

## SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 27879; 812-13375]

### Aston Funds and Aston Asset Management LLC; Notice of Application

June 29, 2007.

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

**ACTION:** Notice of an application for an order under section 6(c) of the Investment Company Act of 1940 ("Act") for an exemption from section 15(a) of the Act and rule 18f-2 under the Act, as well as from certain disclosure requirements.

#### *Summary of the Application:*

Applicants request 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:** Aston Funds (the "Trust") and Aston Asset Management LLC ("Aston").

**Filing Dates:** The application was filed on April 9, 2007, and amended on June 29, 2007.

**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 July 24, 2007 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 by writing to the Commission's Secretary.

**ADDRESSES:** Secretary, U.S. Securities and Exchange Commission, 100 F Street, NE., Washington, DC 20549-1090. Applicants, c/o Aston, 222 North LaSalle Street, Suite 2600, Chicago, Illinois 60601, Attention: Cathy G. O'Kelly, Esquire.

**FOR FURTHER INFORMATION CONTACT:** Lewis B. Reich, Senior Counsel, at (202) 551-6919, or, Nadya B. Roytblat, Assistant Director, at (202) 551-6821 (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, 100 F Street, NE., Washington, DC 20549-0102 (telephone (202) 551-5850).

#### Applicants' Representations

1. The Trust, a Delaware statutory trust, is registered under the Act as an open-end management investment company. Aston, a Delaware corporation, serves as the investment adviser to twenty-one series of the Trust (such series, the "Funds") and is registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act").<sup>1</sup>

2. Aston serves as investment adviser pursuant to an investment advisory agreement between the Trust, on behalf of the Funds, and Aston (the "Management Agreement") that was approved by the Trust's Board of Trustees ("Board"), 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 shareholder(s). The Management Agreement permits Aston to enter into separate investment advisory agreements ("Sub-Advisory Agreements") with sub-advisers ("Sub-Advisers"). Each Sub-Adviser is, and any future Sub-Adviser will be, registered under the Advisers Act. Each Sub-Advisory Agreement provides that each Sub-Adviser will provide an investment program for the Fund with respect to the portion of the assets allocated to it by Aston, including investment research and management with respect to securities and investments, and determine what securities and other investments will be purchased, retained or sold. Aston monitors and evaluates the Sub-Advisers and recommends to the Board their hiring, termination, and replacement. Aston recommends Sub-Advisers based on a number of factors discussed in the application used to evaluate their skills in managing assets

<sup>1</sup>The applicants also request that any relief granted pursuant to the application apply to future series of the Trust and any other existing or future registered open-end management investment company and its series that: (a) Are advised by Aston or any entity controlling, controlled by, or under common control with Aston; (b) use the manager of managers structure described in the application; and (c) comply with the terms and conditions in the application (included in the term "Funds"). The Trust is the only existing registered open-end management investment company that currently intends to rely on the requested order. If the name of any Fund contains the name of a Sub-Adviser, as defined below, the name of Aston or the name of any entity controlling, controlled by, or under common control with Aston, that serves as the primary investment adviser to the Fund, will precede the name of the Sub-Adviser.

pursuant to particular investment objectives. Aston compensates the Sub-Adviser of each Fund out of the fee paid to Aston by that Fund under the Management Agreement.

3. Applicants request an order to permit Aston, subject to Board approval, to enter into and materially amend Sub-Advisory Agreements without obtaining shareholder approval. The requested relief will not extend to any Sub-Adviser that is an "affiliated person" (as defined in Section 2(a)(3) of the Act) of a Fund or Aston other than by reason of serving as a Sub-Adviser to one or more of the Funds ("Affiliated Sub-Adviser"). None of the current Sub-Advisers to the Funds are Affiliated Sub-Advisers.

4. Applicants also request an exemption from the various disclosure provisions described below that may require each Fund to disclose fees paid by Aston to the Sub-Advisers. An exemption is requested to permit each Fund to disclose (both as a dollar amount and as a percentage of the Fund's net assets): (a) Aggregate fees paid to Aston and Affiliated Sub-Advisers; and (b) aggregate fees paid Sub-Advisers other than Affiliated Sub-Advisers ("Aggregate Fee Disclosure"). If a Fund employs an Affiliated Sub-Adviser, the Fund will provide separate disclosure of any fees paid to the Affiliated Sub-Adviser.

#### 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 a 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 the matter if the Act requires shareholder approval.

2. Form N-1A is the registration statement used by open-end investment companies. Item 14(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 ("Exchange 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 Sub-Advisers.

5. Regulation S-X sets forth the requirements for financial statements required to be included as part of investment company registration statements and shareholders 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 persons, security, or transaction or any class or classes of persons, securities, or transactions from any provisions of the Act, or from any rule thereunder, 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 policies and provisions of the Act. Applicants state that the requested relief meets this standard for the reasons discussed below.

7. Applicants assert that the Funds' shareholders rely on Aston to select the Sub-Advisers best suited to achieve a Fund's investment objectives. Applicants assert that, from the perspective of the investor, the role of the Sub-Advisers is comparable to that of individual portfolio managers employed by traditional investment advisory firms. Applicants state that requiring shareholder approval of each Sub-Advisory Agreement would impose costs and unnecessary delays on the Funds, and may preclude Aston from acting promptly in a manner considered advisable by the Board. Applicants also note that the Management Agreement will remain fully subject to section 15(a) of the Act and rule 18f-2 under the Act.

8. Applicants assert that many investment advisers use a "posted" rate schedule to set their fees. Applicants state that while investment advisers are willing to negotiate fees lower than those posted in the schedule, they are reluctant to do so where the fees are disclosed to other prospective and existing customers. Applicants submit that the requested relief will encourage potential Sub-Advisers to negotiate lower sub-advisory fees with Aston, the

benefits of which may 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 a 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 outstanding voting securities, as defined in the Act, 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 initial shareholder(s) before offering shares of that Fund to the public.

2. The prospectus for each Fund will disclose the existence, substance and effect of any order granted pursuant to this Application. In addition, each Fund will hold itself out to the public as employing the manager of managers structure described in the Application. The prospectus will prominently disclose that Aston has ultimate responsibility, subject to oversight by the Board, to oversee the Sub-Advisers and recommend their hire, termination, and replacement.

3. At all times, at least a majority of the 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.

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

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

6. Within 90 days of the hiring of any new Sub-Adviser, Aston will furnish the shareholders of the affected Fund all information about the new Sub-Adviser that would be contained in a proxy statement, except as modified by the order to permit Aggregate Fee Disclosure. This information will include Aggregate Fee Disclosure and any change in such disclosure caused by the addition of the new Sub-Adviser. To meet this condition, Aston will provide shareholders of the affected Fund with

an information statement meeting the requirements of Regulation 14C, Schedule 14C, and Item 22 of Schedule 14A under the Exchange Act, except as modified by the order to permit Aggregate Fee Disclosure.

7. Aston will provide general management services to each Fund, including overall supervisory responsibility for the general management and investment of the Fund's assets, and, subject Board oversight, will: (a) Set a Fund's overall investment strategies; (b) evaluate, select, and recommend Sub-Advisers to manage all or part of the Fund's assets; (c) when appropriate, allocate and reallocate the Fund's assets among multiple Sub-Advisers; (d) monitor and evaluate the performance of the Sub-Advisers; and (e) implement procedures reasonably designed to ensure that the Sub-Advisers comply with the Fund's investment objective, policies and restrictions.

8. No trustee or officer of the Trust or director or officer of Aston will own directly or indirectly (other than through a pooled investment vehicle that is not controlled by such person) any interest in a Sub-Adviser, except for: (a) Ownership of interests in Aston or any entity that controls, is controlled by, or is under common control with Aston; 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 Sub-Adviser or an entity that controls, is controlled by, or is under common control with a Sub-Adviser.

9. Independent legal counsel, as defined in Rule 0-1(a)(6) under the Act, will be engaged to represent the Independent Trustees. The selection of such counsel will be within the discretion of the then-existing Independent Trustees.

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

11. Whenever a Sub-Adviser is hired or terminated, Aston will provide the Board with information showing the expected impact on Aston's profitability.

12. Each Fund will disclose in its registration statement the Aggregate Fee Disclosure.

13. The requested order will expire on the effective date of Rule 15a-5 under the Act, if adopted.

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

**Florence E. Harmon,**

*Deputy Secretary.*

[FR Doc. E7-13191 Filed 7-6-07; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

### Sunshine Act Meetings

Notice is hereby given, pursuant to the provisions of the Government in the Sunshine Act, Public Law 94-409, that the Securities and Exchange Commission will hold the following meetings during the week of July 9, 2007:

An Open Meeting will be held on Wednesday, July 11, 2007 at 10 a.m., in the Auditorium, Room L-002. A Closed Meeting will be held on Thursday, July 12, 2007 at 2 p.m.

Commissioners, Counsel to the Commissioners, the Secretary to the Commission, and recording secretaries will attend the Closed Meeting. Certain staff members who have an interest in the matters may also be present.

The General Counsel of the Commission, or his designee, has certified that, in his opinion, one or more of the exemptions set forth in 5 U.S.C. 552b(c)(3), (5), (7), (9)(B), and (10) and 17 CFR 200.402(a)(3), (5), (7), 9(ii) and (10), permit consideration of the scheduled matters at the Closed Meeting.

Commissioner Nazareth, as duty officer, voted to consider the items listed for the closed meeting in closed session.

The subject matter of the Open Meeting scheduled for Wednesday, July 11, 2007 at 10 a.m. will be:

The Commission will consider whether to adopt a new antifraud rule under Section 206 of the Investment Advisers Act of 1940. The new rule would prohibit advisers to certain pooled investment vehicles from making false or misleading statements to, or otherwise defrauding, investors or prospective investors in those pooled vehicles.

The subject matter of the Closed Meeting scheduled for Thursday, July 12, 2007 will be:

Formal orders of investigations;  
Institution and settlement of injunctive actions;  
Institution and settlement of administrative proceedings of an enforcement nature;  
Resolution of litigation claims; and  
Other matters related to enforcement proceedings.

At times, changes in Commission priorities require alterations in the scheduling of meeting items.

For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact:

The Office of the Secretary at (202) 551-5400.

Dated: July 3, 2007.

**Nancy M. Morris,**

*Secretary.*

[FR Doc. E7-13272 Filed 7-6-07; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-55997; File No. PCAOB-2007-01]

### Public Company Accounting Oversight Board; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Adjusting Implementation Schedule of Rule 3523, Tax Services for Persons in Financial Reporting Oversight Roles

July 2, 2007.

Pursuant to section 107(b) of the Sarbanes-Oxley Act of 2002 (the "Act"), notice is hereby given that on April 3, 2007, the Public Company Accounting Oversight Board (the "Board" or the "PCAOB") filed with the Securities and Exchange Commission (the "SEC" or "Commission") the proposed rule change described in Items I and II below, which items have been prepared by the Board. The PCAOB has designated the proposed rule change as "constituting a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule" under Section 19(b)(3)(A)(i) of the Securities Exchange Act of 1934 (as incorporated, by reference, into Section 107(b)(4) of the Act), which renders the proposal effective upon receipt of this filing by the Commission. The Commission is publishing this notice to solicit comments on the proposed rule from interested persons.

#### I. Board's Statement of the Terms of Substance of the Proposed Rule

The PCAOB is filing with the SEC an adjustment of the implementation schedule for Rule 3523, Tax Services for Persons in Financial Reporting Oversight Roles. Specifically the Board will not apply Rule 3523 to tax services provided on or before July 31, 2007, when those services are provided during the audit period and are completed before the professional engagement

period begins. The PCAOB is not proposing any textual changes to the Rules of the PCAOB.

#### II. Board's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule

In its filing with the Commission, the Board included statements concerning the purpose of, and basis for, the proposed rule and discussed any comments it received on the proposed rule. The text of these statements may be examined at the places specified in Item IV below. The Board has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

##### A. Board's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule

###### (a) Purpose

On July 26, 2005, the Board adopted certain rules related to registered public accounting firms' provision of tax services to public company audit clients. The rules were designed to address certain concerns related to auditor independence when auditors sell personal tax services to individuals who play a direct role in preparing the financial statements of public company audit clients or market or otherwise opine in favor of aggressive tax shelter schemes. As part of this rulemaking, the Board adopted Rule 3523, which provides that a registered firm, subject to certain exceptions, is not independent of an audit client if the firm, or an affiliate of the firm, provides tax services during the audit and professional engagement period<sup>1</sup> to a person in, or an immediate family member of a person in, a financial reporting oversight role at an audit client. Rule 3523 was approved by the Securities and Exchange Commission ("SEC") on April 19, 2006.

On October 31, 2006, the Board adjusted the implementation schedule for Rule 3523, as it applies to tax services provided during the period subject to audit but before the professional engagement period, so that the Board could revisit this aspect of the

<sup>1</sup> Consistent with the SEC's independence rules, 17 CFR 210.2-01(f)(5), the phrase "audit and professional engagement period" is defined to include two discrete periods of time. The "audit period" is the period covered by any financial statements being audited or reviewed. Rule 3501(a)(iii)(1). The "professional engagement period" is the period beginning when the accounting firm either signs the initial engagement letter or begins audit procedures and ends when the audit client or the accounting firm notifies the SEC that the client is no longer that firm's audit client. Rule 3501(a)(iii)(2).