Series would not be diluted by the Reorganization. In assessing the Reorganization, the factors considered by the Boards included, among others (1) the business objectives and purposes of the Reorganization, (2) the investment objectives and purposes of the Reorganization, (3) the terms and conditions of the Agreement, including the allocation of expenses of the Reorganization, (4) the tax-free nature of the Reorganization, and (5) the expense ratios of the Acquiring Series and the corresponding Acquired Series.

8. The Reorganization is subject to a number of conditions precedent, including that: (a) definitive proxy solicitation materials shall have been filed with the Commission and distributed to shareholders of the Acquired Series; (b) the shareholders of the Acquired Series approve the Agreement; (c) the Series receive an opinion of tax counsel that the proposed

¹ The other two newly-formed series are not part of the relief sought.

² The Acquiring Series and the Acquired Series correspond with one another as follows: Coventry's 1st Source Monogram Diversified Equity Fund corresponds to Session's 1st Source Monogram Diversified Equity Fund and Coventry's 1st Source Monogram Income Fund corresponds to Sessions' 1st Source Monogram Income Fund.

Reorganization will be tax-free for each Series and its shareholders; and (d) applicants will receive from the Commission an exemption from section 17(a) of the Act for the Reorganization. Applicants agree not to make any material changes to the Agreement without prior Commission approval.

9. The plan may be terminated and the Reorganization abandoned at any time by mutual consent of the respective Boards of the Acquired Series and the Acquiring Series.

10. Definitive proxy solicitation materials were filed with the Commission on September 9, 1998 and mailed to shareholders of the Acquired Series on September 11, 1998. A special meeting of shareholders is scheduled for October 16, 1998.

Applicants' Legal Analysis

1. Section 17(a) of the Act generally 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. Applicants state that the Acquiring and Acquired Series may be deemed affiliated persons and thus the Reorganization may be prohibited by section 17(a).

2. Rule 17a-8 under the Act exempts from the prohibitions of section 17(a) mergers, consolidations, or purchases or 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 set forth in the rule are satisfied.

3. Applicants believe that they may not rely on rule 17a-8 in connection with the Reorganization because the Series may be deemed to be affiliated by reason other than having a common investment adviser, common directors, and/or common officers. The Adviser might be deemed to have an indirect pecuniary interest in the performance of

the assets held by the 1st Source Plans. Because the 1st Source Plans own 5% or more of the outstanding voting securities of each of the Acquired Series, each Acquiring Series may be deemed an affiliated person of an affiliated person of each Acquired Series for a reason other than having a common investment adviser.

4. Section 17(b) of the Act provides that the Commission may exempt a transaction from the provisions of section 17(a) 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.

5. Applicants request an order under section 17(b) of the Act exempting them from section 17(a) of the Act to the extent necessary to consummate the Reorganization. Applicants submit that the Reorganization satisfies the standards of section 17(b) of the Act. Applicants believe that the terms of the Reorganization are fair and reasonable and do not involve overreaching. Applicants state that the Reorganization will be based on the relative NAVs of the Series' shares. Applicants also state that the applicable Acquiring Series were created for the express purpose of acquiring the assets and liabilities of the corresponding Acquired Series, and that their investment objectives, policies and restrictions were established to be identical to those of the corresponding Acquired Series. In addition, applicants state that the Boards, including a majority of the Independent Trustees, have made the requisite determinations that the participation of the relevant Series in the proposed Reorganization is in the best interests of each Series and that such participation will not dilute the interests of shareholders of the Series.

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

Jonathan G. Katz,

Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40473; File No. SR-NASD-98-66]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the National Association of Securities Dealers, Inc.; Relating to Small Order Execution System Tier Size Classifications

September 24, 1998.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on September 2, 1998, the National Association of Securities Dealers, Inc. ("NASD" or "Association"), through its wholly-owned subsidiary The Nasdaq Stock Market, Inc. ("Nasdaq"), filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by Nasdaq.² 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 NASD is submitting this filing to reclassify Nasdaq National Market ("NNM") securities into appropriate tier sizes for purposes of determining the maximum size order for a particular security eligible for execution through Nasdaq's Small Order Execution System ("SOES"). Specifically, under the proposal, 488 NNM securities will be reclassified into a different SOES tier size effective October 1, 1998. Since the NASD's proposal is an interpretation of existing NASD rules, there are no language changes.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the NASD included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified

¹ 15 U.S.C. 78s(b)(1).

² On September 2, 1998, Nasdaq filed an amendment to the proposed rule change that replaced a previously submitted filing. See Letter from Robert E. Aber, Senior Vice President and General Counsel, Office of the General Counsel, Nasdaq, to Richard Strasser, Assistant Director, Division of Market Regulation, Commission, dated September 1, 1998 ("Amendment No. 1").