

942-0527, or Mary Kay Frech, 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 at the Commission's Public Reference Branch, 450 Fifth Street, NW, Washington, DC 20549-0102 (telephone (202) 942-8090).

Applicants' Representations

1. The Fund, a Maryland corporation, is registered under the Act as an open-end management investment company. ISI, a Delaware corporation, serves as the investment adviser to the Fund and is registered under the Investment Advisers Act of 1940 ("Advisers Act"). LA Capital, a California corporation, serves as the sub-adviser to the Fund and is registered under the Advisers Act.

2. Until March 29, 2002, Wilshire Asset Management, the asset management division of Wilshire Associates, Incorporated ("Wilshire") and an investment adviser registered under the Advisers Act, served as sub-adviser to the Fund pursuant to a sub-advisory agreement between Wilshire and ISI. On March 29, 2002, Wilshire spun off its asset management division into a separate, independent company, LA Capital ("Transaction"). Upon the consummation of the Transaction, Wilshire's investment sub-advisory agreement with the Fund was automatically terminated. Pursuant to a new sub-advisory agreement approved by the Fund's Board of Directors ("Board"), including a majority of directors who are not interested persons of the Fund, ISI or LA Capital as set forth in section 2(a)(19) of the Act, on March 27, 2002, LA Capital became the sub-adviser to the Fund effective March 29, 2002. On June 26, 2002, shareholders of the Fund approved the sub-advisory agreement with LA Capital. In connection with the Transaction, for the three year period beginning March 29, 2002, LA Capital has determined to seek to comply with the "safe harbor" provisions of section 15(f) of the Act. Applicants state that, absent exemptive relief, more than 25 percent of the Fund's Board would be "interested persons" for purposes of section 15(f)(1)(A) of the Act.

3. Applicants state that Mr. Carl Vogt is and has been a director of the Fund since 1995. Mr. Vogt is of counsel in the Washington, DC office of Fulbright & Jaworski L.L.P. ("Fulbright").¹

Applicants state that the Los Angeles, CA office of Fulbright ("Fulbright LA") has rendered general corporate legal services to and received legal fees from LA Capital in connection with the formation of LA Capital. Fulbright LA continues to provide general corporate legal services to LA Capital. Applicants state, however, that these services do not relate in any way to the Fund, the Act, or the Advisers Act. Applicants represent that the fees paid to Fulbright LA by LA Capital are expected to represent significantly less than 1% of Fulbright's total annual revenues. Applicants represent that Mr. Vogt has not participated in Fulbright LA's representation of LA Capital in any manner and will not be involved in such representation for as long as he is a director of the Fund. Applicants represent that Mr. Vogt has no professional or business relationships with LA Capital other than his position as a director of the Fund.

Applicants' Legal Analysis

1. Section 15(f) of the Act is a safe harbor that permits an investment adviser to a registered investment company (or an affiliated person of the investment adviser as defined in Section 2(a)(3) of the Act) to realize a profit on the sale of its business if certain conditions are met. One of these conditions is set forth in section 15(f)(1)(A), which provides that, for a period of three years after the sale, at least 75 percent of the board of directors of the investment company may not be "interested persons" with respect to either the predecessor or successor adviser of the investment company. Section 2(a)(19)(B)(iv) provides that any person or partner or employee of any person who has acted as legal counsel to the investment adviser or principal underwriter of an investment company at any time since the beginning of the last two fiscal years of such investment company is an interested person of such investment adviser or principal

counsel" on a part-time basis to Fulbright. Mr. Vogt's compensation is based directly on the hours of service performed by him and billed to Fulbright's clients. Mr. Vogt currently receives as compensation a percentage of his own hours billed, or a percentage of the fees paid less expenses on fixed-fee arrangements. Mr. Vogt is not compensated in relation to Fulbright's overall profits and receives no economic benefit from legal representations by Fulbright in areas outside his own personal practice. Mr. Vogt does not have fixed hours of employment and sets his work schedule based on his clients' needs and he does not serve as a billing partner. Mr. Vogt does not render legal advice regarding any issues relating to investment companies or investment advisers. Mr. Vogt's practice involves solely aviation law, a specialized area of law distinct from any subject matter that LA Capital has consulted, or would consult, with Fulbright.

underwriter. Consequently, Mr. Vogt could be deemed to be an interested person of LA Capital as a result of Fulbright LA's representation of LA Capital.

2. The Fund currently has five directors, three of whom are not interested persons of ISI or LA Capital. Without the requested exemption, the Fund would have to reconstitute its Board to meet the 75 percent non-interested director requirement of section 15(f)(1)(A) of the Act.

3. Section 6(c) of the Act permits the Commission to exempt any person or transaction from any provision of the Act, if the 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.

4. Applicants request an exemption under section 6(c) from section 15(f)(1)(A) of the Act. Applicants submit that the addition of directors to achieve the 75 percent disinterested director ratio required by section 15(f)(1)(A) would make the Board unduly large and unwieldy, unnecessarily increase the ongoing expenses of the Fund, and cause the Fund to incur additional expenses in connection with the selection and election of the additional directors.

5. Applicants assert that the requested exemption is consistent with the protection of investors. Applicants state that the Fund will continue to treat Mr. Vogt as an interested person of the Fund and LA Capital for all purposes other than section 15(f)(1)(A) of the Act so long as Mr. Vogt is considered an "interested person" as defined in section 2(a)(19) of the Act. Applicants also state that the conditions to the requested order further would assure investor protection.

6. Applicants also submit that the requested exemption is consistent with the purposes fairly intended by the policies and provisions of the Act. Applicants assert that the legislative history of section 15(f) indicates that Congress intended the Commission to deal flexibly with situations where the imposition of the 75 percent requirement might pose an unnecessary obstacle or burden on an investment company. Applicants also state that section 15(f)(1)(A) was designed primarily to address the types of biases and conflicts of interest that might exist where an investment company's board of directors is influenced by a substantial number of interested directors to approve a transaction because the interested directors have an economic interest in the adviser.

¹ Mr. Vogt retired as a partner on December 31, 2001 and effective January 1, 2002, he became "of