

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 27818; 812-13268]

First American Investment Funds, Inc., et al.; Notice of Application

May 4, 2007

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: First American Investment Funds, Inc. (“FAIF”) and FAF Advisors, Inc. (“Adviser”).

Filing Dates: The application was filed on March 8, 2006, and amended on May 1, 2007.

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 May 29, 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 by writing to the Commission's Secretary.

Addresses: Secretary, U.S. Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090. Applicants, 800 Nicollet Mall, Minneapolis, MN 55402.

For Further Information Contact: Lewis B. Reich, Senior Counsel, at (202) 551-6919, or Julia Kim Gilmer, Branch Chief, at (202) 551-6871 (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 20549-0102 (telephone (202) 551-5850).

Applicants' Representations:

1. FAIF is organized as a Maryland corporation and is registered under the Act as an open-end management investment company. FAIF currently offers its shares in 39 series, each with its own investment objectives, restrictions and policies. Two of these series, the International Fund and the International Select Fund (collectively, the "International Funds") will operate under a manager of managers structure. Applicants also request relief for any other existing or future series of FAIF that is advised by the Adviser or by an entity that controls, is controlled by, or is under common control with the Adviser, uses the manager of managers investment management approach, and complies with the terms and conditions of the application (such series, together with the International Funds, the "Funds").¹

2. The Adviser is registered as an investment adviser under the Investment Advisers Act of 1940 (the "Advisers Act") and serves as investment adviser to the International Funds pursuant to an investment advisory agreement ("Advisory Agreement") with each Fund. The Advisory Agreement between the Adviser and FAIF, acting on behalf of the International Funds,

¹ All existing entities that currently intend to rely on the order are named as applicants. If the name of any Fund contains the name of a Money Manager (as defined below), the name of the Adviser, or the name of the entity controlling, controlled by, or under common control with the Adviser that serves as the primary adviser to the Fund will precede the name of the Money Manager.

was approved by the shareholders of the International Fund and the initial shareholder of the International Select Fund and by the Board of each International Fund, including a majority of the directors who are not “interested persons” as defined in section 2(a)(19) of the Act (“Independent Directors”), of the International Funds.

3. Under the terms of the Advisory Agreements, the Adviser 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 have the authority, subject to Board approval, to enter into investment subadvisory agreements (“Investment Subadvisory Agreements”) with one or more subadvisers (“Money Managers”). Each Money Manager will be registered under the Advisers Act. The Adviser will evaluate, allocate assets to and oversee the Money Managers and recommend to the Board their hiring, retention or termination. Money Managers recommended to the Board by the Adviser are selected and approved by the Board, including a majority of the Independent Directors. Each Money Manager will have discretionary authority to invest the assets or a portion of the assets of the applicable Fund. The Adviser will compensate each Money Manager out of the fees paid to the Adviser under the Advisory Agreement.

4. Applicants request an order that would permit the Adviser to select and hire Money Managers and materially amend Investment Subadvisory Agreements without obtaining shareholder approval. The requested relief will not extend to any Money Manager that is an affiliated person, as defined in section 2(a)(3) of the Act, of a Fund or the Adviser, other than by reason of serving as a Money Manager to one or more of the Funds (“Affiliated Money Manager”).

5. Applicants also request an exemption from various disclosure provisions described below that may require a Fund to disclose fees paid by the Adviser to each Money Manager. An

exemption is requested to permit a Fund to disclose (as both a dollar amount and as a percentage of the Fund's net assets): (a) the aggregate fees paid to the Adviser and any Affiliated Money Managers; and (b) the aggregate fees paid to Money Managers other than Affiliated Money Managers (collectively, "Aggregate Fee Disclosure"). For any Fund that employs an Affiliated Money Manager, the Fund will provide separate disclosure of any fees paid to the Affiliated Money Manager.

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 an 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 Money Managers.

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 of a Fund rely on the Adviser to select one or more Money Managers which have the appropriate skills and experience to manage the assets of the Fund. Applicants assert that, from the perspective of an investor in a Fund, the role of the Money Managers is substantially equivalent to that of the individual portfolio managers employed by traditional investment company advisory firms. Applicants state that requiring shareholder approval of each Investment Subadvisory Agreement would impose costs and unnecessary delays

on the Funds, and may preclude the Adviser from acting promptly in a manner considered advisable by the Board. Applicants note that the Advisory Agreement and any Investment Subadvisory Agreement with an Affiliated Money Manager will remain subject to section 15(a) of the Act and rule 18f-2 under the Act.

8. Applicants assert that some Money Managers use a “posted” rate schedule to set their fees. Applicants state that while Money Managers 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 would allow the Adviser to negotiate more effectively with each individual Money Manager.

Applicants’ Conditions:

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

1. Before a Fund may rely on the order requested in the application, the operation of the Fund in the manner described in the 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 2 below, by the sole initial shareholder before offering the Fund’s shares to the public.

2. The prospectus for each Fund will disclose the existence, substance, and effect of any order granted pursuant to the Application. Each Fund will hold itself out to the public as employing the management structure described in the Application. The prospectus will prominently disclose that the Adviser has ultimate responsibility (subject to oversight by the Board) to oversee the Money Managers and recommend their hiring, termination, and replacement.

3. Within 90 days of the hiring of a new Money Manager, the affected Fund shareholders will be furnished all information about the new Money Manager that would be included in a proxy statement, except as modified by the order to permit Aggregate Fee Disclosure. This information will include Aggregate Fee Disclosure and any change in such disclosure caused by the addition of the new Money Manager. To meet this obligation, the Fund will provide shareholders within 90 days of the hiring of a new Money Manager 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.

4. The Adviser will not enter into an Investment Subadvisory Agreement with any Affiliated Money Manager without that agreement, including the compensation to be paid thereunder, being approved by Fund shareholders.

5. At all times, at least a majority of the Board will be Independent Directors, and the nomination of new or additional Independent Directors will be at the discretion of the then existing Independent Directors.

6. When a Money Manager change is proposed for a Fund with an Affiliated Money Manager, the Board, including a majority of the Independent Directors, 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 Adviser or the Affiliated Money Manager derives an inappropriate advantage.

7. Independent legal counsel, as defined in rule 0-1(a)(6) under the Act, will be engaged to represent the Independent Directors. The selection of such counsel will be within the discretion of the then existing Independent Directors.

8. Whenever a Money Manager is hired or terminated, the Adviser will provide the Board with information showing the expected impact on the profitability of the Adviser.

9. The Adviser 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: (a) set each Fund's overall investment strategies, (b) evaluate, select and recommend Money Managers to manage all or a part of a Fund's assets, (c) when appropriate, allocate and reallocate a Fund's assets among multiple Money Managers, (d) monitor and evaluate the performance of Money Managers, and (e) implement procedures reasonably designed to ensure that the Money Managers comply with each Fund's investment objective, policies and restrictions.

10. No director or officer of a Fund, or director or officer of the Adviser, will own directly or indirectly (other than through a pooled investment vehicle that is not controlled by such person) any interest in a Money Manager, except for (a) ownership of interests in the Adviser or any entity that controls, is controlled by, or is under common control with the Adviser, 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 Money Manager or an entity that controls, is controlled by or is under common control with a Money Manager.

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

12. The requested order will expire on the effective date of Rule 15a-5 under the Act, if adopted.

13. The Adviser will provide the Board, no less frequently than quarterly, with information about the profitability of the Adviser on a per-Fund basis. The information will reflect

the impact on profitability of the hiring or termination of any Money Manager during the applicable quarter.

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

Florence E. Harmon
Deputy Secretary