

currently offers multiple series ("Portfolios"), each with its own investment objectives, policies and restrictions. LBSF is incorporated under the laws of the State of Minnesota. AAL VPSF is incorporated under the laws of the State of Maryland. The LB Family of Funds is organized as a Delaware business trust. AAL Funds is organized as a Massachusetts business trust. Shares of the Portfolios of LBSF are offered exclusively to separate accounts that fund variable annuity and life insurance contracts issued by Thrivent, Lutheran Brotherhood Variable Insurance Products Company, a wholly owned subsidiary of Thrivent, and retirement plans sponsored by Thrivent. Shares of the Portfolios of AAL VPSF are offered exclusively to separate accounts that fund variable annuity and variable life insurance contracts issued by Thrivent and retirement plans sponsored by Thrivent.

2. Thrivent, organized as a fraternal benefit society under the laws of the State of Wisconsin, is registered as an investment adviser under the Investment Advisers Act of 1940 ("Advisers Act"). Under separate investment advisory agreements with LBSF (the "LBSF Advisory Contract") and AAL VPSF (the "AAL VPSF Advisory Contract"), respectively, Thrivent serves as the investment adviser to the LBSF portfolios and AAL VPSF Portfolios. TIMI, a Delaware corporation and wholly owned subsidiary of Thrivent, is registered as an investment adviser under the Advisers Act. TIMI serves as investment adviser to the AAL Funds and The LB Family of Funds, providing services for the AAL Funds' Portfolios and The LB Family of Funds' Portfolios under separate advisory agreements (the "AAL Funds Advisory Contract" and the "LB Family of Funds Advisory Contract," respectively, and together with the LBSF Advisory Contract and AAL VPSF Advisory Contract, each an "Advisory Contract" and collectively the "Advisory Contracts"). The terms of each existing Advisory Contract comply with section 15(a) of the Act. The Advisory Contracts each require approval by shareholders of the applicable Portfolio and by the board of directors or trustees of each Company (each a "Board"), including a majority of the directors or trustees who are not "interested persons" (as defined in section 2(a)(19) of the Act) of such Portfolio (the "Independent Directors"), at the time and in the manner required by sections 15(a) and (c) of the Act and

Rule 18f-2 thereunder.<sup>1</sup> For their services under the Advisory Contracts, the Managers receive a fee from each Portfolio as a percentage of the net assets of the Portfolio.

3. Pursuant to the Advisory Contract with each Manager, the Managers have primary responsibility for management of the Portfolios and may hire one or more sub-advisers ("Sub-Advisers") to invest all or a portion of each Portfolio's assets pursuant to separate sub-advisory agreements ("Sub-Advisory Agreements"). Each Sub-Adviser has discretionary authority to invest that portion of a Portfolio's assets assigned to it. Each Sub-Adviser is or will be either registered or exempt from registration under the Advisers Act. For its services, each Sub-Adviser will receive a sub-advisory fee payable by the Manager out of the fee the Manager receives from the relevant Portfolio.

4. The Managers are subject to the general oversight and approval of the respective Boards. Sub-Adviser evaluation on both a quantitative and qualitative basis will be an ongoing process with the Manager selecting Sub-Advisers, as well as allocating and reallocating Portfolio assets among Sub-Advisers, subject to approval by the Portfolio's Board.

5. Applicants request relief to permit the Managers to enter into and materially amend Sub-Advisory Agreements without seeking shareholder approval. Applicants will not enter into any Sub-Advisory Agreement with a Sub-Adviser that is an "affiliated person" (as defined in section 2(a)(3) of the Act) of the Companies or the Managers, other than by reason of serving as a Sub-Adviser to one or more of the Portfolios ("Affiliated Sub-Adviser"), without that agreement, including the compensation to be paid thereunder, being approved by the shareholders of the Portfolio.

#### Applicants' Legal Analysis

1. Section 15(a) of the Act provides, in relevant part, that it is unlawful for

<sup>1</sup> Applicants also request that the requested relief apply to all series of the Companies now existing or established in the future and to all other registered open-end management investment companies and series thereof that (1) Are advised by a Manager, (or any person controlling, controlled by, or under common control with a Manager), (2) operate in a manager/sub-adviser structure as described in the application (the "Manager/Sub-Adviser Structure"), and (3) comply with the terms and conditions of the applications (included in the term "Portfolios"). All entities that currently intend to rely on the requested relief are named as applicants. If the name of any Portfolio should, at any time, contain the name of a Sub-Adviser (as defined above), it will also contain the name of the Manager, which will appear before the name of the Sub-Adviser.

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. 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 the requested relief meets this standard for the reasons discussed below.

3. Applicants assert that each Portfolio's shareholders are relying on the Manager's experience to select, monitor and replace Sub-Advisers. Applicants assert that, from the perspective of the shareholder, 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 Sub-Advisory Agreements would impose costs and unnecessary delays on the Portfolios, and may preclude the Managers from acting promptly in a manner considered advisable by the applicable Board. Applicants note that the Advisory Contracts 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 order requested in the application, (i) the operation of the Portfolio in the manner described in the application will be approved by a majority of the outstanding voting securities of such Portfolio (or if the Portfolio serves as a funding medium for any sub-account of a registered separate account, pursuant to voting instructions provided by the owners of variable annuity and variable life insurance contracts ("Owners") who have allocated assets to that sub-account) within the meaning of the Act, or (ii) in the case of a Portfolio whose shareholders (or Owners through a sub-account of a registered separate account) purchase shares on the basis of a