and maximizing the efficient use of their resources. The delay and expense involved in having repeatedly to seek exemptive relief would reduce Applicants' ability effectively to take advantage of business opportunities as they arise.

Applicants further submit that the requested relief is consistent with the purposes of the 1940 Act and the protection of investors for the same reasons. Applicants thus assert that the requested exemptions are appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act.

Conclusion

For the reasons set forth above, Applicants represent that the exemptions requested are necessary and appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act.

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

Margaret H. NcFarland,

Deputy Secretary.

[FR Doc. 95–31264 Filed 12–26–95; 8:45 am]

BILLING CODE 8010–01–M

[Investment Company Act Release No. 21609; 812–9686]

Stein Roe Income Trust, et al.; Notice of Application

December 19, 1995.

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

ACTION: Notice of Application for Exemption under the Investment Company Act of 1940 (the ''Act'').

APPLICANTS: Stein Roe Income Trust, Stein Roe Investment Trust, Stein Roe Municipal Trust, and SR&F Base Trust (collectively, the ''Trusts''), and Stein Roe & Farnhman Incorporated (the ''Adviser'').

RELEVANT ACT SECTIONS: Order under section 6(c) of the Act for an exemption from sections 12(d)(1), 18(f), and 21(b) of the Act, under sections 6(c) and 17(b) for an exemption from sections 17(a)(1) and 17(a)(3) of the Act, and under section 17(d) of the Act and rule 17d–1 thereunder to permit certain joint arrangements.

SUMMARY OF APPLICATION: Applicants request an order that would permit the Trusts to borrow money from each other through a credit facility.

FILING DATES: The application was filed on July 25, 1995 and amended on November 8, 1995.

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 applicant with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on January 16, 1996, and should be accompanied by proof of service on the applicant, 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 Fifth Street, N.W., Washington, D.C. 20549. Applicants: One South Wacker Drive, Chicago, IL 60606.

FOR FURTHER INFORMATION CONTACT: Marianne H. Khawly, Staff Attorney, at (202) 942–0562, or Robert A. Robertson, 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 from the SEC's Public Reference Branch.

Applicants' Representations

1. Stein Roe Income Trust, Stein Roe Investment Trust, and Stein Roe Municipal Trust are organized as Massachusetts business trusts. SR&F Base Trust is organized as a Massachusetts common law trust. Each Trust has multiple series. Each Trust has entered into an investment advisory agreement with the Adviser with respect to each existing series. The Adviser is a wholly-owned indirect subsidiary of Liberty Financial Companies, Inc., which is a majority owned indirect subsidiary of Liberty Mutual Insurance Company. Applicants request that any relief also apply to any registered open-end investment companies established or acquired in the future, for which the Adviser or a company controlling, controlled by, or under common control with the Adviser, acts as investment adviser, (the ''Future Funds,'' and together with the existing series, the ''Funds'').

2. The Trusts have entered into a loan agreement with their custodian, State Street Bank and Trust Company (''State Street'') under which State Street may, but is not obligated to, lend money to the Trusts for temporary or emergency purposes. The maximum aggregate credit available under the agreement is $75 million. The Trusts seek to reduce the middleman function of banks by entering into a master loan agreement with each other (the ''Credit Facility'') that would permit the Funds to lend money directly to, and to borrow from, each other to meet the temporary borrowing needs of the borrowing Funds (the ''Interfund Loans''). The form of master loan agreement attached to the application is referred to as the ''Interfund Loan Agreement.''

3. The Credit Facility is intended to reduce substantially the Funds' borrowing costs and to enhance the ability of the Funds to earn higher rates of interest on their short-term lendings. Although the Credit Facility would substantially reduce the Funds' reliance on bank credit arrangements, the Trusts would continue to maintain existing loan agreements and to borrow money from banks. The terms and conditions of the loan agreement with State Street would serve as a guideline for making Interfund Loans.

4. The Credit Facility is likely to provide the Funds with significant savings at times when the cash position of a Fund is insufficient to meet temporary cash requirements. This situation generally arises when shareholder redemptions exceed anticipated volumes and the Funds have insufficient cash on hand to satisfy such redemptions. When the Funds liquidate portfolio securities to meet redemption requests, they often do not receive payment in settlement for up to seven days. However, shareholder redemption requests are normally effected immediately. Therefore, the Funds need a source of immediate, short-term liquidity pending settlement of the sale of portfolio securities.

5. While bank borrowings will continue to be available to supply such liquidity, the rates charged under the Credit Facility would be below those offered by State Street on short-terms loans. Likewise, Funds making cash loans to other Funds would earn interest at a rate higher than they otherwise could obtain from investing their cash in short-term repurchase agreements. Thus, the Credit Facility would benefit both those Funds that are borrowers and those Funds that are lenders.

6. The interest rate to be charged on Interfund Loans (the ''Interfund Rate'') would be determined daily and would be the mean of (a) the ''Repro Rate,'' as defined below, and (b) the ''Bank Loan Rate,'' as defined below. The Repro Rate on any day would be the highest interest

rate available to the Funds from investment in overnight repurchase agreements. The Bank Loan Rate for any day would be calculated according to a formula established by the board of each Trust to approximate the lowest interest rate at which bank loans are available to the Funds. The formula would be based upon a publicly available rate (*e.g.*, Federal Funds plus 75 basis points) and would vary with this rate so as to reflect changing bank loan rates. The Adviser would administer the Credit Facility as part of its duties under its agreement with each Fund and would receive no additional compensation for its services. The Adviser will make cash available to borrowing Funds only if the Interfund Loan Rate is more favorable to the lending Fund than the Repo Rate and more favorable to the borrowing Fund than the Bank Loan Rate.

7. No Fund would be permitted to participate in the Credit Facility unless: (a) the Fund had fully disclosed all material information concerning the Credit Facility in its prospectus and/or statement of additional information; and (b) the Fund's participation in the Credit Facility was consistent with its investment objective, fundamental limitations and the Trust's declaration of trust.

Applicant's Legal Analysis

1. Applicants request an order under section 6(c) of the Act for an exemption from sections 12(d)(1), 18(f), and 21(b) of the Act, under sections 6(c) and 17(b) of the Act for an exemption from sections 17(a)(1) and 17(a)(3) of the Act, and under section 17(d) of the Act and rule 17d–1 thereunder to permit certain joint arrangements. The requested order would permit the Funds to borrow from and lend to each other through the Credit Facility.

2. Applicants believe that, for the reasons discussed below, the requested order meets the standards set forth in sections 6(c) and 17(b) and rule 17d–1. Section 6(c) provides, in relevant part, that the SEC may by order exempt any person or class of persons from any provision of the Act or from any rule thereunder, if such exemption is necessary or appropriate in the public interest, consistent with the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act. Section 17(b) authorizes the SEC to exempt a proposed transaction from section 17(a) if evidence establishes that the terms of the 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, the transaction is consistent with the polices of the registered investment company, and the general purposes of the Act. Rule 17d–1 provides that in passing upon applications for exemptive relief from section 17(d), the SEC will consider whether the participation of a registered or controlled company in a joint enterprise or joint arrangement is consistent with the provisions, policies, and purposes of the Act and to the extent to which such participation is on a basis different from or less advantageous than that of other participants.

3. Section 17(a)(3) generally prohibits an affiliated person of a registered investment company from borrowing money or other property from such investment company. Section 2(a)(3)(C) defines ''affiliated person'' of another person to be any person directly or indirectly controlling, controlled by, or under common control with, such other person. Section 21(b) generally prohibits any registered investment company from lending money or other property to any person if that person controls or is under common control with that company. The Adviser is the investment adviser of each Fund and the trustees and principal officers of each Trust are substantially identical. In view of the overlap of trustees and officers among the Trusts, the Trusts might be deemed to be under common control and thus affiliated persons of each other.

4. Sections 17(a)(3) and 21(b) were intended to prevent a party with strong potential adverse interests and influence over the investment decisions of a registered investment company from causing or inducing the investment company to engage in lending transactions that are detrimental to the best interests of the investment company and its shareholders. Applicants believe that proposed transactions do not raise such concerns because: (a) The Adviser would administer the program as a disinterested fiduciary; (b) all Interfund Loans would consist only of uninvested cash reserves that the Fund otherwise would invest in short-term repurchase agreements or comparable short-term instruments; (c) the Interfund Loans would not involve a significantly greater risk than such other investments; (d) the lending Fund would receive interest at a higher rate than it could obtain through such other investments; and (e) the borrowing Fund would pay interest at a rate lower than would otherwise the available to it under its bank loan agreements. Moreover, the proposed conditions would effectively preclude the possibility of any undue advantage.

5. Section 17(a)(1) generally prohibits and affiliated person of a registered investment company from selling any security to such registered investment company. Section 12(d)(1) prohibits registered investment companies from purchasing or otherwise acquiring any security issued by any other investment company except in accordance with certain limitations. The Credit Facility may be deemed to involve the sale of a ''security'' by a borrowing Fund to a Lending Fund. Applicants believe that the Credit Facility would not involve the type of abuses at which these sections were directed. In this case, the purpose of the Credit Facility is to provide economic benefits for all participating Funds. In addition, there would be no duplicative costs to the Funds or their shareholders. Accordingly, applicants submit that, for the reasons discussed above, the requested order meets the standards set forth in sections 6(c) and 17(b).

6. Section 17(d) generally prohibits any affiliated person of a registered investment company, or affiliated person of such a person, when acting as principal, from effecting any transaction in which the investment company is a joint or a joint and several participant. The Credit Facility may be deemed to involve a joint enterprise between or among affiliated persons. Applicants believe, however, that the interfund lending program meets the standards of rule 17d–1 because it does not involve any potential that one Fund might receive a preferential rate to the disadvantage of another Fund. Under the Credit Facility, the Funds would neither negotiate interest rates between themselves, nor would the Adviser set the rates in its discretion. Rather, rates would be set pursuant to a pre-established formula, approved by the trustees, which would be the function of the current rates quoted by an independent third-party for short-term borrowings and for short-term repurchase agreements. All Funds participating in the Credit Facility on any given day would receive the same rate.

7. Section 18(f)(1) prohibits registers open-end investment companies from issuing senior securities except that any such registered investment company shall be permitted to borrow from any bank, provided that, immediately after such borrowing there is an asset coverage of at least 300% for all borrowings of such registered company. Applicants request relief from the section to allow a fund to borrow from other Funds in amounts, as measured on the day when the most recent loan was made, not to exceed 125% of the

borrowing Fund's net cash redemptions for the preceding seven calendar days. Because applicants would be subject to all of the proposed conditions, including the percentage and collateral limitations on interfund borrowings, they believe that the Credit Facility would not involve the type of abuses that the section was intended to prevent. Applicants, therefore, believe that the requested exemption from section 18(f)(1) meets the standards of section 6(c).

Applicants' Conditions

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

1. The interest rates to be charged to the Funds under the Credit Facility will be the average of the Repo Rate and the Bank Loan Rate.

2. The Adviser on each business day will compare the Bank Loan Rate with the Repo Rate and will make cash available for Interfund Loans only if the interfund rate is (a) more favorable to the lending Fund than the Repo Rate and (b) more favorable to the borrowing Fund than the Bank Loan Rate.

3. If a Fund has outstanding borrowings, any Interfund Loans to the Fund: (a) will be at an interest rate equal to or lower than any outstanding bank loan; (b) will be secured at least on an equal priority basis with at least an equivalent percentage of collateral to loan value as any outstanding bank loan that requires collateral; (c) will have a maturity no longer than any outstanding bank loan (and in no event over seven days); and (d) will provide that, if an event of default by the Fund occurs under any agreement evidencing an outstanding bank loan to the Fund, that event of default will automatically (without need for action or notice by the lending Fund) constitute an immediate event of default under the Interfund Loan Agreement entitling the lending Fund to call the Interfund Loan (and exercise all rights with respect to any collateral) and that such call will be made if the lending bank exercises its right to call its loan under its agreement with the Fund.

4. A Fund may make an unsecured borrowing through the Credit Facility if its outstanding borrowings from all sources immediately after the borrowing total less than 10% of its total assets, provided that if a Fund has a secured loan outstanding from any lender, including but not limited to another fund, the Fund's interfund borrowing will be secured on at least an equal priority basis with at least an equivalent percentage of collateral to loan value as any outstanding loan that requires collateral. If a Fund's total outstanding borrowings immediately after an interfund borrowing would be greater than 10% of its total assets, the Fund may borrow through the Credit Facility only on a secured basis. A Fund could not borrow through the Credit Facility if its total outstanding borrowings immediately after the interfund borrowing would be more than 33⅓% of its total assets.

5. Before any Fund that has outstanding interfund borrowings may, through additional borrowings, cause its outstanding borrowings from all sources to exceed 10% of its total assets, the Fund must first secure each outstanding Interfund Loan by the pledge of segregated collateral with a market value at least equal to 102% of the outstanding principal value of the loan. If the total outstanding borrowings of a Fund with outstanding Interfund Loans exceeds 10% of its total assets for any other reason (such as decline in net asset value or because of shareholder redemptions), the Fund will within one business day thereafter: (a) Repay all its outstanding interfund loans; (b) reduce its outstanding indebtedness to 10% or less of its total assets; or (c) secure each outstanding Interfund Loan by the pledge of segregated collateral with a market value at least equal to 102% of the outstanding principal value of the loan until the Fund's total outstanding borrowings cease to exceed 10% of its total assets, at which time the collateral called for by this condition 5 shall no longer be required. Until each Interfund Loan that is outstanding at any time that a Fund's total outstanding borrowings exceeds 10% is repaid or the Fund's total outstanding borrowings cease to exceed 10% of its total assets, the Fund will mark the value of the collateral to market each day and will pledge such additional collateral as is necessary to maintain the market value of the collateral that secures each outstanding Interfund Loan at least equal to 102% of the outstanding principal value of the interfund loan.

6. No equity, taxable bond, or money market Fund may loan funds through the Credit Facility if the loan would cause its aggregate outstanding loans through the Credit Facility to exceed 5%, 7.5%, or 10%, respectively, of its net assets at the time of the loan.

7. A Fund's Interfund Loans to any one Fund shall not exceed 5% of the lending Fund's net assets.

8. The duration of Interfund Loans will be limited to the time required to receive payment for securities sold, but in no event more than seven days. Loans effected within seven days of each other will be treated as separate loan transactions for purposes of this condition.

9. A Fund's borrowings through the Credit Facility, as measured on the day the most recent Interfund Loan was made to the Fund, will not exceed 125% of the Fund's total net cash redemptions for the preceding seven calendar days.

10. Each Interfund Loan may be called on one business days' notice by the lending Fund and may be repaid on any day by the borrowing Fund.

11. A Fund's participation in the Credit Facility must be consistent with its investment policies and limitations in the Trust's Declaration of trust.

12. The Adviser will calculate total Fund borrowing and lending demand through the Credit Facility, and allocate Interfund Loans on an equitable basis among Funds, without the intervention of the portfolio manager of any Fund. The Adviser will not solicit cash for the Credit Facility from any Fund or prospectively publish or disseminate loan demand data to portfolio managers. The Adviser will invest amounts remaining after satisfaction of borrowing demand in accordance with standing instructions from portfolio managers or return remaining amounts for investment directly by the portfolio managers of the money market Funds.

13. The Adviser will monitor the interest rates charged and the other terms and conditions of the Interfund Loans and will make a quarterly report to the boards of trustees of the Trusts concerning their participation in the Credit Facility and the terms and other conditions of any extensions of credit thereunder.

14. Each Fund's board of trustees, including a majority of the independent trustees: (a) Will review no less frequently than quarterly the Fund's participation in the Credit Facility during the preceding quarter for compliance with the conditions of any order permitting such transactions; (b) will establish the Bank Loan Rate formula used to determine the interest rate on interfund loans, and review no less frequently than annually the continuing appropriateness of such Bank Loan Rate formula; and (c) will review no less frequently than annually the continuing appropriateness of the Fund's participation in the Credit Facility.

15. In the event an Interfund Loan is not paid according to its terms and such default is not cured within two business days from its maturity or from the time the lending Fund makes a demand for payment under the provisions of the Interfund Loan agreement, the Adviser will promptly refer such loan for arbitration to an independent arbitrator

selected by the board of any Trust involved in the loan who will serve as arbitrator of disputes concerning Interfund Loans. The arbitrator will resolve any problem promptly, and the arbitrator's decision will be binding on both Funds. The arbitrator will submit, at least annually, a written report to the boards setting forth a description of the nature of any dispute and the actions taken by the Funds to resolve the dispute.

16. Each Fund will maintain and preserve for a period of not less than six years from the end of the fiscal year in which any transaction of it under the Credit Facility occurred, the first two years in an easily accessible place, written records of all such transactions setting forth a description of the terms of the transaction, including the amount, the maturity, and the rate of interest available at the time on short-term repurchase agreements and commercial bank borrowings, and such other information presented to the Trust's board of trustees in connection with the review required by conditions 13 and 14.

17. The Adviser will prepare and submit to the boards for review an initial special report on the ''Design of a System'' with respect to the operations of the Credit Facility prior to the facility commencing operations, including a report thereon of its independent public accountants. A test program of modest duration involving actual transactions may be conducted prior to submission of the initial report to the boards. An appropriate single Trust which next files its Form N–SAR after board review of the initial report will file the report with its Form N–SAR, and the other Trusts will incorporate the report by reference in their next N–SAR filings.

Thereafter, an annual report on the ''Design of the System and Certain Compliance Tests'' with respect to the accounting control procedures for the Credit Facility which includes an opinion of the independent public accountants will be filed for two years (measured from the commencement of the Credit Facility subsequent to the test program) with the Form N–SAR of an appropriate single Trust which next files its Form N–SAR, and the other Trusts will incorporate each such annual report by reference in their next subsequent Form N–SAR filings.

The initial ''Design'' report and the annual ''Design and Compliance Tests'' report will each be prepared in accordance with the requirements of Statement of Auditing Standards No. 70 (''SAS 70'') as it may be amended or pursuant to similar auditing standards as may be adopted by the American Institute of Certified Public Accountants from time to time, including reports of independent accountants thereon. Each SAS 70 report will include a description of the Adviser's principal procedures used to monitor compliance with the conditions to any order concerning the application. The principal procedures will include, at a minimum, procedures that are designed to achieve the following objectives: (a) The Interfund Rate being higher than the Repo Rate but lower than the Bank Loan Rate; (b) the Funds' compliance with the Interfund Loan collateral requirements; (c) the Funds' compliance with the percentage limitations on interfund borrowing and lending; (d) the Funds' allocation of interfund borrowing and lending demand in accordance with procedures established by the Funds' boards of trustees; and (e) if a Fund, at the time of its borrowing from another Fund, also has outstanding third-party borrowings, the interest rate on such interfund borrowings not exceed the interest rate on third-party borrowings. After the final annual SAS 70 report, compliance with the conditions to any order issued concerning the application will be considered by the external auditors as part of their internal accounting control procedures, performed in connection with Fund audit examinations, which form the basis, in part, of the auditors' report on internal accounting controls in Form N–SAR.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95–31265 Filed 12–26–95; 8:45 am]

BILLING CODE 8010–01–M

DEPARTMENT OF TRANSPORTATION

Federal Highway Administration

Draft Environmental Impact Statement/ Section 4(f)/106 Evaluation; Athens County, OH

AGENCY: Federal Highway Administration (FHWA), DOT.

ACTION: Notice of availability.

SUMMARY: The FHWA is issuing this notice to announce the availability of a Draft Environmental Impact Statement/ Section 4(f)/106 Evaluation on the proposed upgrading and relocation of existing U.S. Route 50 between the City of Athens and the Village of Coolville from a two-lane highway to a controlled access, four-lane highway. The approximate length of the improvement is 25.7 km (16 miles). The proposed project would complete an unfinished segment of the Appalachian Highway. Comments are due February 5, 1996.

FOR FURTHER INFORMATION CONTACT: William C. Jones, Division Administrator, Federal Highway Administration, 200 North High Street, Room 328, Columbus, Ohio 43215, Telephone: (614) 469–6896.

SUPPLEMENTARY INFORMATION: Pursuant to the National Environmental Policy Act of 1969 and in accordance with the Council on Environmental Quality Regulations, 40 CFR (Sec. 1506.9) for implementing the Act, the Federal Highway Administration submitted to the U.S. Environmental Protection Agency, Office of Federal Activities the necessary information for the publication of a Notice of Availability for the Athens U.S. 50 Draft Environmental Impact Statement/ Section 4(f)/106 Evaluation in the December 22, 1995, Federal Register which would establish a 45 day review period. Due to circumstances beyond FHWA's control, the Notice of Availability was not submitted to the Federal Register for publication on December 22, 1995. This notice is to document that the DEIS/Section 4(f)/106 Evaluation has been made available on/ or prior to December 22, 1995, to the involved Federal and the State of Ohio permitting and resource agencies and to the public through individual mailings, State of Ohio legal notices published in local newspapers, and through the State Clearinghouse. All of the foregoing notices established the expiration date of the review period as February 5, 1996, which is based upon an 45 day review period commencing on December 22, 1995.

The FHWA will initiate coordination with the U.S. EPA Office of Federal Activities, pursuant to 40 CFR (Sec. 1506.10(d)) to reduce the prescribed 45 day availability period to coincide with availability period as established through other availability notices.

Issued on: December 20, 1995.

James J. Steele,

Assistant Division Administrator, Columbus/

[FR Doc. 95–31314 Filed 12–26–95; 8:45 am]

BILLING CODE 4910–22–P