OCC consent would be obtained in order to avoid possible shareholder confusion in the event such consent was not in fact obtained. The OCC consent was received on December 15, 1994.

Once the joint venture agreement was announced on November 2, 1994, the Governing Boards of the Funds were promptly notified and meetings scheduled. Between November 9, 1994 and December 23, 1994, meetings of the Governing Boards of the Funds were held to consider and vote on the proposed new investment advisory agreement and, in the case of Ambassador, St. Clair, and Munder, to nominate additional board members to ensure compliance with section 15(f) of the Act and avoid a subsequent meeting of shareholders to elect board members.⁴ At these meetings, the Governing Board of each Fund, including a majority of those board members who are not interested persons of the Funds or the Advisers (the "Independent Board Members"), approved a new investment advisory agreement. They also recommended that the shareholders of the Fund approve the new agreement, including the payment of advisory fees earned by the New Adviser during the Interim Period, which would be maintained in an interest-bearing escrow account during the Interim Period. In connection with their evaluation of the new advisory agreements, a primary consideration of the Governing Boards was the Advisers; representation that: (a) There would be no diminution under the new agreements in the scope and quality of advisory and other services currently provided by the Advisers; (b) the new agreements would have the same terms and conditions as the existing agreements for the respective Funds; and (c) the Funds would receive during the Interim Periods the same investment advisory services, provided in the same manner by essentially the same personnel, as they had received prior to the Closing.

6. The first part of the Closing occurred on December 31, 1994. On that date, the non-mutual fund accounts of the Advisers and WAM's investment advisory agreement with Peoples were transferred to the New Adviser. A second part of the Closing, which involved the transfer of the financing activities conducted by Pierce & Brown, was held on January 13, 1995. The remaining part of the Closing, which will involve the transfer of the investment advisory arrangements of Woodbridge and MCM with the other Funds to the New Adviser, will occur no later than January 31, 1995.

7. Because of issues arising under the Glass-Steagall Act and federal banking regulations, MCM has transferred to an unaffiliated third party the mutual fund sales load financing activities that had been conducted by Pierce & Brown, a limited partnership in which MCM is general partner. This divestiture occurred on January 13, 1995.

Applicants' Legal Analysis

1. Section 15(a) of the Act provides, in pertinent part, that it shall be unlawful for any person to serve or act as investment adviser of a registered investment company, except pursuant to a written contract which has been approved by the vote of a majority of the outstanding voting securities of such registered company. Section 15(a) further requires that such written contract provide for automatic termination in the event of its assignment. Section 2(a)(4) defines "assignment" to include any direct or indirect transfer of a contract by the assignor or of a controlling block of the assignor's outstanding voting securities by a security holder of the assignor.

2. Upon completion of the Closing, the New Adviser will acquire the investment advisory businesses of the respective Advisers. This acquisition will result in an "assignment" of the existing advisory agreements within the meaning of section 2(a)(4) of the Act. Consistent with section 15(a), therefore, the existing advisory agreements between the Advisers and the Funds will terminate pursuant to their terms upon completion of the Closing.

3. Rule 15a-4 provides, among other things, that if an investment adviser's investment advisory contract with an investment company is terminated by assignment, the adviser may continue to act as such for 120 days at the previous compensation rate if a new contract is approved by the board of directors of the investment company and if the investment adviser or a controlling person thereof does not directly or indirectly receive money or other benefit in connection with the assignment. Because of possible benefits to the Advisers and their controlling shareholders as a result of the joint venture agreement, rule 15a–4 is not available to applicants.

4. Applicants believe that the 120-day period they request will facilitate the

orderly and reasonable consideration of the advisory agreements by the shareholders of each Fund in a manner that is consistent with the provisions of section 15 of the Act as well as the corporate governance objectives of the Act.

5. Section 6(c) of the Act provides that the SEC may exempt any person, security, or transaction from any provision of the Act, 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 policy and provisions of the Act. Applicants believe that the requested relief meets this standard.

6. Applicants submit that a Closing on December 31, 1994 was important for tax, accounting, and regulatory reporting purposes, in that certain of the Advisers (Woodbridge and WAM) currently have, and the New Adviser will have, tax and accounting years that close on December 31. Applicants represent that it would have been impossible to obtain the required shareholder approvals of the new investment advisory agreements within the fifty-nine day period between the execution of the joint venture agreement on November 2, 1994 and the first part of the Closing on December 31, 1994. First, it was necessary to submit the transaction to the Governing Boards of four separate and independent Fund groups and to obtain the required board approvals to proceed. Second, in the case of three of the Funds, consideration of new board nominees was necessary. Third, the preparation, regulatory clearance, printing and mailing of proxy materials requires, at a minimum, three to four weeks. Further, any shareholder solicitation would have occurred during the December holiday season, which would have involved delays in mailing time and shareholder response.

7. Applicants assert that only a small fraction (less than 17 percent) of the total assets managed by the Advisers are mutual fund assets. Because the process for obtaining consents with respect to the non-mutual fund assets is much simpler than the process of obtaining required board and shareholder approvals with respect to the mutual fund assets, the Advisers' non-mutual fund accounts were ready for transfer to the New Adviser on December 31, 1994, and the holders of those accounts expected that the transfer would in fact occur on that date. Accordingly, applicants state that, if the non-mutual fund accounts had not been transferred on or promptly after that date, the legitimate expectations of these accountholders regarding the orderly

⁴Section 15(f) permits an investment adviser to receive "any amount or benefit" in connection with the assignment of its investment advisory contract with a registered investment company if the requirements of that section are satisfied. Section 15(f)(1)(A) requires that, for three years after the transaction, at least 75% of the directors of the investment company are not interested persons of the investment adviser of such company, or of the predecessor investment adviser.