continues to meet the necessary exemptive standards.

Future Relief

7. Applicants also seek to amend the Prior Orders to modify the terms under which the Companies may offer additional series in the future based on other securities indices (''Future Funds''). The Prior Fixed Income Order is currently subject to a condition that does not permit applicants to register any Future Fund by means of filing a post-effective amendment to a Fund's registration statement or by any other means, unless applicants have requested and received with respect to such Future Fund, either exemptive relief from the Commission or a no-action letter from the Division of Investment Management of the Commission. The Prior Equity Orders are currently subject to a similar condition related to future relief, although the condition to the Prior Equity Orders permits Future Funds to register with the Commission by means of filing a post-effective amendment to the Trust's or Corporation's registration statement if the Future Fund could be listed on a national securities exchange (''Exchange'') without the need for a filing pursuant to rule 19b–4 under the Exchange Act.

8. The order would amend the Prior Orders to delete these conditions. Any Future Funds will (a) be advised by the Adviser or an entity controlled by or under common control with the Adviser; (b) track Underlying Indices that are created, compiled, sponsored or maintained by an entity that is not an affiliated person, as defined in section 2(a)(3) of the Act, or an affiliated person of an affiliated person, of the Adviser, the Distributor, the Trust or any subadviser or promoter of a Future Fund, and (c) comply with the respective terms and conditions of the Prior Orders, as amended by the present application.

9. Applicants believe that the modification of the future relief available under the Prior Orders would be consistent with sections 6(c) and 17(b) of the Act and that granting the requested relief will facilitate the timely creation of Future Funds and the commencement of secondary market trading of such Future Funds by removing the need to seek additional exemptive relief. Applicants submit that the terms and conditions of the Prior Orders have been appropriate for the exchange-traded funds advised by the Adviser (''Funds'') and would remain appropriate for Future Funds. Applicants also submit that tying exemptive relief under the Act to the ability of a Future Fund to be listed on an Exchange without the need for a rule 19b–4 filing under the Exchange Act is not necessary to meet the standards under sections 6(c) and 17(b) of the Act.

Applicants' Conditions

Applicants agree that the Prior Orders will be subject to the following conditions:

1. Each Fund's prospectus (''Prospectus'') and product description (''Product Description'') will clearly disclose that, for purposes of the Act, the shares of each Fund (''iShares'') are issued by the Fund, which is an investment company, and that the acquisition of iShares by investment companies is subject to the restrictions of section 12(d)(1) of the Act, except as permitted by an exemptive order that permits investment companies to invest in a Fund beyond the limits in section 12(d)(1), subject to certain terms and conditions, including that the investment company enter into an agreement with the Fund regarding the terms of the investment.

2. As long as a Fund operates in reliance on the requested order, the iShares will be listed on an Exchange.

3. Neither the Trust, the Corporation, nor any Fund will be advertised or marketed as an open-end fund or a mutual fund. Each Fund's Prospectus will prominently disclose that iShares are not individually redeemable shares and will disclose that the owners of iShares may acquire those iShares from the Fund and tender those iShares for redemption to the Fund in Creation Unit Aggregations [5] only. Any advertising material that describes the purchase or sale of Creation Unit Aggregations or refers to redeemability will prominently disclose that iShares are not individually redeemable and that owners of iShares may acquire those iShares from the Fund and tender those iShares for redemption to the Fund in Creation Unit Aggregations only.

4. The Web site(s) for the Trust and the Corporation, which will be publicly accessible at no charge, will contain the following information, on a per iShare basis, for each Fund: (a) The prior business day's net asset value (''NAV'') and the midpoint of the bid-ask spread at the time of calculation of such NAV (''Bid/Ask Price''), and a calculation of the premium or discount of such Bid/Ask Price against such NAV; and (b) data in chart format displaying the frequency distribution of discounts and premiums of the daily Bid/Ask Price against the NAV, within appropriate ranges, for each of the four previous calendar quarters. In addition, the Product Description for each Fund will state that the Web site for the Trust or the Corporation, as applicable, has information about the premiums and discounts at which that Fund's iShares have traded.

5. The Prospectus and annual report for each Fund will also include: (a) The information listed in condition 4(b), (i) in the case of the Prospectus, for the most recently completed year (and the most recently completed quarter or quarters, as applicable) and (ii) in the case of the annual report, for the immediately preceding five years, as applicable; and (b) the following data, calculated on a per iShare basis for one, five and ten year periods (or life of the Fund), (i) the cumulative total return and the average annual total return based on NAV and Bid/Ask Price, and (ii) the cumulative total return of the relevant Underlying Index.

6. Before a Fund may rely on the Prospectus Delivery Order, the Commission will have approved, pursuant to rule 19b-4 under the Exchange Act, an Exchange rule requiring Exchange members and member organizations effecting transactions in iShares of such Fund to deliver a Product Description to purchasers of iShares.

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

Florence E. Harmon,

Deputy Secretary.

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BILLING CODE 8011–01–P

[5] A ''Creation Unit Aggregation'' is a group of 50,000 or more iShares.

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 27605; 812–13265]

Forum Funds, et al.; Notice of Application

December 20, 2006.

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: Forum Funds (''Trust'') and Absolute Investment Advisers LLC (''Advisor'').

Filing Dates: The application was filed on March 8, 2006, and amended on August 23, 2006. Applicants have agreed to file an amendment during the notice period, the substance of which is reflected in this notice.

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 January 16, 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 notification by writing to the Commission's Secretary.

ADDRESSES: Secretary, U.S. Securities and Exchange Commission, 100 F Street, NE., Washington, DC 20549–1090. *Applicants:* Anthony C.J. Nuland, Esq., Seward & Kissel LLP, 1200 G Street, NW., Washington, DC 20005.

FOR FURTHER INFORMATION CONTACT: Emerson S. Davis, Sr., Senior Counsel, at (202) 551–6868, 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 20549–0104 (telephone (202) 551–8090).

Applicants' Representations

1. The Trust, a Delaware statutory trust, is registered under the Act as an open-end management investment company. The Trust is comprised of multiple series, each with separate investment objective, policies, and restrictions.[1] The Advisor is registered as an investment adviser under the Investment Advisers Act of 1940 (''Advisers Act'') and serves as investment adviser to the one existing Fund pursuant to an investment advisory agreement (''Advisory Agreement''). The Advisory Agreement has been approved by the Trust's 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 the Trust or the Advisor (''Independent Trustees''), as well as by the shareholders of the Fund.

2. The Advisor, in its capacity as investment adviser to the Fund, oversees the portfolio management of the Fund by its subadvisers (each, a ''Sub-Advisor''). The Advisor will provide overall investment management services to each Fund, including Sub-advisor monitoring and evaluation and would be responsible for recommending the hiring, termination and replacement of Sub-Advisors to the Board. All subadvisory agreements (''Sub-Advisory Agreements'') will be approved by the Board, including a majority of the Independent Trustees. Under each Sub-Advisory Agreement, the Sub-Advisor would determine which securities will be purchased and sold for a Fund' investment portfolio or for a portion of the portfolio. Each Sub-Advisor will be registered under the Advisers Act and paid by the Advisor out of the fee it receives from the Fund under its Advisory Agreement. Applicants request an order to permit the Advisor, 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-Advisor that is an affiliated person, as defined in section 2(a)(3) of the Act, of a Fund or of the Advisor, other than by reason of serving as a Sub-Advisor to one or more of the Funds (''Affiliated Sub-Advisor'').

3. Applicants also request an exemption from the various disclosure provisions described below that may require a Fund to disclose fees paid by the Advisor to each Sub-Advisor. 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) The aggregate fees paid to the Advisor and Affiliated Sub-Advisors; and (b) the aggregate fees paid to Sub-Advisors other than Affiliated Sub-Advisors (''Aggregate Fee Disclosure''). For any Fund that employs an Affiliated Sub-Advisor, the Fund will provide separate disclosure of any fees paid to such Affiliated Sub-Advisor.

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.

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 (''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 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

[1] Applicants request relief with respect to existing and future series of the Trust and any other existing or future registered open-end management investment company or series thereof that: (a) is advised by the Advisor or an entity controlling, controlled by, or under common control with the Advisor; (b) uses the multi-manager structure, as described in the application; and (c) complies with the terms and conditions of the application (''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-Advisor (as defined below), the name of the Advisor will precede the name of the Sub-Advisor.

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 by investing in a Fund, shareholders are in effect hiring the Advisor to manage the Fund' assets through monitoring and evaluation of Sub-Advisors rather than by hiring the Advisor's own employees to directly manage assets, and that shareholders will expect that the Advisor, under the overall authority of the Board, will oversee the Sub-Advisors and recommend to the Board whether to hire, terminate or replace Sub-Advisors. Applicants believe that permitting Sub-Advisors to be hired without incurring the delay and expense of obtaining shareholder approval of each Sub-Advisory Agreement is appropriate in the interest of the Fund's shareholders and will allow each Fund to potentially operate more efficiently. Applicants note that the Advisory Agreements will continue to be subject to section 15(a) of the Act and rule 18f–2 under the Act.

8. Applicants further assert that many Sub-Advisors use a ''posted'' rate schedule to set their fees. Applicants state that while investment 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-Advisors to negotiate lower subadvisory fees with the Advisor, 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. The Advisor will provide general investment management services to each Fund, including overall supervisory responsibility for the general management and investment of the Fund's assets and, subject to review and approval of the Board, will: (i) Set the Fund's overall investment strategies; (ii) evaluate, select and recommend Sub-Advisors to manage all or a portion of a Fund's assets; (iii) allocate and, when appropriate, reallocate a Fund's assets among multiple Sub-Advisors; (iv) monitor and evaluate Sub-Advisor performance; and (v) implement procedures reasonably designed to ensure that Sub-Advisors comply with the relevant Fund's investment objective, policies and restrictions.

2. Before a Fund may rely on the order requested herein, the operation of the Fund in the manner described in this 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 3 below, by the initial shareholder before such Fund's shares are offered to the public.

3. 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 this application. The prospectus will prominently disclose that the Advisor has ultimate responsibility, subject to oversight by the Board, to oversee the Sub-Advisors and recommend their hiring, termination, and replacement.

4. Within 90 days of the hiring of any new Sub-Advisor, shareholders of the relevant Fund will be furnished all information about the new Sub-Advisor that would be included 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-Advisor. To meet this obligation, the Advisor will provide shareholders of the applicable Fund, within 90 days of the hiring of a new Sub-Advisor, 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 Aggregate Fee Disclosure.

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

6. 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 placed within the discretion of the then-existing Independent Trustees.

7. Whenever a Sub-Advisor change is proposed for a Fund with an Affiliated Sub-Advisor, the Fund's Board, including a majority of the Independent Trustees, will make a separate finding, reflected in the applicable 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 the Advisor or the Affiliated Sub-Advisor derives an inappropriate advantage.

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

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

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

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

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.

Nancy M. Morris,

Secretary.

[FR Doc. E6–22200 Filed 12–27–06; 8:45 am]

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