

(c) The Secretary of the Postal Rate Commission shall publish this order in the **Federal Register**.

By the Commission.

Issued December 3, 2003.

Dated: December 4, 2003.

**Steven W. Williams,**

*Secretary.*

[FR Doc. 03-30612 Filed 12-9-03; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 26284; 812-12898]

### AIP Alternative Strategies Funds, et al.; Notice of Application

December 4, 2003.

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

**ACTION:** Notice of an application 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 certain disclosure requirements.

**SUMMARY OF APPLICATION:** Applicants request an order that would permit them to enter into and materially amend sub-advisory agreements without shareholder approval and would grant relief from certain disclosure requirements.

**APPLICANTS:** AIP Alternative Strategies Funds ("AIS") and Alternative Investment Partners LLC ("Manager").

**FILING DATES:** The application was filed on October 22, 2002, and amended on November 14, 2003, and December 4, 2003.

**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 December 29, 2003, and should be accompanied by proof of service on the 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 may request notification of a hearing by writing to the Commission's Secretary.

**ADDRESSES:** Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609. Applicants, c/o Thomas R. Westle, Esq.,

Blank Rome LLP, 405 Lexington Avenue, 24th Floor, New York, NY 10174.

**FOR FURTHER INFORMATION CONTACT:** Marc R. Ponchione, Senior Counsel, at (202) 942-7927, or Annette Capretta, 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 (tel. 202-942-8090).

### Applicants' Representations

1. AIS is a Delaware business trust registered under the Act as an open-end management investment company. AIS is organized as a series investment company and has one series, Alpha Strategies I ("Alpha Strategies").<sup>1</sup> The Manager is registered as an investment adviser under the Investment Advisers Act of 1940 ("Advisers Act") and serves as investment adviser to Alpha Strategies pursuant to an investment advisory agreement ("Investment Advisory Agreement"). The Investment Advisory Agreement has been approved by AIS' board of trustees (the "Board"), including a majority of the trustees who are not "interested persons," as defined in section 2(a)(19) of the Act, of AIS ("Independent Trustees"), as well as by Alpha Strategies' shareholders.

2. Under the terms of the Investment Advisory Agreement, the Manager provides investment advisory services to Alpha Strategies, supervises the investment program for Alpha Strategies, and has the authority, subject to Board approval, to enter into separate investment sub-advisory agreements ("Sub-Advisory Agreements") with one or more sub-advisers ("Sub-Advisers"). The Manager monitors and evaluates the Sub-Advisers and recommends to the Board their hiring, retention or termination.<sup>2</sup> Sub-Advisers

<sup>1</sup> The Applicants request that any relief granted pursuant to the application also apply to any future series of AIS and any other registered open-end management investment companies and their series that (a) are advised by the Manager or any entity controlling, controlled by, or under common control with the Manager; (b) use the manager/sub-adviser structure described in the application; and (c) comply with the terms and conditions in the application (each, a "Series," and together with Alpha Strategies, the "Series"). AIS is the only existing registered investment company that currently intends to rely on the order. If the name of any Series contains the name of a Sub-Adviser (as defined below), the name of the Manager will appear before the name of the Sub-Adviser.

<sup>2</sup> The Manager's recommendations are based, in part, on research provided by Trust Advisors, LLC

recommended to the Board by the Manager are selected and approved by the Board, including a majority of the Independent Trustees. Each Sub-Adviser would have discretionary authority to invest the portion of a Series' assets assigned to it. The Manager compensates each Sub-Adviser out of the fees paid to the Manager under the Investment Advisory Agreement.

3. Applicants request an order to permit the Manager, subject to Board approval, to enter into and materially amend Sub-Advisory Agreements without obtaining shareholder approval. The requested relief will not extend to the Research Consultant or to any Sub-Adviser that is an affiliated person, as defined in section 2(a)(3) of the Act, of AIS or the Manager, other than by reason of serving as a Sub-Adviser to one or more of the Series ("Affiliated Sub-Adviser").

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

### 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 under 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.

(the "Research Consultant"), an investment adviser registered under the Advisers Act and an affiliated person of the Manager. Pursuant to an agreement entered into between the Research Consultant, the Manager, and AIS, on behalf of Alpha Strategies ("Research Consultant Agreement"), the Research Consultant provides the Manager with research and information on Sub-Advisers, and receives a fee from the Manager out of the fees paid by the Series to the Manager.

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 ("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 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 provisions 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 state that their requested relief meets this standard for the reasons discussed below.

7. Applicants assert that the shareholders are relying on the Manager's experience to select one or more Sub-Advisers best suited to achieve a Series' investment objectives. Applicants assert that, from the perspective of the investor, the role of the Sub-Advisers is comparable to that of the individual portfolio managers employed by traditional investment company advisory firms. Applicants state that requiring shareholder approval of each Sub-Advisory

Agreement would impose costs and unnecessary delays on the Series, and may preclude the Manager from acting promptly in a manner considered advisable by the Board. Applicants note that the Investment Advisory Agreement, the Research Consultant Agreement, and any Sub-Advisory Agreement with an Affiliated Sub-Adviser will remain subject to section 15(a) of the Act and rule 18f-2 under the Act.

8. Applicants assert that some Sub-Advisers use a "posted" rate schedule to set their fees. Applicants state that while Sub-Advisers are willing to negotiate fees that are lower than those posted on 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 the Manager, the benefits of which are passed on to Series shareholders.

#### Applicants' Conditions

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

1. Before any Series may rely on the requested order, the operation of the Series in the manner described in the application will be approved by a majority of the outstanding voting securities of the Series, as defined in the Act, or, in the case of a Series whose public shareholders purchased 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 Series to the public.

2. Each Series will disclose in its prospectus the existence, substance, and effect of any order granted pursuant to the application. In addition, each Series will hold itself out to the public as employing the management structure described in the application. The prospectus will prominently disclose that the Manager has the ultimate responsibility (subject to oversight by the Board) to oversee the Sub-Advisers and recommend their hiring, termination, and replacement.

3. Within 90 days of the hiring of any new Sub-Adviser, shareholders of the relevant Series will be furnished all information about the Sub-Adviser that would be contained in a proxy statement, except as modified to permit Aggregate Fee Disclosure. This information will include Aggregate Fee Disclosure and any change in such disclosure caused by the addition of a new Sub-Adviser. The Manager will meet this condition by providing

shareholders, within 90 days of the hiring of a Sub-Adviser, an information statement meeting the requirements of Regulation 14C, Schedule 14C, and Item 22 of Schedule 14A under the Exchange Act, except as modified to permit Aggregate Fee Disclosure.

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

5. At all times, 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.

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

7. 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 Independent Trustees.

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

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

10. The Manager will provide general management services to each Series, including overall supervisory responsibility for the general management and investment of each Series' portfolio securities, and, subject to review and approval by the Board, will: (a) Set each Series' overall investment strategies, (b) evaluate, select and recommend Sub-Advisers to manage all or a part of a Series' assets, (c) allocate and, when appropriate, reallocate a Series' assets among multiple Sub-Advisers; (d) monitor and evaluate the performance of Sub-Advisers, and (e) implement procedures reasonably designed to ensure that the Sub-Advisers comply with the relevant

Series' investment objective, policies and restrictions.

11. No trustee or officer of a Series, or member or officer of the Manager will own, directly or indirectly (other than through a pooled investment vehicle that is not controlled by any such person), any interest in a Sub-Adviser, except for: (a) ownership of interest in the Manager or any entity that controls, is controlled by, or is under common control with the Manager, 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.

12. Each Series 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 Investment Company Act, if adopted.

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

**Jill M. Peterson,**

*Assistant Secretary.*

[FR Doc. 03-30577 Filed 12-9-03; 8:45 am]

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## SOCIAL SECURITY ADMINISTRATION

### Modifications to the Disability Determination Procedures; Extension of Testing of Some Disability Redesign Features

**AGENCY:** Social Security Administration (SSA).

**ACTION:** Notice of the extension of tests involving modifications to the disability determination procedures.

**SUMMARY:** We are announcing the extension of tests involving modifications to our disability determination procedures that we are conducting under the authority of current rules codified at 20 CFR 404.906 and 416.1406. These rules provide authority to test several modifications to the disability determination procedures that we normally follow in adjudicating claims for disability insurance benefits under title II of the Social Security Act (the Act) and for supplemental security income payments based on disability under title XVI of the Act. On September 25, 2003, we announced an approach to improve the disability determination process. We have decided to extend the testing of two redesign features of the disability prototype for 21 months to ensure a smooth transition

while these changes to the disability determination process are being developed.

**DATES:** We are extending our selection of cases to be included in these tests from December 31, 2003 until no later than September 30, 2005. If we decide to continue selection of cases for these tests beyond this date, we will publish another notice in the **Federal Register**.

**FOR FURTHER INFORMATION CONTACT:** Phil Landis, Disability Process Redesign Staff, Office of Disability Determinations, Social Security Administration, 6401 Security Boulevard, Baltimore, Maryland 21235-6401, 410-965-5388.

**SUPPLEMENTARY INFORMATION:** Current regulations at 20 CFR 404.906 and 416.1406 authorize us to test, individually, or in any combination, different modifications to the disability determination procedures. We have conducted several tests under the authority of these rules, including a prototype that incorporates a number of modifications to the disability determination procedures that the State agencies use. The prototype included three redesign features, and we previously extended the tests of two of those features: the use of a single decisionmaker, in which a disability examiner may make the initial disability determination in most cases without requiring the signature of a medical consultant; and elimination of the reconsideration level of review. We are now announcing a further extension of the testing of these two features.

We also have conducted another test involving the use of a single decisionmaker who may make the initial disability determination in most cases without requiring the signature of a medical consultant. We are also extending the period during which we will select cases to be included in this test of the single decisionmaker feature.

### Extension of Testing of Some Disability Redesign Features

On August 30, 1999, we published in the **Federal Register** a notice announcing a prototype that would test a new disability claims process in 10 States, also called the prototype process (64 FR 47218). On December 23, 1999, we published a notice in the **Federal Register** (65 FR 72134) extending the period during which we would select cases to be included in a separate test of the single decisionmaker feature. In these notices, we stated that selection of cases was expected to be concluded on or about December 31, 2001. We also stated that, if we decided to continue the tests beyond that date, we would

publish another notice in the **Federal Register**. We subsequently published notices in the **Federal Register** extending selection of cases for these tests. Most recently, on June 30, 2003, we published a notice extending selection of cases for the tests until no later than December 31, 2003 (68 FR 38737). We also stated that, if we decided to continue selection of cases for these tests beyond that date, we would publish another notice in the **Federal Register**. We have decided to extend selection of cases for two features of the prototype process (single decisionmaker and elimination of the reconsideration step), and the separate test of single decisionmaker beyond December 31, 2003. We expect that our selection of cases for these tests will end on or before September 30, 2005.

This extension also applies to the locations in the State of New York that we added to the prototype test in a notice published in the **Federal Register** on December 26, 2000 (65 FR 81553).

Dated: December 1, 2003.

**Martin H. Gerry,**

*Deputy Commissioner for Disability and Income Security Programs.*

[FR Doc. 03-30595 Filed 12-9-03; 8:45 am]

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## SOCIAL SECURITY ADMINISTRATION

### Statement of Organization, Functions and Delegations of Authority

This statement amends Part S and T of the Statement of the Organization, Functions and Delegations of Authority that covers the Social Security Administration (SSA). This notice establishes a new Human Capital Planning Staff at the Deputy Commissioner for Human Resources level. It deletes language from the Office of Workforce Analysis in the Office of the Chief Strategic Officer and adds that language to the **Federal Register** material for the Human Capital Planning Staff. It establishes the Executive and Special Services Staff as a separate Deputy Commissioner for Human Resources' organization. It also retitles and re-describes the functions of two Staffs in the Office of Personnel, *i.e.*, the Project Management Staff (S7BH) and the Personnel Management Information Systems and Payroll Staff (S7BJ). It revises the **Federal Register** language for the Center for Personnel Policy and Staffing and, in addition, it establishes the Center for Employee Benefits in the Office of Personnel. It creates three centers in the Office of Training and three centers in the Office of Civil Rights and Equal Opportunity. It also