

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. McFarland,  
Deputy Secretary.

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[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-term 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