are affiliated persons, or affiliated persons of an affiliated person, solely by reason of having a common investment adviser, common directors, and/or common officers, provided that certain conditions are satisfied.

4. Applicants state that they may not rely on rule 17a–8 in connection with the Fund Reorganizations because the Funds may be deemed to be affiliated for reasons other than those set forth in the rule. Applicants state that Wachovia Bank, as fiduciary for its customers, owns of record 5% or more (and in some cases, 25% or more) of the outstanding voting securities of certain Wachovia Acquired Funds. Applicants also state that Wachovia Bank, as fiduciary for its customers, owns of record 5% or more (and in some cases, 25% or more) of the outstanding voting securities of certain Evergreen Acquired Funds and certain Acquiring Funds.

As a result of these relationships, the Acquired Funds and the Acquiring Funds may be deemed to be affiliated persons of one another within the meaning of sections 2(a)(3)(A), (B) and (C) of the Act.

5. Section 17(b) of the Act provides that the Commission may exempt a transaction from the provisions of section 17(a) if evidence establishes that the terms of the proposed transaction, including the consideration to be paid or received, are reasonable and fair and do not involve overreaching on the part of any person concerned, and that the proposed transaction is consistent with the policy of each registered investment company concerned and with the general purposes of the Act.

6. Applicants request an order under section 17(b) of the Act exempting them from section 17(a) to the extent necessary to complete the Fund Reorganizations. Applicants submit that the Fund Reorganizations satisfy the standards of section 17(b) of the Act. Applicants state that the Wachovia Board and the Evergreen Board, including a majority of each Board's Independent Trustees, determined that participation in the Fund Reorganizations is in the best interests of each of the applicable Funds and its shareholders, and that the interests of existing shareholders of the applicable Funds will not be diluted as a result of the Fund Reorganizations. Applicants also note that the exchange of the Acquired Funds' assets for shares of the Acquiring Funds will be based on relative net asset value.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 02–12113 Filed 5–14–02; 8:45 am]

**BILLING CODE 8010–01–P**

## SECURITIES AND EXCHANGE COMMISSION

**[Investment Company Act Release No. 25572; 812–12438]**

## The Willamette Funds and Willamette Asset Managers, Inc.; Notice of Application

May 9, 2002.

**AGENCY:** Securities and Exchange Commission (''SEC'' or ''Commission'').

**ACTION:** Notice of an application for an order under section 6(c) of the Investment Company Act of 1940 (the ''Act'') for an exemption from section 15(a) of the Act and rule 18f–2 under the Act.

*Summary of the Application:* The Willamette Funds (the ''Fund'') and Willamette Asset Managers, Inc. (the ''Manager'') (together, ''Applicants'') request an order that would permit them to enter into and materially amend subadvisory agreements without shareholder approval.

*Filing Dates:* The application was filed on February 2, 2001, and amended on December 19, 2001. 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 SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving Applicants with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on June 3, 2002, 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 may request notification of a hearing by writing to the SEC's Secretary.

**ADDRESSES:** Secretary, SEC, 450 5th Street, NW, Washington, DC 20549–0609. Applicants, One Pacific Square, 220 NW 2nd, Suite 950, Portland, OR 97209.

**FOR FURTHER INFORMATION CONTACT:** Christine Y. Greenlees, Senior Counsel, at (202) 942–0581, or Mary Kay Frech, 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 SEC's Public Reference Branch, 450 5th Street, NW, Washington, DC 20549–0102 (telephone (202–942–8090).

### Applicants' Representations

1. The Fund, a Delaware business trust, is registered under the Act as an open-end management investment company. The Fund currently is comprised of four series (each a ''Portfolio,'' collectively, the ''Portfolios''), each with its own investment objectives and policies.[1]

2. The Manager, registered under the Investment Advisers Act of 1940 (the ''Advisers Act''), serves as the investment adviser to the Portfolios pursuant to an investment advisory agreement with the Fund (''Management Agreement'') that was approved by the board of trustees of the Fund (the ''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 by each Portfolio's initial shareholder. Under the terms of the Management Agreement, the Manager provides investment management services for each Portfolio and may hire one or more subadvisers (''Sub-Advisers'') to exercise day-to-day investment discretion over the assets of the Portfolio pursuant to separate investment sub-advisory agreements (''Sub-Advisory Agreements''). All current and future Sub-Advisers will be registered under the Advisers Act or exempt from registration. Sub-Advisers are recommended to the Board by the Manager and selected and approved by the Board, including a majority of the Independent Trustees. The Manager compensates each Sub-Adviser out of the fees paid to the Manager by the applicable Portfolio.

[1] Applicants also request relief with respect to future series of the Fund and any other registered open-end management investment companies and their series that in the future (a) are advised by the Manager or any entity controling, controlled by, or under common control with the Manager; (b) use the manager of managers structure described in the application; and (c) comply with the terms and conditions in the application (''Future Portfolios,'' included in the term ''Portfolios''). The Fund is the only existing registered open-end management investment company that currently intends to rely on the requested order. If the name of any Portfolio contains the name of a Sub-Adviser (as defined below), the name of the Manager will precede the name of the Sub-Adviser.

3. Subject to Board review, the Manager selects Sub-Advisers for the Portfolios, monitors and evaluates Sub-Adviser performance, and oversees Sub-Adviser compliance with the Portfolios' investment objectives, policies, and restrictions. The Manager recommends Sub-Advisers based upon a number of factors used to evaluate their skills in managing assets pursuant to particular investment objectives. The Manager also recommends to the Board whether a Sub-Adviser's Sub-Advisory Agreement should be renewed, modified or terminated.

4. Applicants request relief to permit the Manager, subject to Board approval, to enter into and materially amend Sub-Advisory Agreements without shareholder approval. The requested relief will not extend to a Sub-Adviser that is an affiliated person, as defined in section 2(a)(3) of the Act, of the Fund or the Manager, other than by reason of serving as a Sub-Adviser to one or more of the Portfolios (an ''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 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 the matter if the Act requires shareholder approval.

2. 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 provision 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 believe that the requested relief meets this standard for the reasons discussed below.

3. The investment structure of the Portfolios is different from that of traditional investment companies. Applicants assert that investors are relying on the Manager's experience to select one or more Sub-Advisers best suited to achieve a Portfolio's desired 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 other investment advisory firms. Applicants contend that requiring shareholder approval of the Sub-Advisory Agreements would impose unnecessary costs and delays on the Portfolios, and may preclude the Manager from acting promptly in a manner considered advisable by the Board. Applicants note that the Management Agreement will remain subject to the shareholder approval requirements of section 15(a) of the Act and rule 18f–2 under the Act.

**Applicants' Conditions**

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

1. Before a Portfolio may rely on the requested order, the operation of the Portfolio in the manner described in the application will be approved by a majority of the Portfolio's outstanding voting securities, as defined in the Act, or, in the case of a Portfolio 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 the shares of the Portfolio are offered to the public.

2. The prospectus of each Portfolio relying on the requested relief will disclose the existence, substance and effect of any order granted pursuant to the application. In addition, each Portfolio relying on the requested relief will hold itself out to the public as employing the manager of managers structure described in the application. A Portfolio's prospectus will prominently disclose that the Manager has ultimate responsibility to oversee the Sub-Advisers and recommend their hiring, termination and replacement.

3. The Manager will provide general management services to each of the Portfolios, including overall supervisory responsibility for the general management and investment of each Portfolio's assets, and, subject to the review and approval by the Board will: (i) Set each Portfolio's overall investment strategies; (ii) evaluate, select, and recommend Sub-Advisers to manage all or part of a Portfolio's assets; (iii) when appropriate, allocate and reallocate a Portfolio's assets among multiple Sub-Advisers; (iv) monitor and evaluate the investment performance of Sub-Advisers; and (v) implement procedures reasonably designed to ensure that the Sub-Advisers comply with the relevant Portfolio's investment objectives, policies, and restrictions.

4. At all times, a majority of the Board will be persons who are Independent Trustees, and the nomination of new or additional Independent Trustees will be placed within the discretion of the then-existing Independent Trustees.

5. The Manager will not enter into a Sub-Advisory Agreement on behalf of a Portfolio with any Affiliated Sub-Adviser, unless such agreement, including the compensation to be paid thereunder, has been approved by the shareholders of the applicable Portfolio.

6. When a Sub-Adviser change is proposed for a Portfolio with an Affiliated Sub-Adviser, the Board, including a majority of the Independent Trustees, will make a separate finding, reflected in the minutes of the meeting of the Board, that such change is in the best interests of the applicable Portfolio 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. No trustee or officer of the Fund or director or officer of the Manager will own directly or indirectly (other than through a pooled investment vehicle that is not controlled by that director, trustee, or officer) any interest in a Sub-Adviser except for: (i) ownership of interests in the Manager or any entity that controls, is controlled by, or is under common control with the Manager; 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-Adviser or an entity that controls, is controlled by, or is under common control with a Sub-Adviser.

8. Within 90 days of the hiring of any new Sub-Adviser, the Manager will furnish the shareholders of the applicable Portfolio all the information about the new Sub-Adviser that would be included in a proxy statement. This information will include any changes in such disclosure caused by the addition of a new Sub-Adviser. To meet this obligation, the Manager will provide the shareholders of the applicable Portfolio with an information statement meeting the requirements of Regulation 14C and Schedule 14C under the Securities Exchange Act of 1934 (''the 1934 Act''), as well as the requirements of Item 22 of Schedule 14A under the 1934 Act.

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

**Margaret H. McFarland,**

*Deputy Secretary.*

[FR Doc. 02–12114 Filed 5–14–02; 8:45 am]

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