

UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT COMPANY ACT OF 1940  
Release No.30097 / June 5, 2012

ADMINISTRATIVE PROCEEDING  
File No. 3-14829

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In the Matter of	:	ORDER MAKING FINDINGS
	:	AND IMPOSING SANCTIONS
PRINCIPAL MORTGAGE FUND, INC.	:	BY DEFAULT
	:	

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The Securities and Exchange Commission (Commission) issued its Order Instituting Proceedings (OIP) on March 29, 2012, pursuant to Sections 9(f) and 54(c) of the Investment Company Act of 1940 (Investment Company Act). It appears that Respondent Principal Mortgage Fund, Inc. (Principal Mortgage Fund), was served with the OIP, through its registered agent, on April 3, 2012. As of today, Respondent has not filed an Answer to the OIP, due within twenty days after service. See OIP at 2; 17 C.F.R. § 201.220(b).

On May 2, 2012, Respondent was ordered to show cause by May 17, 2012, why it should not be ordered to cease and desist from causing violations of Section 17(g) of the Investment Company Act and why its election as a business development company (BDC) should not be revoked. See 17 C.F.R. §§ 201.155(a)(2), .220(f).

Because Respondent has not filed an Answer to the OIP or otherwise shown cause why it should not be defaulted, Respondent is in default and the following allegations in the OIP are deemed to be true. See 17 C.F.R. §§ 201.155(a), .220(f).

**FINDINGS AND CONCLUSIONS**

Principal Mortgage Fund (CIK No. 1410646) is a Nevada corporation located in Carson City, Nevada. According to the Nevada Secretary of State, Principal Mortgage Fund's corporate registration has been revoked. On August 24, 2007, Principal Mortgage Fund filed a notice of intent to elect to be regulated as a BDC, and then on August 27, 2007, Principal Mortgage Fund elected to be regulated as a BDC.

**Fidelity Bond**

Section 17(g) of the Investment Company Act and Rule 17g-1 thereunder, which apply to BDCs pursuant to Section 59 of the Investment Company Act, require each BDC to provide and

maintain a bond issued by a reputable fidelity insurance company against larceny and embezzlement by officers and employees of the BDC.

Respondent has failed to provide and maintain a fidelity bond since October 2008. OIP, p.2. As a result, Respondent violated Section 17(g) of the Investment Company Act and Rule 17g-1 thereunder.

### **BDC Status**

Section 54(c) of the Investment Company Act provides that whenever the Commission finds, on its own motion or upon application, that a BDC that has filed a notice of election pursuant to Section 54(a) has ceased to engage in business, the Commission shall so declare by order revoking such company's election. Respondent has ceased engaging in business and, therefore, should have its BDC election revoked.

### **ORDER**

It is ORDERED, pursuant to Section 9(f) of the Investment Company Act of 1940, that Respondent Principal Mortgage Fund, Inc., cease and desist from committing or causing violations of and any future violations of Section 17(g) of the Investment Company Act of 1940 and Rule 17g-1 thereunder.

It is FURTHER ORDERED, pursuant to Section 54(c) of the Investment Company Act of 1940, that the election as a business development company of Respondent Principal Mortgage Fund, Inc., is revoked.

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Cameron Elliot  
Administrative Law Judge