

liquidation were paid by EC Advisors, Inc., applicant's investment adviser.

*Filing Date:* The application was filed on January 14, 2002.

*Applicant's Address:* 7453 Watson Rd., Suite 88, St. Louis, MO 63119.

#### **Separate Account IPL-1 [File No. 811-9213]**

*Summary:* Applicant seeks an order declaring that it has ceased to be an investment company. Applicant is a separate account of Investors Partner Life Insurance Company ("Depositor") that was established to fund flexible premium variable life insurance policies issued by the Depositor. As of November 5, 2001, all assets were distributed in connection with the liquidation of applicant, on the basis of net asset value. No expenses have been incurred in connection with the liquidation.

*Filing Dates:* The application was filed on November 6, 2001 and amended on December 20, 2001.

*Applicant's Address:* John Hancock Place, 200 Clarendon Street, Boston, Massachusetts 02117.

#### **COVA Series Trust [File No. 811-5252]**

*Summary:* Applicant seeks an order declaring that it has ceased to be an investment company. On February 12, 2001, applicant transferred its assets and liabilities to corresponding portfolios of Met Investors Series Trust based on net asset value. Expenses of \$470,594.76 incurred in connection with the reorganization were paid by Metropolitan Life Insurance Company, parent of applicant's investment advisor, and its subsidiaries.

*Filing Date:* The application was filed on December 7, 2001.

*Applicant's Address:* 22 Corporate Plaza Drive, Newport Beach, CA 92660.

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

**J. Lynn Taylor,**

*Assistant Secretary.*

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**BILLING CODE 8010-01-P**

## **SECURITIES AND EXCHANGE COMMISSION**

**[Investment Company Act Release No. 25444; 812-11220]**

### **Alpha Select Funds, et al.; Notice of Application**

February 22, 2002.

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

**ACTION:** Notice of application for an order under section 6(c) of the

Investment Company Act of 1940 (the "Act") for an exemption from section 15(a) of the Act and rule 18f-2 under the Act, as well as certain disclosure requirements.

#### **SUMMARY OF THE APPLICATION:**

Applicants seek an order that would permit them to enter into and materially amend subadvisory agreements without shareholder approval and would grant relief from certain disclosure requirements.

#### *Applicants:*

Alpha Select Funds ("Alpha Select"), Turner Funds ("Turner," collectively with Alpha Select, the "Trusts"), Concentrated Capital Management, LP ("CCM"), and Turner Investment Partners, Inc. ("TIP," collectively with CCM, the "Advisers").

#### *Filing Dates:*

The application was filed on July 16, 1998, and amended on May 16, 2001 and February 22, 2002.

#### *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 applicant with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on March 21, 2002 and should be accompanied by proof of service on applicant, 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, Alpha Select and CCM, 150 First Avenue, Suite 600, King of Prussia, PA 19406-2816, Turner and TIP, 1235 West Lakes Drive, Suite 350, Berwyn, PA 19312.

#### **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 5th Street, NW, Washington, DC 20549-0102 (telephone (202) 942-8090).

#### **Applicants' Representations**

1. Alpha Select, a Delaware business trust, and Turner, a Massachusetts

business trust, are registered under the Act as open-end management investment companies. Alpha Select and Turner are comprised of one or more series (each a "Fund," collectively the "Funds"), each with its own investment objectives and policies.<sup>1</sup> CCM and TIP are registered as investment advisers under the Investment Advisers Act of 1940 (the "Advisers Act"). CCM currently serves as the investment adviser to Alpha Select and TIP serves as the investment adviser to Turner.

2. Alpha Select and Turner have entered into separate investment management agreements with CCM and TIP ("Advisory Agreements"), respectively, that were approved by the Trusts' respective boards of trustees (the "Boards"), including a majority of the trustees who are not "interested persons," as defined in section 2(a)(19) of the Act ("Independent Trustees"), and each Fund's shareholders. The Advisory Agreements permit the Advisers to enter into separate investment advisory agreements ("Subadvisory Agreements") with subadvisers ("Managers") to whom each Adviser may delegate portfolio management responsibilities for a Fund.

3. Each Adviser monitors and evaluates the Managers and recommends to the respective Board their hiring, retention or termination. Each Manager will be an investment adviser that is registered under the Advisers Act. Each Manager's fees will be paid by the respective Adviser out of the management fees received by that Adviser from each of the Funds. In the future, some Funds may compensate the Managers directly.

4. Applicants request relief to permit the Advisers, subject to Board approval, to enter into and materially amend Subadvisory Agreements without shareholder approval. The requested relief will not extend to a Manager that is an affiliated person, as defined in section 2(a)(3) of the Act, of the Fund or the Adviser, other than by reason of serving as a Manager to one or more of the Funds (an "Affiliated Manager").

5. Applicants also request an exemption from the various disclosure

<sup>1</sup> Applicants also request relief with respect to future series of the Trusts and any other registered open-end management investment companies and series thereof that (a) are advised by the Advisers or any entity controlling, controlled by, or under common control with the Advisers; (b) use the multi-manager structure described in the application; and (c) comply with the terms and conditions in the application ("Future Funds," included in the term "Funds"). If the name of any Fund should, at any time, contain the name of a Manager (as defined below), it will also contain the name of the Adviser, which will appear before the name of the Manager.

provisions described below that may require the Funds to disclose the fees paid by an Adviser to the Managers. An exemption is requested to permit the Funds to disclose (as both a dollar amount and as a percentage of a Fund's net assets): (a) Aggregate fees paid to the Adviser and Affiliated Managers; and (b) aggregate fees paid to the Managers other than Affiliated Managers ("Aggregate Fees"). If a Fund employs an Affiliated Manager, the Fund will provide separate disclosure of any fees paid to the Affiliated Manager.

#### Applicants' Legal Analysis

1. Section 15(a) of the Act provides, in relevant part, that it is unlawful for any person to act as an investment adviser to a registered investment company except pursuant to a written contract that has been approved by the vote of a majority of the company's outstanding voting securities. Rule 18f-2 under the Act provides that each series or class of stock in a series company affected by a matter must approve such matter if the Act requires shareholder approval.

2. Form N-1A is the registration statement used by open-end investment companies. Item 15(a)(3) of Form N-1A requires disclosure of the method and amount of the investment adviser's compensation.

3. Rule 20a-1 under the Act requires proxies solicited with respect to an investment company to comply with Schedule 14A under the Securities Exchange Act of 1934 (the "1934 Act"). Items 22(c)(1)(ii), 22(c)(1)(iii), 22(c)(8), and 22(c)(9) of Schedule 14A, taken together, require a proxy statement for a shareholder meeting at which the advisory contract will be voted upon to include the "rate of compensation of the investment adviser," the "aggregate amount of the investment adviser's fees," a description of "the terms of the contract to be acted upon," and, if a change in the advisory fee is proposed, the existing and proposed fees and the difference between the two fees.

4. Form N-SAR is the semi-annual report filed with the Commission by registered investment companies. Item 48 of Form N-SAR requires investment companies to disclose the rate schedule for fees paid to their investment advisers, including the Managers.

5. Regulation S-X sets forth the requirements for financial statements required to be included as part of investment company registration statements and shareholder reports filed with the Commission. Sections 6-07(2)(a), (b), and (c) of Regulation S-X require that investment companies include in their financial statements

information about investment advisory fees.

6. Section 6(c) of the Act provides that the Commission may exempt any person, security, or transaction or any class or classes of persons, securities, or transactions from any provision of the Act, or from any rule thereunder, if 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 meets this standard for reasons discussed below.

7. Applicants assert that each Fund's shareholders have determined to rely on the Adviser to select, monitor and replace Managers. Applicants contend that from the perspective of the investor, the role of the Managers is comparable to individual portfolio managers employed by other firms. Applicants contend that requiring shareholder approval of the Subadvisory Agreements would impose unnecessary costs and delays on the Funds, and may preclude the Adviser from acting promptly in a manner considered advisable by the Board. Applicants note that the Advisory Agreement will remain subject to section 15(a) of the Act and rule 18f-2 under the Act.

8. Applicants assert that many Managers charge their customers for advisory services according to a "posted" rate schedule. Applicants state that while Managers are willing to negotiate fees lower than those posted in the schedule, particularly with large institutional clients, they are reluctant to do so when the fees are disclosed to other prospective and existing customers. Applicants submit that the relief will encourage Managers to negotiate lower advisory fees with the Advisers, the benefits of which are likely to be passed on to Fund shareholders.

#### Applicants' Conditions

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

1. Before any Fund may rely on the requested order, the operation of the Fund in the manner described in the application will be approved by a majority of the Fund's shareholders or in the case of a Fund whose public shareholders purchase shares on the basis of a prospectus containing the disclosure contemplated by condition 2 below, by the sole initial shareholder before offering shares of the Fund to the public.

2. The prospectus for each Fund will disclose the existence, substance, and

effect of any order granted pursuant to the application. In addition, each Fund will hold itself out to the public as employing the "manager of managers" approach described in the application. The prospectus for each Fund will prominently disclose that the Adviser has ultimate responsibility (subject to oversight by the Board) to oversee the Managers and recommend their hiring, termination, and replacement.

3. Within 90 days of the hiring of any new Manager, the Adviser will furnish shareholders all information about the new Manager that would be included in a proxy statement, except as modified by the order to permit the disclosure of Aggregate Fees. This information would include the disclosure of Aggregate Fees and any change in such disclosure caused by the addition of a new Manager. The Adviser will meet this obligation by providing shareholders with an information statement meeting the requirements of Regulation 14C, Schedule 14C, and Item 22 of Schedule 14A under the 1934 Act, except as modified by the order to permit the disclosure of Aggregate Fees.

4. The Adviser will not enter into a Subadvisory Agreement with any Affiliated Manager without such agreement, including the compensation to be paid thereunder, being approved by the shareholders of the applicable Fund.

5. At all times, a majority of each Fund's Board will be Independent Trustees, and the nomination of new or additional Independent Trustees will be at the discretion of the then-existing Independent Trustees.

6. When a Manager change is proposed for a Fund with an Affiliated Manager, the Fund's Board, including a majority of the Independent Trustees, will make a separate finding, reflected in the applicable Fund's Board minutes, that the change is in the best interests of the Fund and its shareholders and does not involve a conflict of interest from which the Adviser or the Affiliated Manager derives an inappropriate advantage.

7. The Adviser will provide general management services to each Fund, including overall supervisory responsibility for the general management and investment of each Fund's securities portfolio, and, subject to Board review and approval, will: (a) Set each Fund's overall investment strategies; (b) recommend and select Managers; (c) allocate, and when appropriate, reallocate a Fund's assets among its Managers when the Fund has more than one Manager; (d) monitor and evaluate Manager performance; and (e) implement procedures designed to

ensure that the Manager complies with the Fund's investment objectives, policies, and restrictions.

8. No Trustee, director, or officer of the Funds or officer or director of the Adviser will own directly or indirectly (other than through a pooled investment vehicle over which such person does not have control) any interest in a Manager except for (a) ownership of interests in the Adviser or any entity that controls, is controlled by, or is under common control with the Adviser; or (b) ownership of less than 1% of the outstanding securities of any class of equity or debt of a publicly-traded company that is either a Manager or an entity that controls, is controlled by, or is under common control with a Manager.

9. Each Fund will disclose in its registration statement the Aggregate Fees.

10. Independent counsel knowledgeable about the Act and the duties of Independent Trustees will be engaged to represent the Independent Trustees. The selection of such counsel will be within the discretion of the then-existing Independent Trustees.

11. The Adviser will provide the Board, no less frequently than quarterly, with information about the Adviser's profitability on a per-Fund basis. This information will reflect the impact on the profitability of the hiring or termination of any Manager during the applicable quarter.

12. Whenever a Manager is hired or terminated, the Adviser will provide the Board information showing the expected impact on the Adviser's profitability.

13. For any Fund that compensates a Manager directly, any change to a Subadvisory Agreement that would result in an increase in the overall management and advisory fees payable by the Fund will be required to be approved by the shareholders of the Fund.

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

**Margaret H. McFarland,**  
Deputy Secretary.

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-45464; File No. SR-ISE-2002-03]

**Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the International Securities Exchange LLC To Amend Its Rules Relating to Ratio Orders**

February 21, 2002.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on February 12, 2002, the International Securities Exchange LLC ("ISE" or "Exchange") 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 ISE. ISE filed the proposed rule change pursuant to section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder,<sup>4</sup> which renders the proposal effective upon filing with the Commission. 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 Exchange is proposing to amend Rule 722 to permit a spread, straddle, or combination order that consists of legs that have a different number of contracts as long as the number of contracts differ by a ratio of 0.5 or greater. Below is the text of the proposed rule change. New text is in *italics*. Proposed deletions are in [brackets].

\* \* \* \* \*

*International Securities Exchange LLC*

Rules

\* \* \* \* \*

*Rule 722. Complex Orders*

(a) Complex Orders Defined. A complex order is any order for the same account as defined below.

\* \* \* \* \*

(6) Ratio Order. A spread, straddle or combination order may consist of *legs that have* a different number of contracts, so long as the number of contracts differs by a permissible ratio. For purposes of this paragraph, a permissible ratio of contracts is any [of

the following: one-to-one, one-to-two and two-to-three.] *ratio that is equal to or greater than .5. For example, a one-to-two ratio (which is equal to .5) and a six-to-ten ratio (which is equal to .6) are permitted, but a one-to-three ratio (which is equal to .33) is not.*

\* \* \* \* \*

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

In its filing with the Commission, ISE 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 in Item IV below. The ISE has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

ISE Rule 722(a)(6) provides that the legs of a spread, straddle, or combination order can consist of different number of contracts, so long as the number of contracts differs by a permissible ratio. The permissible ratios are defined as one-to-one (100%), two-to-three (67%) and one-to-two (50%). Thus, the lowest percentage ratio currently permitted by Rule 722(a)(6) is 50%.

The Exchange proposes to redefine the permissible ratios as any ratio whose percentage is equal to or greater than 0.5 (*i.e.*, 50%). This proposed change would permit ratios between 100% and 50% other than the current two-to-three ratio, but would not change the minimum percentage currently permitted under the rule. For example, a one-to-two ratio (which is equal to 0.5) and a six-to-ten ratio (which is equal to 0.6) will be permitted, but a one-to-three ratio (which is equal to 0.33) will not.

Currently, there is only one ratio between 100% and 50% allowed under the Rule—two- to three (67%). However, ISE members have indicated that their trading and hedging models often produce inexact ratios, and that the rule is unnecessarily restrictive in an electronic trading environment. As the ISE trading system has the capability to accept all ratios, the Exchange believes it is arbitrary to restrict which ratios may be entered between 100% and 50%. Moreover, ISE believes that there is no regulatory reason why a two-to-

<sup>1</sup> 15 U.S.C. 78s(b)(1).  
<sup>2</sup> 17 CFR 240.19b-4.  
<sup>3</sup> 15 U.S.C. 78s(b)(3)(A).  
<sup>4</sup> 17 CFR 240.19b-4(f)(6).