

as a clearing agency is consistent with the Act and in particular with Section 17A of the Act.

It is Therefore Ordered, that Delta's temporary registration as a clearing agency (File No. 600-24) be, and hereby is, extended through January 31, 1997.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹⁰

Margaret H. McFarland,

Deputy Secretary.

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[Rel. No. IC-20823; 812-9322]

Croft-Leominster Income Fund, et al.; Notice of Application

January 9, 1995.

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

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

APPLICANTS: Croft-Leominster Income Fund (the "Fund"), Leominster Income, L.P. (the "Partnership"), and Croft Leominster, Inc. (the "Adviser").

RELEVANT ACT SECTIONS: Order requested under section 17(b) of the Act for an exemption from section 17(a) of the Act.

SUMMARY OF APPLICATION: Applicants request an order that would permit the exchange of shares of the Fund for portfolio securities of the Partnership. Thereafter, the Partnership will dissolve and distribute the shares it received in the exchange *pro rata* to its partners.

FILING DATES: The application was filed on November 14, 1994. Applicants agree to file an additional amendment, the substance of which is incorporated herein, during the notice period.

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 February 3, 1995 and should be accompanied by proof of service on the 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 notification by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicants, 207 East Redwood Drive, Suite 802, Baltimore, Maryland 21202.

FOR FURTHER INFORMATION CONTACT: Sarah A. Buescher, Staff Attorney, at (202) 942-0573, 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. The Partnership was organized in 1991 as a limited partnership under Maryland law. It has not been registered under the Act in reliance upon section 3(c)(1) of the Act, and the Partnership interests have not been registered under the Securities Act of 1933 (the "Securities Act") in reliance upon section 4(2) thereof. The Adviser is the sole general partner of the Partnership and has exclusive control over the management of its business. The Adviser has maintained an investment in the Partnership not less than 1% of the net assets of the Partnership, and is allocated net income, gains, and losses of the Partnership in proportion with its investment.

2. The Fund is one of two initial series of the Croft Funds Corporation, an open-end investment company organized under Maryland law (the "Corporation"). The Fund filed a notification of registration under the Act on Form N-8A and a registration statement under the Act and the Securities Act on Form N-1A on July 22, 1994. The N-1A registration statement has not yet been declared effective, and no offering of shares has commenced. The Adviser will act as investment adviser to the Fund.

3. Applicants propose that the Partnership exchange its assets, less funds required to pay the liabilities of the Partnership, for shares of the Fund. Thereafter, the Partnership will dissolve and distribute the shares of the Fund it receives to its partners *pro rata*. The exchange was proposed to permit the limited partners of the Partnership to invest in a larger fund, and to eliminate administrative burdens, filing requirements, and complicated allocation calculations currently faced by the Partnership. The Fund was designed as a successor investment vehicle to the Partnership, with investment objectives and policies substantially the same as those of the

Partnership. The same persons who selected the investments for the Partnership will select them for the Fund.

4. The Fund will be sold without any load or sales charge, and will adopt a plan of distribution pursuant to rule 12b-1 under the Act. Under the rule 12b-1 plan, the Fund will pay a rule 12b-1 distribution fee of up to 0.25% of its average daily net assets. Applicants anticipate that shares of the Fund will be marketed to essentially the same classes of persons and in the same manner as the interests in the Partnership have been marketed.

5. The proposed exchange will be effected pursuant to an agreement and plan of reorganization (the "Plan") to be approved by the limited partners of the Partnership. Under the Plan, the portfolio securities of the Partnership will be acquired at their independent "current market price," as defined in rule 17a-7 under the Act. The Fund will not acquire securities that, in the opinion of the Adviser, would result in a violation of the Fund's investment objectives, policies, or restrictions. Any remaining securities will be liquidated by the Partnership for cash and these proceeds distributed *pro rata* to the partners of the Partnership.

6. The general partner of the Partnership will consider the desirability of the exchange from the point of view of the Partnership and must conclude that (a) the exchange is in the best interests of the Partnership and its partners and (b) upon the exchange, the interests of the partners of the Partnership will not be diluted as a result of the exchange.

7. The board of directors of the Fund will consider the desirability of the exchange from the point of view of the Fund, and a majority of the directors, including a majority of the non-interested directors, must conclude that (a) the exchange is desirable as a business matter from the point of view of the Fund, (b) the exchange is in the best interest of the Fund, (c) upon the exchange, the interests of existing shareholders of the Fund will not be diluted as a result of the exchange, and (d) the terms of the exchange as reflected in the Plan have been designed to meet the criteria contained in section 17(b) of the Act.

8. The exchange will not be effected unless: (a) the registration statements of the Fund have been declared effective; (b) the limited partners of the Partnership have approved the Plan and an amendment to the partnership agreement authorizing the general partner to take such actions as it deems necessary or appropriate to effect the

¹⁰ 17 CFR 200.30-3(a)(50)(i) (1994).