of MIP ("Installment Payments"), subject to certain continuity conditions.

4. Barclays has indicated an intention to reorganize WFNIA into WF Advisors (which also is being sold to Barclays) which then would be re-named BZW Global Investors. Alternatively, Barclays may maintain WFNIA as a separate subsidiary or combine it with the quantitative group of BZW Asset Management ("BZWAM"), the international management arm of Barclays. Upon completion of the Transaction, BZWAM and WFNIA (or its successor) will have, on a combined basis, approximately \$269 billion of assets under management, of which approximately \$3 billion, or approximately 1.1%, will represent assets of the Sub-Advised Series. Applicants state that WFNIA or its successor will continue to operate with WFNIA's current management, investment professionals, and resources essentially intact, and that WFNIA or its successor will continue to provide investment advisory services at least comparable to those currently provided by WFNIA to the Sub-Advised Series.

5. The Transaction will result in a "change in control" of WFNIA under the Act. As required by section 15(a)(4) of the Act, the current sub-advisory agreements will terminate upon their assignment. Applicants anticipate that, except as described below, WFNIA or its successor will, subject to the receipt of all necessary board and shareholder approvals and the complete satisfaction of other conditions to the closing of the Transaction, continue to act as subadviser to the Sub-Advised Series pursuant to new sub-advisory agreements (the "Proposed Sub-Advisory Agreements"). The Proposed Sub-Advisory Agreements will be identical in all material respects, including the respective fee levels, to the current sub-advisory agreements.

6. Applicants contemplate that WFNIA or its successor will, upon consummation of the Transaction, enter into advisory agreements (the "Proposed Advisory Agreements") with respect to nine of the fifteen Sub-Advised Series, pursuant to which WFNIA or its successor will become the primary investment adviser to such series. Wells Fargo has agreed to resign as primary adviser to these series primarily in recognition of an expectation that, following consummation of the Transaction, these series will be marketed largely through sales channels associated with Barclays. The Proposed Advisory Agreements will be identical in all material respects, including the fee levels, to the current advisory agreements with Wells Fargo. The

Proposed Advisory Agreements and the Proposed Sub-Advisory Agreements are referred to as the "Proposed Agreements." In accordance with the requirements of section 15(c) of the Act, each Company's board of directors. including the directors who are not interested persons of the Companies, considered and unanimously approved the Proposed Agreements at a special meeting held on October 10, 1995, after careful consideration of all material elements of the Transaction, including the Installment Payment agreement.2 Proxy materials have been mailed to shareholders, and shareholder meetings will be convened in early December. The closing of the Transaction is currently scheduled for December 27, 1995, but is subject to a variety of conditions, including the receipt of various regulatory approvals.

## 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) to realize a profit upon the sale of its business if certain conditions are met. One of these conditions is set forth in section 15(f)(1)(A). This condition provides that, for a period of three years after such a sale, at least 75 percent of the board of an 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)(v) defines an interested person of an investment adviser to include any broker or dealer registered under the Securities Exchange Act of 1934 or any affiliated person of such broker or dealer. In addition, section 2(a)(19)(B)(iii) defines an interested person of an investment adviser to include anyone who has any interest in any security issued by the investment adviser or by a controlling person thereof.

2. The board of directors of each Company is comprised of the same seven individuals. Four of the seven directors of each Company may be considered interested persons of either the predecessor or successor adviser of the Company. Two of these directors are officers of a registered broker-dealer,

and another is a limited partner of a government securities dealer. As such, these three directors are affiliated persons of a broker or dealer (the 'Broker-Affiliated Directors''), and interested persons of both the predecessor and successor advisers of the Companies.3 Another director is a shareholder of Wells Fargo & Co., the parent of Wells Fargo, and therefore is an interested person of the predecessor adviser of the Companies. The three remaining directors are not interested persons of either the Companies or the predecessor or successor adviser. Because four of the seven directors of the Companies are interested persons of the predecessor and successor advisers, absent an exemption, applicants would be unable to comply with the requirements of section 15(f)(1)(A).

3. Section 6(c) of the Act permits the SEC to exempt any person or transaction from any provision of the Act, or any rule or regulation thereunder, 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 believe that the requested exemption is necessary or appropriate in the public interest. Applicants submit that section 15(f)(1)(A) was designed primarily to address the types of biases and conflicts of interest that might exist where a fund'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 or another party to the transaction, and the adviser has a material economic motivation to influence the interested directors. Applicants argue that no such circumstances exist with respect to the Broker-Affiliated Directors and the Transaction. Although the Broker-Affiliated Directors are technically interested persons of Wells Fargo and WFNIA or its successor (the "Advisers"), these directors and the broker-dealers with which they are affiliated are not affiliated persons of the Advisers within the meaning of section 2(a)(3) of the Act, nor are they

<sup>&</sup>lt;sup>2</sup> Presentations relating to the Transaction were made to the board of directors at three separate board meetings. All of the non-interested directors attended and actively participated in all of these meetings, as did counsel for the non-interested directors and counsel to the Companies. Extensive written materials were provided to the directors in advance of the October 10 in-person meetings at which the new advisory arrangements were approved, and extensive deliberations occurred at these meetings.

<sup>&</sup>lt;sup>3</sup> The exemption provided by rule 2a19–1 is not available with respect to the two directors who are officers of a broker-dealer because the broker-dealer serves as placement agent or distributor to the Companies (the "Distributor"). The exemption provided by rule 2a19–1 is not available with respect to the director who is a limited partner of a government securities dealer because the dealer engages in government securities transactions with the broker-dealer, as well as with Wells Fargo and Barclays, all of which fall within the definition of "complex" in the rule. Accordingly, this director does not meet the condition specified in the rule.