FORM 485BPOS

Post-effective amendments [Rule 485(b)]

Filing Date: **1995-07-28**
SEC Accession No. 0000899243-95-000456

FILER

TAX FREE INVESTMENTS CO

CIK:**205010**| IRS No.: **760026440** | State of Incorp.:**MD** | Fiscal Year End: **0331**
Type: **485BPOS** | Act: **33** | File No.: **002-58286** | Film No.: **95556705**

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11 GREENWAY PLAZA
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HOUSTON TX 77046

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7136261919

As filed with the Securities and Exchange Commission on July 28, 1995
Registration No. 2-58286

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM N-1A

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 X

Pre-Effective Amendment No. ____ ___

Post-Effective Amendment No. 22 X

and/or

REGISTRATION STATEMENT UNDER THE
INVESTMENT COMPANY ACT OF 1940 X

Amendment No. 23

(Check appropriate box or boxes.)

TAX-FREE INVESTMENTS CO.

(Exact name of Registrant as Specified in Charter)

11 Greenway Plaza, Suite 1919, Houston, TX 77046

(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, including Area Code (713) 626-1919

Charles T. Bauer
11 Greenway Plaza, Suite 1919, Houston, TX 77046

(Name and Address of Agent for Service)

Copy to:

Stephen I. Winer, Esquire
A I M Advisors, Inc.
11 Greenway Plaza, Suite 1919
Houston, Texas 77046

Approximate Date of Proposed Public Offering: As soon as practicable after the effective date of this Registration Statement

It is proposed that this filing will become effective (check appropriate box)

_____ immediately upon filing pursuant to paragraph (b) of Rule 485
X on July 31, 1995 pursuant to paragraph (b) of Rule 485
_____ 60 days after filing pursuant to paragraph (a)(1) of Rule 485
_____ on (date) pursuant to paragraph (a)(1) of Rule 485
_____ 75 days after filing pursuant to paragraph (a)(2) of Rule 485
_____ on (date) pursuant to paragraph (a)(2) of Rule 485

If appropriate, check the following:

_____ This post-effective amendment designates a new effective date for a previously filed post-effective amendment.

(Continued on next page)

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

- --

<TABLE>
<CAPTION>

Title of Securities Being Registered	Amount Being Registered*	Proposed Maximum Offering Price Per Share**	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
<S>	<C>	<C>	<C>	<C>
Common Stock Par Value $0.001	18,586,100	$1.00	$18,586,100	$100.00

</TABLE>

* Registrant continues its election to register an indefinite number of its shares of common stock under Rule 24f-2 under the Investment Company Act of 1940 and filed its Rule 24f-2 Notice for the fiscal year ended March 31, 1995 on May 26, 1995.

** Registrant elects to calculate the maximum offering price pursuant to Rule 24e-2. 5,389,314,049 shares were redeemed during the Registrant's fiscal year ended March 31, 1995. 5,371,017,949 shares were used for reduction pursuant to Paragraph (c) of Rule 24f-2 during the current year. 18,296,100 shares is the amount of redeemed shares being used for reduction in this amendment. Pursuant to Rule 457(d) under the Securities Act of 1933, the offering price per share of common stock of the Registrant of $1.00 per share on July 24, 1995, is the price used as the basis for these calculations. While no fee is required for the 18,296,100 shares of the Registrant, the Registrant has elected to register for $100, an additional 290,000 shares.

TAX-FREE INVESTMENTS CO.
Registration Statement on Form N-1A
CROSS REFERENCE SHEET

NOTE: The Registrant offers shares of one investment portfolio, the Cash Reserve Portfolio. The Cash Reserve Portfolio is comprised of two classes of shares, the Private Investment Class and the Institutional Cash Reserve Shares. Each class of shares is offered pursuant to a separate Prospectus and Statement of Additional Information.

I. Institutional Cash Reserve Shares

Part A - Prospectus

<TABLE>
<CAPTION>

Item No.		Location
<S>	<C>	<C>
1.	Cover Page	Cover Page
2.	Synopsis	Table of Fees and Expenses
3.	Condensed Financial Information	Financial Highlights
4.	General Description of Registrant	Cover Page; Organization of the Company General Information; Investment Program
5.	Management of the Fund	Management of the Company - Board of Directors; Management of the Company - Investment Advisor; Table of Fees and Expenses; Management of the Company - Distributor; General Information - Transfer Agent and Custodian Management of the Company
6.	Capital Stock and Other Securities	General Information - Organization and Description of Shares; General Information - Shareholder Inquiries; Dividends; Tax Matters
7.	Purchase of Securities Being Offered	Purchase of Shares; Determination of Net Asset Value
8.	Redemption or Repurchase	Redemption of Shares

9.   Pending Legal Proceedings   Not Applicable
</TABLE>

Part B - Statement of Additional Information

<TABLE>
<CAPTION>

Item No.		Location
<S>	<C>	<C>
10.	Cover Page	Cover Page
11.	Table of Contents	Table of Contents
12.	General Information and History	General Information about the Company
13.	Investment Objectives and Policies	Investment Program and Restrictions
14.	Management of the Registrant	General Information about the Company - Directors and Officers
15.	Control Persons and Principal Holders of Securities	General Information about the Company - Principal Holders of Securities

</TABLE>

<TABLE>
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Item No.		Location
<S>	<C>	<C>
16.	Investment Advisory and Other Services	General Information about the Company - The Investment Advisor; General Information about the Company - Expenses; General Information about the Company - The Distributor; General Information about the Company - Custodian and Transfer Agent; Reports
17.	Brokerage Allocation	Portfolio Transactions
18.	Capital Stock and Other Securities	General Information about the Company - The Company and Its Shares
19.	Purchase, Redemption and Pricing of Securities Being Offered	Share Purchases and Redemptions
20.	Tax Status	Dividends, Distributions and Tax Matters
21.	Underwriters	General Information About the Company - The Distributor
22.	Calculation of Performance Data	Performance Information
23.	Financial Statements	Financial Statements

</TABLE>

II.   Private Investment Class

Part A - Prospectus

<TABLE>
<CAPTION>

Item No.		Location
<S>	<C>	<C>
1.	Cover Page	Cover Page
2.	Synopsis	Summary; Table of Fees and Expenses
3.	Condensed Financial Information	Financial Highlights Information
4.	General Description of Registrant	Cover Page; Summary; Investment Program; General Information

5.	Management of the Fund	Management of the Company - Board of Directors; Management of the Company - Investment Advisor; General Information - Transfer Agent and Custodian; Summary; Management of the Company - Portfolio Transactions and Brokerage
6.	Capital Stock and Other Securities	General Information - Organization and Description of Shares; General Information - Shareholder Inquiries Summary; Dividends; Taxes

</TABLE>

<TABLE>
<CAPTION>

Item No.		Location
<S>	<C>	<C>
7.	Purchase of Securities Being Offered	Summary - Distributor and Distribution of Plan; Management of the Company - Distributor; Purchase of Shares; Net Asset Value; Summary - Purchase of Shares; Management of the Company - Distribution Plan
8.	Redemption or Repurchase	Redemption of Shares
9.	Pending Legal Proceedings	Not Applicable

</TABLE>

Part B - Statement of Additional Information

<TABLE>
<CAPTION>

Item No.		Location
<S>	<C>	<C>
10.	Cover Page	Cover Page
11.	Table of Contents	Table of Contents
12.	General Information and History	General Information about the Company
13.	Investment Objectives and Registrant	Investment Program and Restrictions
14.	Management of the Registrant	General Information about the Company - Directors and Officers
15.	Control Persons and Principal Holders of Securities	General Information about the Company - The Investment Advisor;
16.	Investment Advisory and Other Services	General Information about the Company - Expenses; Share Purchases and Redemptions - Distribution Plan; General Information about the Company - Transfer Agent and Custodian; General Information about the Company - Reports
17.	Brokerage Allocation	Portfolio Transactions
18.	Capital Stock and Other	

	Securities	General Information about the Company - The Company and Its Shares
19.	Purchase Redemption and Pricing of Securities Being Offered	Share Purchases and Redemptions Dividends
20.	Tax Status	Distributions and Tax Matters
21.	Underwriters	Share Purchases and Redemptions - The Distribution Agreement; Share Purchases and Redemptions - Distribution Plan
22.	Calculation of Performance Data	Performance Information
23.	Financial Statements	Financial Statements

</TABLE>

III. All Classes and Series of Registrant

Part C

Information required to be included in Part C is set forth under the appropriate Item, so numbered, in Part C to this Registration Statement.

TAX-FREE
INVESTMENTS CO.

Prospectus

INSTITUTIONAL
CASH RESERVE
SHARES

JULY 31, 1995

Tax-Free Investments Co. (the "Company") is a mutual fund designed for institutions and individuals seeking current income which is exempt from federal in-come taxes. Pursuant to this Prospectus, the Company offers shares representing interests in the Institutional Class of its Cash Reserve Portfolio.

The Cash Reserve Portfolio is a "money market fund," the investment objective of which is the generation of as high a level of tax-exempt income as is con-sistent with preservation of capital and maintenance of liquidity by investing in high quality, short-term municipal obligations. The Cash Reserve Portfolio attempts to maintain a constant net asset value of $1.0 per share. No assur-ance can be given that such a net asset value can be maintained.

This Prospectus relates solely to the Institutional Cash Reserve Shares (the "Institutional Class"). The Institutional Class is offered exclusively to banks and other financial institutions acting for themselves or in a fiduciary, advi-sory, agency, custodial or similar capacity, and is designed as a convenient and economical vehicle in which such institutions can invest short-term cash reserves. Another class of shares of the Cash Reserve Portfolio, the Private Investment Class, is offered to individuals and to financial institutions pursuant to a separate prospectus.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS PROSPECTUS SETS FORTH BASIC INFORMATION THAT A PROSPECTIVE INVESTOR SHOULD KNOW ABOUT THE COMPANY AND THE SHARES PRIOR TO INVESTING AND SHOULD BE READ AND RETAINED FOR FUTURE REFERENCE. A STATEMENT OF ADDITIONAL INFORMATION DATED JULY 31, 1995 HAS BEEN FILED WITH THE

SECURITIES AND EXCHANGE COMMISSION AND IS HEREBY INCORPORATED BY REFERENCE. A COPY OF THE STATEMENT OF ADDITIONAL INFORMATION IS INCLUDED AS AN APPENDIX TO THIS PROSPECTUS.

SHARES OF THE CASH RESERVE PORTFOLIO ARE NOT DEPOSITS OR OBLIGATIONS OF, OR GUARANTEED OR ENDORSED BY, ANY BANK, AND THE CASH RESERVE PORTFOLIO'S SHARES ARE NOT FEDERALLY INSURED OR GUARANTEED BY THE U.S. GOVERNMENT, THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE FEDERAL RESERVE BOARD OR ANY OTHER AGENCY. THERE CAN BE NO ASSURANCE THAT THE CASH RESERVE PORTFOLIO WILL BE ABLE TO MAINTAIN A STABLE NET ASSET VALUE OF $1.00 PER SHARE. SHARES OF THE CASH RESERVE PORTFOLIO INVOLVE INVESTMENT RISKS, INCLUDING THE POSSIBLE LOSS OF PRINCIPAL.

[LOGO OF AIM APPEARS HERE]

Fund Management Company

11 Greenway Plaza
Suite 1919
Houston, TX 77046-1173
(800) 659-1005

ORGANIZATION OF THE COMPANY

The Company is a Maryland corporation organized as an open-end, diversified, series investment company, which currently has one portfolio, the Cash Reserve Portfolio, which is referred to herein as the "Fund."

The Fund currently offers two classes of shares, the Institutional Cash Reserve Shares and the Private Investment Class Shares. The Institutional Cash Reserve Shares, offered pursuant to this Prospectus, are referred to herein as the "Institutional Class." The Institutional Class is offered exclusively to banks and other financial institutions investing for themselves or in a fiduciary, advisory, agency, custodial or other similar capacity.

THIS PROSPECTUS RELATES SOLELY TO THE INSTITUTIONAL CASH RESERVE SHARES.

TABLE OF FEES AND EXPENSES

SHAREHOLDER TRANSACTION EXPENSES	
Maximum sales load imposed on purchases (as a percentage of offering price)	None
Maximum sales load on reinvested dividends (as a percentage of offering price)	None
Deferred sales load (as a percentage of original purchase price or redemption proceeds, as applicable)	None
Redemption fees (as a percentage of amount redeemed, if applicable)	None
Exchange fee	None
ANNUAL OPERATING EXPENSES OF THE SHARES (AS A PERCENTAGE OF AVERAGE NET ASSETS)	
Management fees	.16%*
12b-1 plan fee	Not Applicable
Other expenses	.04%
Total operating expenses of the shares	.20%

- ------
* After fee waivers.

The purpose of the foregoing table is to assist an investor in understanding the various costs and expenses that an investor in the Institutional Class will bear directly or indirectly. Had there been no fee waivers during the fiscal year, management fees would have been 0.22%. A beneficial holder of shares of the Institutional Class should also consider the effect of any account fees charged by the financial institution managing his or her account.

EXAMPLE

An investor would pay the following expenses on a $1,000 investment, assuming (1) 5% annual return and (2) redemption at the end of each time period.

<TABLE>

<S>	<C>
1 year	$ 2
3 years	$ 6
5 years	$11
10 years	$26

</TABLE>

THE EXAMPLES SHOWN IN THE ABOVE TABLE SHOULD NOT BE CONSIDERED TO BE AN ACCURATE REPRESENTATION OF PAST OR FUTURE PERFORMANCE AND ACTUAL EXPENSES MAY BE GREATER OR LESSER THAN THOSE SHOWN.

FINANCIAL HIGHLIGHTS

Shown below are the per share income and capital changes for a share outstanding during the fiscal years ended March 31, 1995, 1994, 1993, 1992, 1991 and 1990, the eleven months ended March 31, 1989 and the fiscal years ended April 30, 1988, 1987 and 1986. The following information has been audited by KPMG Peat Marwick LLP, independent auditors, whose report on the financial statements and the related notes appears in the Statement of Additional Information.

<TABLE>
<CAPTION>

	FOR THE YEAR ENDED MARCH 31, 1995	1994	1993	1992	1991	1990	FOR THE PERIOD ENDED MARCH 31, 1989
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00
Income from investment operations:							
Net investment income	0.03	0.02	0.03	0.04	0.06	0.06	0.05
Less distributions:							
Dividends from net investment income	(0.03)	(0.02)	(0.03)	(0.04)	(0.06)	(0.06)	(0.05)
Net asset value, end of period	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00
Total return	3.06%	2.33%	2.66%	4.09%	5.68%	6.22%	5.67%(a)
Ratios/Supplemental Data							
Net assets, end of period (000s omitted)	$1,009,891	$1,040,595	$994,828	$1,191,209	$1,156,557	$1,114,813	$1,062,479
Ratio of expenses to average net assets	0.20%(b)(c)	0.20%(b)	0.20%(b)	0.20%(b)	0.20%(b)	0.20%(b)	0.20%(a)(b)
Ratio of net investment income to average net assets	3.01%(b)(c)	2.30%(b)	2.66%(b)	4.00%(b)	5.52%(b)	6.03%(b)	5.52%(a)(b)

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<CAPTION>

	FOR THE YEAR ENDED APRIL 30,		
	1988	1987	1986
<S>	<C>	<C>	<C>
Net asset value, beginning of period..........	$ 1.00	$ 1.00	$ 1.00
Income from investment operations:			
Net investment income.........	0.04	0.04	0.05
Less distributions:			
Dividends from net investment income.........	(0.04)	(0.04)	(0.05)
Net asset value, end of period...	$ 1.00	$ 1.00	$ 1.00
Total return.....	4.56%	4.24%	5.26%
Ratios/Supplemental Data			
Net assets, end of period (000s omitted).......	$1,192,604	$993,392	$1,000,227
Ratio of expenses to average net assets.........	0.21%(b)	0.21%(d)	0.22%(d)
Ratio of net investment income to average net assets.........	4.47%(b)	4.14%(d)	5.20%(d)

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</TABLE>

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(a) Annualized.
(b) After waiver of advisory fees.

(c) Ratios are based on average net assets of $1,092,308,224. Ratios of expenses and net investment income to average net assets prior to waiver of advisory fees are 0.26% and 2.95%, respectively.
(d) After waiver of advisory fees and distribution fees.

SUITABILITY FOR INVESTORS

The Institutional Class is intended for use by banks and other financial institutions, investing for themselves or in a fiduciary, advisory, agency, custodial or other similar capacity. The Institutional Class is designed to be a convenient and economical vehicle in which such shareholders can invest in high quality municipal obligations with remaining maturities of 397 days or less while maintaining liquidity. The municipal obligations purchased for investment by the Portfolio are hereinafter referred to as "Municipal Securities."

Shares of the Institutional Class may not be purchased directly by individuals, although institutions may purchase the Institutional Class for accounts maintained for individuals. Prospective investors should determine if an investment in the Institutional Class is consistent with the investment objectives of their clients and with applicable state and federal laws and regulations. Certain financial institutions may impose changes in connection with opening or maintaining their customers' accounts or for providing recordkeeping or sub-accounting services with respect to the Institutional Class. Beneficial owners of the Institutional Class held of record by an institutional investor should read this Prospectus in light of the terms governing their institutional accounts, and should obtain from such institution information concerning any recordkeeping, account maintenance or other fees charged to their accounts. The minimum amount required for an initial investment in the Institutional Class is $1 million.

An investment in the Institutional Class may relieve the institution of many of the investment and administrative burdens encountered when investing in Municipal Securities directly, including: selection of portfolio investments; surveying the market for the best price at which to buy and sell; valuation of portfolio securities; selection and scheduling of maturities; receipt, delivery and safekeeping of securities; and portfolio recordkeeping. At the same time, the expenses of the Company attributable to the Institutional Class are expected to be relatively small due primarily to the fact that there will be only a small number of shareholders in the Institutional Class. These shareholders of the Institutional Class do not need many of the services provided by other tax-exempt investment companies, thereby resulting in lower transfer agent fees and costs for printing reports and any necessary proxy statements. In addition, sales of the Institutional Class to institutions acting for themselves or in a fiduciary capacity are exempt from the registration requirements of most state securities laws, thereby resulting in reduced state registration fees.

It is anticipated that most shareholders of the Institutional Class will perform their own sub-accounting.

INVESTMENT PROGRAM

INVESTMENT OBJECTIVES

The investment objective of the Fund is to generate as high a level of tax-exempt income as is consistent with preservation of capital and maintenance of liquidity by investing in high quality, short-term Municipal Securities.

There can be no assurance that the Fund will achieve its investment objective.

MUNICIPAL SECURITIES

Municipal Securities include debt obligations issued to obtain funds for various public purposes, including the construction of a wide range of public facilities, the refunding of outstanding obligations, the obtaining of funds for general operating expenses and the lending of such funds to other public institutions and facilities. In addition, certain types of industrial development bonds are issued by or on behalf of public authorities to obtain funds to provide for the construction, equipment, repair or improvement of privately operated facilities. As used in this Prospectus and the Statement of Additional Information, interest which is "tax-exempt" or "exempt from federal income taxes" means interest on Municipal Securities which is excluded from gross income for federal income tax purposes, and which does not give rise to a federal alternative minimum tax liability. See "Tax Matters" herein and in the Statement of Additional Information.

INVESTMENT POLICIES

Except where noted, the investment policies stated below are not fundamental and may be changed by the Board of Directors of the Company without shareholder approval. Shareholders will be notified before any material change in the following investment policies becomes effective. Policies which are noted as fundamental may be changed only with the approval of the shareholders of the Fund.

QUALITY STANDARDS

The policies set forth below with respect to quality standards are fundamental and may be changed only with shareholder approval. The quality standards apply at the time of purchase of a security. Information concerning the ratings criteria of Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Corporation ("S&P") and certain other nationally recognized statistical rating organizations ("NRSROs") appears in the Statement of Additional Information.

The Fund will limit its purchases of Municipal Securities to those which are "First Tier" securities as defined in Rule 2a-7 under the Investment Company Act of 1940 (the "1940 Act"). The Securities and Exchange Commission (the "SEC") has proposed certain changes to Rule 2a-7. While such proposed changes may have a prospective impact on the investments of the Fund, the Fund anticipates no difficulty in complying with any proposed change if adopted by the SEC.

Generally, "First Tier" securities are securities that are rated in the highest rating category for short-term obligations by two NRSROs, or, if only rated by one NRSRO, are rated in the highest rating category by that NRSRO, or, if unrated, are determined by the Fund's investment advisor (under the supervision of and pursuant to guidelines established by the Board of Directors) to be of comparable quality to a rated security that meets the foregoing quality standards. For a complete definition of a "First Tier" security, see the definition set forth under the caption "Investment Program" in the Statement of Additional Information.

MATURITIES

The policies set forth below with respect to maturities are non-fundamental and may be changed without shareholder approval.

Consistent with its objective of stability of principal, the Fund attempts to maintain a constant net asset value per share of $1.00 and, to this end, values its assets by the amortized cost method and rounds the per share net asset value of its shares in compliance with Rule 2a-7, as amended from time to time. Accordingly, the Fund invests only in Municipal Securities having remaining maturities of 397 days or less and maintains a dollar weighted average portfolio maturity of 90 days or less.

The maturity of a security held by the Fund is determined in compliance with applicable rules and regulations. Certain securities bearing interest at rates that are adjusted prior to the stated maturity of the instrument or that are subject to repurchase agreements are deemed to have maturities shorter than their stated maturities.

VARIABLE OR FLOATING RATE INSTRUMENTS

The Fund may invest in Municipal Securities which have variable or floating interest rates which are readjusted periodically. Such readjustment may be based either upon a predetermined standard, such as a bank prime rate or the U.S. Treasury bill rate, or upon prevailing market conditions. Variable or floating interest rates generally reduce changes in the market price of Municipal Securities from their original purchase price. Accordingly, as interest rates decrease or increase, the potential for capital appreciation or depreciation is less for variable or floating rate Municipal Securities than for fixed income obligations.

Many Municipal Securities with variable or floating interest rates purchased by the Fund are subject to payment of principal and accrued interest (usually within seven days) on the Fund's demand. The terms of such demand instruments require payment of principal and accrued interest from the issuer, a guarantor and/or a liquidity provider. Frequently such obligations include letters of credit or other credit support arrangements provided by banking institutions. All variable or floating rate instruments will meet the quality standards of the Fund. A I M Advisors, Inc. ("AIM") will monitor the pricing, quality and liquidity of the variable or floating rate Municipal Securities held by the Fund.

SYNTHETIC MUNICIPAL INSTRUMENTS

AIM believes that certain synthetic municipal instruments provide opportunities for mutual funds to invest in high credit quality securities providing attractive returns, even in market conditions where the supply of short-term tax-exempt instruments may be limited. Synthetic municipal instruments (sometimes referred to as "derivative municipal instruments") are securities the value of and return on which are derived from underlying securities. Synthetic municipal instruments comprise a large percentage of tax-exempt securities eligible for purchase by tax-exempt money market funds. The types of synthetic municipal instruments in which the Fund may invest involve the deposit into a trust or custodial account of one or more long-term tax-exempt bonds or notes ("Underlying Bonds"), and the sale of certificates evidencing interests in the trust or custodial account to investors such as the Fund. The trustee or custodian receives the long-term fixed rate interest payments on the Underlying Bonds, and pays certificate holders short-term floating or variable interest rates which are reset periodically. Synthetic municipal instruments typically are created by a bank, broker-dealer or other financial institution ("Sponsor"). Typically, a portion of the interest paid on the Underlying Bonds which exceeds the interest paid to the certificate holders is paid to the Sponsor or other investors. For further information regarding specific types of synthetic municipal instruments in which the Fund may invest see the Statement of Additional Information.

All such instruments must meet the minimum quality standards required for the Fund's investments and must present minimal credit risks. In selecting synthetic municipal instruments for the Fund, AIM considers the creditworthiness of the issuer of the Underlying Bond, the Sponsor and the party providing certificate holders with a conditional right to sell (put) their certificates at stated times and prices. Typically, a certificate holder cannot exercise its put upon the occurrence of certain conditions, such as where the issuer of the Underlying Bond defaults on interest payments. Moreover, because synthetic municipal instruments involve a trust or custodial account and a third party conditional put feature, they involve complexities and potential risks that may not be present where a municipal security is owned directly.

The tax-exempt character of the interest paid to certificate holders is based on the assumption that the holders have an ownership interest in the Underlying Bonds; however, the Internal Revenue Service has not issued a ruling addressing this issue. In the event the Internal Revenue Service issues an adverse ruling or successfully litigates this issue, it is possible that the interest paid to the Fund on certain synthetic municipal instruments would be deemed to be taxable. The Fund relies on opinions of counsel on this ownership question and opinions of bond counsel regarding the tax-exempt character of interest paid on the Underlying Bonds.

WHEN-ISSUED SECURITIES AND DELAYED DELIVERY TRANSACTIONS

The Fund may purchase Municipal Securities on a "when-issued" basis, that is, delivery of and payment for the securities is not fixed at the date of purchase, but is set after the securities are issued (normally within forty-five days after the date of the transaction), and may purchase or sell Municipal Securities on a delayed delivery basis. The payment obligation and the interest rate that will be received on the securities are fixed at the time the buyer enters into the commitment. The Fund will only make commitments to purchase when-issued or delayed delivery Municipal Securities with the intention of actually acquiring such securities, but the Fund may sell these securities before the settlement date if it is deemed advisable. No additional when-issued or delayed delivery commitments will be made if more than 25% of the Fund's net assets would become so committed.

Investment in securities on a when-issued or delayed delivery basis may increase the Fund's exposure to market fluctuation and may increase the possibility that the Fund will incur short-term gains subject to federal taxation or short-term losses if the Fund must engage in portfolio transactions in order to honor a when-issued or delayed delivery commitment. In a delayed delivery transaction, the Fund relies on the other party to complete the transaction. If the transaction is not completed, the Fund may miss a price or yield considered to be advantageous. The Fund will employ techniques designed to reduce such risks.

If the Fund purchases a when-issued or delayed delivery security, the Fund will direct its custodian bank to segregate cash or other high grade securities (including temporary investments and Municipal Securities) of the Fund in an amount equal to the when-issued or delayed delivery commitment. If the market value of such segregated securities declines, additional cash or securities will be segregated on a daily basis so that the market value of the segregated cash or securities will equal the amount of the Fund's when-issued or delayed delivery commitments. To the extent funds are segregated, they will not be available for new investments or to meet redemptions.

For a more complete description of when-issued securities and delayed delivery transactions, see the Statement of Additional Information under the caption "Investment Program and Restrictions--When-Issued Securities and Delayed Delivery Transactions."

INVESTMENT RESTRICTIONS

The Fund's investment program is subject to a number of investment restrictions which reflect self-imposed standards as well as federal and state regulatory limitations. These restrictions provide that the Fund will not:

(1) with respect to 75% of its total assets, purchase securities of any issuer (except obligations of the U.S. Government, its agencies or instrumentalities, including any Municipal Securities guaranteed by the U.S. Government) if as a result of such purchase more than 5% of the Fund's total net assets would be invested in securities of such issuer except as permitted by Rule 2a-7 of the 1940 Act as amended from time to time;

(2) purchase any securities which would cause more than 25% of the value of the Fund's total net assets at the time of such purchase to be invested in: (i) securities of one or more issuers conducting their principal activities in the same state, (ii) securities, the interest on which is paid from revenues of projects with similar characteristics, or (iii) industrial development bonds issued by issuers in the same industry; provided that there is no limit with respect to investments in U.S. Treasury Bills, other obligations issued or guaranteed by the U.S. Government and its agencies or instrumentalities, certificates of deposit and guarantees of Municipal Securities by banks;

(3) purchase any industrial development bond, if, as a result of such purchase, more than 5% of the Fund's total assets would be invested in securities of issuers, which, together with their predecessors, have been in business for less than three years;

(4) borrow money or pledge, mortgage or hypothecate the assets of the Fund except for temporary or emergency purposes and then only in an amount not exceeding 10% of the value of the Fund's total assets, except that the Fund may purchase when-issued securities consistent with the Fund's investment objectives and policies; provided that the Fund will repay all borrowings (other than when-issued purchases) before making additional investments;

(5) invest in shares of any other investment company, other than in connection with a merger, consolidation, reorganization or acquisition of assets, except that the Fund may invest up to 10% of its assets in securities of other investment companies and then only for temporary purposes in those investment companies whose dividends are tax-exempt; provided that the Fund will not invest more than 5% of its assets in securities of any investment company nor purchase more than 3% of the outstanding voting stock of any investment company;

(6) lend money or securities except to the extent that the Fund's investments may be considered loans;

(7) purchase or sell puts, calls, straddles, spreads or combinations thereof, except that the Fund may purchase Stand-by Commitments;

(8) invest more than 10% of the value of its net assets in illiquid securities, including repurchase agreements with remaining maturities in excess of seven days;

(9) invest in companies for the purpose of exercising control;

(10) underwrite any issue of securities, except to the extent that the purchase of securities, either directly from the issuer or from an underwriter for an issuer, and the later disposition of such securities in accordance with the Fund's investment program, may be deemed an underwriting;

(11) purchase or sell real estate, but this shall not prevent investments in securities secured by real estate or interests therein;

(12) sell securities short or purchase any securities on margin, except for such short-term credits as are necessary for the clearance of

transactions;

(13) purchase or retain securities of an issuer if, to the knowledge of the Company, the directors and officers of the Company, and the directors and officers of AIM, each of whom owns more than 1/2 of 1% of such securities, together own more than 5% of the securities of such issuer; or

(14) purchase or sell commodities or commodity futures contracts or interests in oil, gas or other mineral exploration or development programs.

The foregoing restrictions are matters of fundamental policy and may not be changed without shareholder approval.

In addition to the restrictions described above, the Company must also comply with the requirements of Rule 2a-7 under the 1940 Act, as amended, which governs the operations of money market funds and may be more restrictive. The SEC has proposed certain changes to Rule 2a-7. While such proposed changes may have a prospective impact on the investments of the Fund, the Fund anticipates no difficulty in complying with any proposed change if adopted by the SEC. A description of further investment restrictions applicable to the Fund is contained in the Statement of Additional Information.

OTHER CONSIDERATIONS

The ability of the Fund to achieve its investment objectives depends upon the continuing ability of the issuers or guarantors of Municipal Securities held by such Fund to meet their obligations for the payment of interest and principal when due. The securities in which the Fund invests may not yield as high a level of current income as longer term or lower grade securities, which generally have less liquidity and greater fluctuation in value. The net asset value per share of the Institutional Class will normally remain constant at $1.00, although there can be no assurance that such net asset value will not change.

PURCHASE OF SHARES

Shares of the Institutional Class are sold on a continuing basis at their net asset value next determined after an order has been accepted by the Company. Although no sales charge is imposed in connection with the purchase of shares of the Institutional Class, banks or other financial institutions may charge a record keeping, account maintenance or other fees to their customers. Beneficial holders in the Class of the Fund should consult with such institutions to obtain a schedule of such fees. In order to be accepted for execution and unless the purchasing institution has made prior arrangements with the Company, purchase orders for shares of the Institutional Class must be submitted to and received by the Company prior to the determination of net asset value (12:00 noon Eastern Time) on a "business day" of the Fund, which means any day on which commercial banks in the New York Federal district are open for business. It is expected that commercial banks will be closed during the next twelve months on Saturdays and Sundays and on New Year's Day, Martin Luther King, Jr. Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans' Day, Thanksgiving Day and Christmas Day. Subject to the Company's right to reject any purchase order, purchase orders received prior to the net asset value determination on any business day will be effective on such day and payment for such shares must be made in the form of federal funds wired to A I M Institutional Fund Services, Inc. (the "Transfer Agent" or "AIFS") on the day of purchase.

The minimum initial investment for the purchase of shares of the Institutional Class is $1 million. An institution's Master Account(s) and sub-accounts may be aggregated for the purpose of the minimum investment requirement. No minimum amount is required for subsequent investments.

Prior to the initial purchase of shares of the Institutional Class, an Account Application must be completed and sent to A I M Institutional Fund Services, Inc., at P.O. Box 4497, Houston, Texas 77210-4497. Account Applications may be obtained from AIFS. Any funds received in respect of an order to purchase shares which is not accepted by the Company and any funds received for which an order has not been received will be promptly returned to the investor.

In the interest of economy and convenience, certificates representing shares of the Institutional Class will not be issued except upon written request to the Company. Share certificates (in full shares only) will be issued without charge and may be redeposited at any time.

The Company reserves the right in its sole discretion to withdraw all or any part of the offering made by this Prospectus or to reject any purchase order.

REDEMPTION OF SHARES

Shareholders may redeem any or all of their shares of the Institutional Class at the net asset value next determined after receipt of a redemption request in proper form by the Company. There is no charge for redemption. The value of shares of the Institutional Class on redemption may be more or less than the shareholder's initial cost, depending upon the value of the Portfolio's investments at the time of redemption. It is expected that the net asset value of the Fund will remain constant at $1.00 per share. See "Net Asset Value Determination" in the Statement of Additional Information.

Redemption requests with respect to the Institutional Class for which certificates have not been issued are normally made by calling AIFS at (800) 659-1005. Redemption requests with respect to the Institutional Class may also be made via AIM LINK(TM), a personal computer application software product. Payment for redeemed shares of the Institutional Class is normally made by Federal Reserve wire to the commercial bank account designated in the shareholder's Account Application on the day specified below, but may be remitted by check upon request by a shareholder.

Unless prior arrangements have been made with the Company, if a redemption request is received by AIFS prior to 12:00 noon Eastern Time on a business day of the Fund, the redemption will be effected at the net asset value of the Fund determined as of 12:00 noon Eastern Time and the redemption proceeds will normally be wired on the same day. A redemption request received by AIFS after 12:00 noon Eastern Time or on other than a business day of the Fund will be effected at the net asset value of the Fund determined as of 12:00 noon Eastern Time on the next business day of such Fund, and the proceeds of such redemption will normally be wired on that day.

A shareholder may change the bank account designated to receive redemption proceeds by written notice to the Company. The authorized signature on the notice must be guaranteed by a commercial bank or trust company (which may include the shareholder). Additional documentation may be required when deemed appropriate by the Fund or its Transfer Agent.

Payment for shares of the Institutional Class redeemed by mail and payment for telephone redemptions in amounts of less than $10,000 will be made by check mailed within seven days after receipt of the redemption request in proper form. The Company may make payment for telephone redemptions in excess of $10,000 by check when it is considered to be in the Company's best interest to do so.

Dividends payable up to the date of redemption on redeemed shares of the Institutional Class will normally be paid on the next dividend payment date. However, if all of the shares of the Institutional Class in a shareholder's account are redeemed, dividends payable up to the date of redemption will normally be paid within five days of the date of redemption.

DETERMINATION OF NET ASSET VALUE

The net asset value per share (or share price) of the Fund is determined as of 12:00 noon Eastern Time on each "business day" of the Fund, as previously defined. It is calculated by subtracting the Fund's liabilities from its total assets and by dividing the result by the total number of shares outstanding in the Fund, and rounding such per share net asset value to the nearest whole cent. The determination of the Fund's net asset value per share is made in accordance with generally accepted accounting principles. Among other items, the Fund's liabilities include accrued expenses and dividends payable, and its total assets include portfolio securities valued at their market value as well as income accrued but not yet received. Fund securities in the Fund are valued on the basis of amortized cost. All variable rate securities held in the Fund with an unconditional demand or put feature exercisable within seven days or less shall be valued at par, which reflects the market value of such securities.

DIVIDENDS

Net investment income (not including any net short-term gains) earned by the Fund is declared as a dividend to the shareholders of record on each business day of the Company. The dividend declared on any day preceding a non-business day of the Fund will include the income accrued on such non-business day. Dividends will be paid monthly. Net realized capital gains (including net short-term gains) are normally distributed annually. The Fund does not expect to realize any long-term capital gains and losses. Dividends and distributions are paid in cash unless the shareholder has elected to have such dividends and distributions reinvested in the form of additional full and fractional shares at the net asset value thereof.

The dividend accrued and paid for each class of shares of the Company will consist of: (a) interest accrued and original issue discount earned less amortization of premiums, if any, for the portfolio to which such class relates, allocated based upon such class' pro rata share of the total shares outstanding which relate to such portfolio, less (b) Company expenses accrued for the applicable dividend period attributable to such portfolio, such as custodian fees and accounting expenses, allocated based upon each such class's pro rata share of the net assets of such portfolio, less (c) expenses directly attributable to each class which are accrued for the applicable dividend period, such as distribution expenses, if any, transfer agent fees or registration fees which may be unique to such class.

Dividends are declared to shareholders of record immediately after 3:00 p.m. Eastern Time on the day of declaration. Accordingly, dividends accrue on the first day that a purchase order for shares of the Institutional Class is effective, but not on the day that a redemption order is effective. Thus, if a purchase order is accepted prior to 12:00 noon Eastern Time, the shareholder will receive its pro rata share of dividends declared on that day. Information concerning the amount of the dividends declared on any particular day will normally be available by 3:00 p.m. Eastern Time on that day.

PERFORMANCE INFORMATION

Performance information for the Institutional Class can be obtained by calling the Company at (800) 659-1005. Performance will vary from time to time and past results are not necessarily indicative of future results. Investors should understand that performance is a function of the type and quality of the Fund's investments as well as its operating expenses. Performance information for the shares of the Institutional Class may not provide a basis for comparison with investments which pay fixed rates of interest for a stated period of time, with other investments or with investment companies which use a different method of calculating performance.

Comparative performance information using data from industry publications may be used from time to time in advertising or marketing the Institutional Class.

The yield of the Institutional Class, calculated as described below, will fluctuate from day to day. Calculations of yield will take into account the total income received by the Fund, including taxable income, if any; however, the Fund intends to invest its assets so that one hundred percent (100%) of its annual interest income will be tax-exempt. To the extent that different classes of shares bear different expenses, the yields of such classes can be expected to vary. To the extent that institutions charge fees in connection with services provided in conjunction with the Fund, the yield will be lower for those beneficial owners paying such fees.

From time to time and in its dicretion, AIM may waive all or a portion of its advisory fees and/or assume certain expenses of the Fund. Such a practice will have the effect of increasing the Fund's yield and total return.

The current yield and effective yield (which assumes the reinvestment of dividends for a 365 day year and a return for the entire year equal to the average annualized current yield for the period) for the Institutional Class are calculated according to a formula prescribed by the SEC. See "Performance Information" in the Statement of Additional Information. For the seven-day period ended March 31, 1995 the current yield and effective yield for the Institutional Class were 3.86% and 3.93%, respectively.

TAX MATTERS

The Fund has qualified and intends to qualify for treatment as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). As long as the Fund qualifies for this tax treatment, it is not subject to federal income taxes on amounts distributed to shareholders.

Shareholders will not be required to include the "exempt-interest" portion of dividends paid by the Fund in their gross income for federal income tax purposes. However, shareholders will be required to report the receipt of exempt-interest dividends and other tax-exempt interest on their federal income tax returns. Moreover, exempt-interest dividends from the Fund may be subject to state income taxes, may give rise to a federal alternative minimum tax liability, may affect the amount of social security benefits subject to federal income tax, may affect the deductibility of interest on certain indebtedness of a shareholder and may have other collateral federal income tax consequences. The Fund intends to avoid investment in Municipal Securities the interest on which will constitute an item of tax preference and therefore could give rise to a federal alternative minimum tax liability. For additional information concerning the alternative minimum tax and certain collateral tax consequences of the receipt of exempt-interest dividends, see the Statement of Additional Information.

The Fund may pay dividends to shareholders which are taxable, but will endeavor to avoid investments which would result in taxable dividends. Unless otherwise required by Treasury regulations, the percentage of dividends which constitutes exempt-interest dividends, and the percentage thereof (if any) which constitutes an item of tax preference will be determined annually and will be applied uniformly to all dividends declared during that year. These percentages may differ from the actual percentages for any particular day.

To the extent that dividends are derived from taxable investments or net realized short-term capital gains, they will constitute ordinary income for federal income tax purposes, whether received in cash or additional shares. Distributions of net long-term capital gains (capital gain dividends), if any, will be taxable as long-term capital gains, whether received in cash or additional shares.

From time to time, proposals have been introduced before Congress that would have the effect of reducing or eliminating the federal tax exemption on Municipal Securities. If such a proposal were enacted, the ability of the Fund to pay exempt-interest dividends might be adversely affected.

Shareholders will be advised annually as to the federal income tax status of distributions made during the year. Shareholders are advised to consult with their tax advisors concerning the impact of the Code on their investments in the Fund, and concerning the application of state, local and foreign taxes to investments in the Fund, which may differ significantly from the federal income tax consequences described above.

MANAGEMENT OF THE COMPANY

BOARD OF DIRECTORS

The overall management of the business and affairs of the Company is vested in its Board of Directors. The Board of Directors approves all significant agreements between the Company and persons or companies furnishing services to the Company, including the Company's agreements with the Fund's investment advisor, distributor, custodian and transfer agent. The day-to-day operations of the Company are delegated to the Company's officers and to AIM, subject always to the objective and policies of the Fund and to the general supervision of the Board of Directors. AIM also furnishes or procures on behalf of the Company all services necessary to the proper conduct of the Company's business. Certain directors and officers of the Company are affiliated with AIM and A I M Management Group Inc. ("AIM Management"), the parent of AIM. Information concerning the Board of Directors may be found in the Statement of Additional Information.

DISTRIBUTOR

The Company has entered into a distribution agreement dated as of October 18, 1993 (the "Distribution Agreement") with FMC, a wholly-owned subsidiary of AIM, with respect to the Institutional Class. FMC does not receive any fees from the Company. Two directors and several officers of the Company are affiliated with FMC.

FMC may, from time to time, at its expense, pay a bonus or other consideration or incentive to banks or dealers who sell a minimum dollar amount of the shares of the Fund during a specific period of time. In some instances, these incentives may be offered only to certain banks or dealers who have sold or may sell significant amounts of shares. The total amount of such additional bonus payments or other consideration shall not exceed 0.05% of the net asset value of the shares sold. Any such bonus or incentive programs will not change the price paid by investors for the purchase of the Fund's shares or the amount that the Fund will receive as proceeds from such sales. Banks or dealers may not use sales of the Fund's shares to qualify for any incentives to the extent that such incentives may be prohibited by the laws of any jurisdiction.

INVESTMENT ADVISOR

A I M Advisors, Inc., 11 Greenway Plaza, Suite 1919, Houston, Texas 77046-1173, acts as the Company's investment advisor with respect to the Fund pursuant to an Investment Advisory Agreement dated as of October 18, 1993 (the "Advisory Agreement"). AIM, which was organized in 1976, advises or manages 37 investment company portfolios. As of July 14, 1995, the total assets of the investment company portfolios advised or managed by AIM or its affiliates were approximately $34.8 billion.

Pursuant to the terms of the Advisory Agreement, AIM manages the investments of the Fund. AIM obtains and evaluates economic, statistical and financial information to formulate and implement investment programs for the Fund. AIM shall not be liable to the Company or to its shareholders except in the case of willful misfeasance, bad faith, gross negligence or reckless disregard of duty; provided, however, that AIM may be liable for certain breaches of duty under the 1940 Act.

FEES AND EXPENSES

Pursuant to the Advisory Agreement, the Company pays AIM a fee with respect to the Fund calculated at the annual rate of 0.25% of the first $500 million of the Fund's average daily net assets plus 0.20% of the Fund's average daily net assets in excess of $500 million.

For the fiscal year ended March 31, 1995, AIM was paid fees from the Company with respect to the Fund which represented 0.16% of the Fund's average net assets. During such fiscal year, those expenses of the Company which were borne by the Institutional Class, including fees paid to AIM, amounted to 0.20% of the Institutional Class' average net assets. For the fiscal year ended March 31, 1995, AIM waived a portion of its fees with respect to the Fund. Had AIM not waived its fee, AIM would have received an amount from the Company pursuant to the Advisory Agreement which represented 0.22% of the Fund's average daily net assets.

The Company pays or causes to be paid all expenses of the Company which are not borne by its distributor or AIM. See the Statement of Additional Information for a detailed description of these other charges.

FEE WAIVERS

In order to increase the yield to investors, AIM may from time to time voluntarily waive or reduce its fee while retaining the right to be reimbursed prior to year end. Fee waivers or reductions, other than those set forth in the Advisory Agreement, may be rescinded, however, at any time without further notice to investors, provided, however, that the fee waiver described below will be continued in effect until sixty days following notice to the Board of Directors that such fee waiver will be terminated.

AIM has agreed to reduce its fee from the Fund to the extent necessary to cause the expense ratio of the Company attributable to the operations of the Institutional Class not to exceed 0.20% (exclusive of interest, taxes, brokerage commissions, directors' fees, and registration fees payable to the SEC).

GENERAL INFORMATION

ORGANIZATION AND DESCRIPTION OF SHARES

The Company was originally incorporated in Maryland on January 24, 1977, but had no operations prior to March 21, 1983. On August 30, 1985, the Company was reorganized as a Massachusetts business trust. On May 1, 1992, the Company was reorganized as a Maryland corporation. The Company currently has one portfolio, the Cash Reserve Portfolio. The Fund currently offers two classes of shares, the Institutional Cash Reserve Shares and the Private Investment Class. The Private Investment Class is offered pursuant to a separate prospectus.

All shares of the Company have equal rights with respect to voting, except that the holders of shares of a particular class will have the exclusive right to vote on matters pertaining to distribution plans or shareholder service plans, if any such plans are adopted, relating solely to such class. The holders of each class have distinctive rights with respect to dividends which are more fully described in the Statement of Additional Information. There will not normally be annual shareholders' meetings. Shareholders may remove directors from office by votes cast at a meeting of shareholders or by written consent, and a meeting of shareholders may be called at the request of the holders of 10% or more of the Company's outstanding shares.

There are no preemptive or conversion rights applicable to any of the Company's shares. The Company's shares, when issued, will be fully paid and non-assessable. The Board of Directors may create additional classes or series of the Company's shares without shareholder approval.

TRANSFER AGENT AND CUSTODIAN

A I M Institutional Fund Services, Inc., 11 Greenway Plaza, Suite 1919, Houston, Texas 77046-1173, acts as transfer agent for the Institutional Class offered pursuant to this Prospectus. State Street Bank and Trust Company, 225

Franklin Street, Boston, Massachusetts 02105 acts as custodian for the Company's portfolio securities and cash for the Institutional Class offered pursuant to this Prospectus.

SHAREHOLDER INQUIRIES

Inquiries by holders of the Class concerning the status of an account should be directed to the Fund or an AIFS investment representative by calling (800) 659-1005.

APPENDIX

STATEMENT OF
ADDITIONAL INFORMATION

TAX-FREE INVESTMENTS CO.
11 GREENWAY PLAZA, SUITE 1919
HOUSTON, TEXAS 77046
(800) 659-1005

INSTITUTIONAL CASH RESERVE SHARES

THIS STATEMENT OF ADDITIONAL INFORMATION IS NOT A PROSPECTUS.
IT SHOULD BE READ IN CONJUNCTION WITH THE PROSPECTUS THAT PRECEDES
THIS APPENDIX, ADDITIONAL COPIES OF WHICH MAY BE OBTAINED BY WRITING
FUND MANAGEMENT COMPANY
P.O. BOX 4333
HOUSTON, TEXAS 77210-4333
OR CALLING (800) 659-1005

STATEMENT OF ADDITIONAL INFORMATION DATED: JULY 31, 1995

RELATING TO THE PROSPECTUS DATED: JULY 31, 1995

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INTRODUCTION

Tax-Free Investments Co. (the "Company") is a mutual fund organized with one portfolio, the Cash Reserve Portfolio, which is referred to herein as the "Fund." The Fund may have one or more classes of shares. The rules and regulations of the United States Securities and Exchange Commission (the "SEC") require all mutual funds to furnish prospective investors with certain information concerning the activities of the fund being considered for investment. This information is included in the Prospectus dated July 31, 1995 (the "Prospectus") for Institutional Cash Reserve Shares (the "Institutional Class"), a class of the Fund of the Company. This Statement of Additional Information is intended to furnish investors with additional information concerning the Company. Some of the information set forth in this Statement of Additional Information is also included in the Prospectus and, in order to avoid repetition, reference will be made to sections of the Prospectus. Additional information is contained in the Company's registration statement filed with the SEC. Copies of the registration statement may be obtained from the SEC by paying the charges prescribed under its rules and regulations.

GENERAL INFORMATION ABOUT THE COMPANY

THE COMPANY AND ITS SHARES

The Company is an open-end diversified series management investment company initially organized as a corporation under the laws of the State of Maryland on January 24, 1977. The Company was reorganized as a business trust under the laws of the Commonwealth of Massachusetts on August 30, 1985, and was formerly known as "Tax-Free Investments Trust." The Company was reorganized as a Maryland corporation under the name "Tax-Free Investments Co." on May 1, 1992. Shares of the Company are redeemable at the net asset value thereof at the option of the holders thereof or at the option of the Company in certain circumstances. Information concerning the methods of redemption and the rights of share ownership are set forth in the Prospectus under "General Information" and "Redemption of Shares."

As used in the Prospectus, the term "majority of the outstanding shares" of the Company, the Fund or a particular class of shares of the Company means, respectively, the vote of the lesser of (i) 67% or more of the shares of the Company or Fund or class present at a meeting, if the holders of more than 50% of the outstanding shares of the Company or Fund or class are present or represented by proxy, or (ii) more than 50% of the outstanding shares of the Company or Fund or class.

Shareholders of the Company do not have cumulative voting rights, and therefore the holders of a majority of a quorum of the outstanding shares of all classes voting together for election of directors may elect all of the members of the Board of Directors of the Company. In such event, the remaining holders cannot elect any members of the Board of Directors of the Company.

The Board of Directors may classify or reclassify any unissued shares of any class or classes in addition to those already authorized by setting or changing in any one or more respects, from time to time and prior to the issuance of such shares, the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications, or terms or conditions of redemption, of such shares. Any such classification or reclassification will comply with the provisions of the Investment Company Act of 1940, as amended (the "1940 Act").

The Articles of Incorporation permit the directors to issue 6,000,000,000 shares of common stock, of $.001 par value. A share of the Company's common stock represents an equal proportionate interest in the Fund and is entitled to a proportionate interest in the dividends and distributions with respect to its class of the Fund. Additional information concerning the rights of share ownership is set forth in the Prospectus.

The assets received by the Company for the issuance of shares of each class relating to the Fund and all income, earnings, profits, losses and proceeds therefrom, subject only to the rights of creditors, are allocated to the Fund and constitute the underlying assets of the Fund. The underlying assets of the Fund are charged with the expenses attributable to the Fund. See "Expenses."

The Articles of Incorporation provide that the directors will not be liable for errors of judgment or mistakes of fact or law. However, nothing in the Articles of Incorporation protects a director against any liability to which such director would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties involved in the conduct of his office. The Articles of Incorporation provide for indemnification by the Company of the directors and the officers of the Company except with respect to any matter as to which any such person did not act in good faith in the reasonable belief that his action was in, or not opposed to, the best interests of the Company. Such person may not be indemnified against any liability to the Company or the Company's shareholders to which he would otherwise be subject by reason of his willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office. The Articles of Incorporation also authorize the purchase of liability insurance on behalf of the Company's directors and officers.

As described in the Prospectus, the Company will not normally hold annual shareholders' meetings. A special meeting shall be held upon written request of the holders of not less than 10% of the outstanding shares of the Company. At such time as less

than a majority of the directors have been elected by the shareholders, the directors then in office will call a shareholders' meeting for the election of directors. In addition, directors may be removed from office by a written consent signed by the holders of two-thirds of the Company's outstanding shares and filed with the Company's transfer agent or by a vote of the holders of two-thirds of the Company's outstanding shares at a meeting duly called for the purpose. Upon written request by ten or more shareholders, who have been such for at least six months and who hold shares constituting at least 1% of the Company's outstanding shares, stating that such shareholders wish to communicate with the other shareholders for the purpose of obtaining the signatures necessary to demand a meeting to consider removal of a director, the Company has undertaken to provide a list of shareholders or to disseminate appropriate materials (at the expense of the requesting shareholders).

Except as otherwise disclosed in the Prospectus and in this Statement of Additional Information, the directors shall continue to hold office and may appoint their successors.

DIRECTORS AND OFFICERS

The directors and officers of the Company and their principal occupations during the last five years are set forth below. Unless otherwise noted, the address of each such director and officer is 11 Greenway Plaza, Suite 1919, Houston, Texas 77046-1173.

*CHARLES T. BAUER, Director and Chairman (76)

Director, Chairman and Chief Executive Officer, A I M Management Group Inc.; Chairman of the Board of Directors, A I M Advisors, Inc., A I M Capital Management, Inc., A I M Distributors, Inc., A I M Fund Services, Inc., A I M Global Associates, Inc., A I M Global Holdings, Inc., A I M Institutional Fund Services, Inc. and Fund Management Company; and Director, AIM Global Advisors Limited, A I M Global Management Company Limited and AIM Global Ventures Co.

BRUCE L. CROCKETT, Director (51)
COMSAT Corporation
6560 Rock Spring Drive
Bethesda, MD 20817

Director, President and Chief Executive Officer, COMSAT Corporation (Includes COMSAT World Systems, COMSAT Mobile Communications, COMSAT Video Enterprises, COMSAT RSI and COMSAT International Ventures). Previously, President and Chief Operating Officer, COMSAT Corporation; President, World Systems Division, COMSAT Corporation; and Chairman, Board of Governors of INTELSAT; (each of the COMSAT companies listed above is an international communication, information and entertainment-distribution services company).

OWEN DALY II, Director (70)

6 Blythewood Road
Baltimore, MD 21210

Director, Cortland Trust Inc. (investment company). Formerly, Director, CF & I Steel Corp., Monumental Life Insurance Company and Monumental General Insurance Company; and Chairman of the Board of Equitable Bancorporation.

**CARL FRISCHLING, Director (58)

919 Third Avenue

New York, NY 10022

Partner, Kramer, Levin, Naftalis, Nessen, Kamin & Frankel (law firm). Formerly, Partner Reid & Priest (law firm); and prior thereto, Partner, Spengler Carlson Gubar Brodsky & Frischling (law firm).

*ROBERT H. GRAHAM, Director and President (48)

Director, President and Chief Operating Officer, A I M Management Group Inc.; Director and President, A I M Advisors, Inc.; Director and Executive Vice President, A I M Distributors, Inc.; Director and Senior Vice President, A I M Capital Management, Inc., A I M Fund Services, Inc., A I M Global Associates, Inc., A I M Global Holdings, Inc., AIM Global Ventures Co., A I M Institutional Fund Services, Inc. and Fund Management Company; and Senior Vice President, AIM Global Advisors Limited.

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*A director who is an "interested person" of the Company and A I M Advisors, Inc. as defined in the 1940 Act.

**A director who is an "interested person" of the Company as defined in the 1940 Act.

JOHN F. KROEGER, Director (70)

24875 Swan Road--Martingham
Box 464

St. Michaels, MD 21663

Director, Flag Investors International Fund, Inc., Flag Investors Emerging Growth Fund, Inc., Flag Investors Telephone Income Fund, Inc., Flag Investors Equity Partners Fund, Inc., Total Return U.S. Treasury Fund, Inc., Flag Investors Intermediate Term Income Fund, Inc., Managed Municipal Fund, Inc., Flag Investors Value Builder Fund, Inc., Flag Investors Maryland Intermediate Tax-Free Income Fund, Inc., Flag Investors Real Estate Securities Fund, Inc., Alex. Brown Cash Reserve Fund, Inc. and North American Government Bond Fund, Inc. (investment companies). Formerly, Consultant, Wendell & Stockel Associates, Inc. (consulting firm).

LEWIS F. PENNOCK, Director (52)
8955 Katy Freeway, Suite 204
Houston, TX 77024

Attorney in private practice in Houston, Texas.

IAN W. ROBINSON, Director (72)
183 River Drive
Tequesta, FL 33469

Formerly, Executive Vice President and Chief Financial Officer, Bell Atlantic Management Services, Inc. (provider of centralized management services to telephone companies); Executive Vice President, Bell Atlantic Corporation (parent of seven telephone companies); and Vice President and Chief Financial Officer, Bell Telephone Company of Pennsylvania and Diamond State Telephone Company.

LOUIS S. SKLAR, Director (55)
Transco Tower, 50th Floor
2800 Post Oak Blvd.
Houston, TX 77056

Executive Vice President, Development and Operations, Hines Interests Limited Partnership (real estate development).

***JOHN J. ARTHUR, Senior Vice President and Treasurer (50)

Senior Vice President and Treasurer, A I M Advisors, Inc.; Vice President and Treasurer, A I M Management Group Inc., A I M Capital Management, Inc., A I M Distributors, Inc., A I M Fund Services, Inc., A I M Institutional Fund Services, Inc. and Fund Management Company; and Vice President, AIM Global Advisors Limited, A I M Global Associates, Inc., A I M Global Holdings, Inc. and AIM Global Ventures Co.

GARY T. CRUM, Senior Vice President (47)

Director and President, A I M Capital Management, Inc.; Director and Senior Vice President, A I M Management Group Inc., A I M Advisors, Inc., A I M Global Associates, Inc., A I M Global Holdings, Inc. and AIM Global Ventures Co.; Director, A I M Distributors, Inc.; and Senior Vice President, AIM Global Advisors Limited.

***CAROL F. RELIHAN, Vice President and Secretary (40)

Vice President, General Counsel and Secretary, A I M Management Group Inc., A I M Advisors, Inc., A I M Fund Services, Inc., A I M Institutional Fund Services, Inc. and Fund Management Company; Vice President and Secretary, A I M Distributors, Inc., A I M Global Associates, Inc. and A I M Global Holdings, Inc.; Vice President and Assistant Secretary, AIM Global Advisors Limited and AIM Global Ventures Co.; and Secretary, A I M Capital Management, Inc.

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***Mr. Arthur and Ms. Relihan are married.

DANA R. SUTTON, Vice President and Assistant Treasurer (36)

Vice President and Fund Controller, A I M Advisors, Inc.; and Assistant Vice President and Assistant Treasurer, Fund Management Company.

STUART W. COCO, Vice President (40)

Senior Vice President, A I M Capital Management, Inc.; and Vice President, A I M Advisors, Inc.

MELVILLE B. COX, Vice President (51)

Vice President, A I M Advisors, Inc., A I M Capital Management, Inc., A I M Fund Services, Inc. and A I M Institutional Fund Services, Inc.; and Assistant Vice President, A I M Distributors, Inc. and Fund Management Company. Formerly, Vice President, Charles Schwab & Co., Inc.; Assistant Secretary, Charles Schwab Family of Funds and Schwab Investments; Chief Compliance Officer, Charles Schwab Investment Management, Inc.; and Vice President, Integrated Resources Life Insurance Co. and Capitol Life Insurance Co.

KAREN DUNN KELLEY, Vice President (35)

Director, A I M Global Management Company Limited; Senior Vice President, A I M Capital Management, Inc. and AIM Global Advisors Limited; and Vice President, A I M Advisors, Inc. and AIM Global Ventures Co.

J. ABBOTT SPRAGUE, Vice President (40)

Director and President, A I M Institutional Fund Services, Inc. and Fund Management Company; Director and Senior Vice President, A I M Advisors, Inc.; and Senior Vice President, A I M Management Group Inc.

The Company's Board of Directors has an Audit Committee, consisting of Messrs. Kroeger (Chairman), Daly, Pennock and Robinson, which is responsible for meeting with the Fund's auditors to review audit procedures and results and to consider any matters arising from an audit to be brought to the attention of the directors as a whole with respect to the Fund's fund accounting, its internal accounting controls, or to consider such matters as may from time to time be set forth in a charter adopted by the Board of Directors and such committee.

The Board of Directors also has an Investments Committee, consisting of Messrs. Daly (Chairman), Bauer, Crockett, Kroeger and Pennock, which is responsible for considering matters relating to investment management, or for considering such matters as may from time to time be set forth in a charter adopted by the Board of Directors.

The Company also has a Nominating and Compensation Committee, consisting of Messrs. Pennock (Chairman), Crockett, Daly, Kroeger and Sklar, which is responsible for considering and nominating individuals to stand for election as directors who are not "interested persons" (as defined by the 1940 Act) as long as the Company maintains a Distribution Plan on behalf of the Fund pursuant to Rule 12b-1 under the 1940 Act, or considering such matters as may from time to time be set forth in a charter adopted by the Board and such committee.

All of the Company's directors also serve as directors or trustees of some or all of the other investment companies managed or advised by A I M Advisors, Inc. ("AIM") or distributed and administered by Fund Management Company. All of the Company's executive officers hold similar offices with some or all of such investment companies.

REMUNERATION OF DIRECTORS

Each director is reimbursed for expenses incurred in connection with each meeting of the Board of Directors or any Committee attended. The directors of the Company who do not serve as officers of the Company are compensated for their services according to a fee schedule which recognizes the fact that they also serve as directors or trustees of certain other regulated investment companies managed, administered or distributed by AIM or its affiliates (the "AIM Funds"). Each such director receives a fee, allocated among the AIM Funds for which he serves as a director or trustee, which consists of an annual retainer component and a meeting fee component.

Set forth below is information regarding compensation paid or accrued during the fiscal year ended March 31, 1995 for each director of the Company:

<TABLE>
<CAPTION>

DIRECTOR	AGGREGATE COMPENSATION FROM COMPANY(1)	RETIREMENT BENEFITS ACCRUED BY ALL AIM FUNDS(2)	TOTAL COMPENSATION FROM ALL AIM FUNDS(3)
<S>	<C>	<C>	<C>
Charles T. Bauer..........	-0-	-0-	-0-
Bruce L. Crockett.........	$1,650.04	$ 3,466.35	$45,093.75
Owen Daly II.............	$1,655.05	$17,603.00	$45,843.75
Carl Frischling...........	$1,650.04	$ 9,618.55	$45,093.75
Robert H. Graham..........	-0-	-0-	-0-
John F. Kroeger...........	$1,655.05	$24,043.55	$45,843.75
Lewis F. Pennock..........	$1,655.05	$ 5,850.45	$45,843.75
Ian W. Robinson...........	$1,650.04	$13,201.65	$45,093.75
Louis S. Sklar............	$1,650.04	$ 5,871.80	$45,093.75

</TABLE>

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(1) The total amount of compensation deferred by all Directors of the Company during the fiscal year ended March 31, 1995, including interest earned thereon, was $7,017.34.

(2) During the fiscal year ended March 31, 1995, the total amount of expenses allocated to the Company in respect of such retirement benefits was $3,330.09.

(3) Messrs. Bauer, Daly, Graham, Kroeger and Pennock each serves as a Director or Trustee of a total of 11 AIM Funds. Messrs. Crockett, Frischling, Robinson and Sklar each serves as a Director or Trustee of a total of 10 AIM Funds. Data reflects compensation earned for the calendar year ended December 31, 1994.

AIM FUNDS RETIREMENT PLAN FOR ELIGIBLE DIRECTORS/TRUSTEES

Under the terms of the AIM Funds Retirement Plan for Eligible Directors/Trustees (the "Plan"), each director (who is not an employee of any of the AIM Funds, A I M Management Group Inc. or any of their affiliates) may be entitled to certain benefits upon retirement from the Board of Directors. Pursuant to the Plan, the normal retirement date is the date on which the eligible director has attained age 65 and has completed at least five years of continuous service with one or more of the AIM Funds. Each eligible director is entitled to receive an annual benefit from the AIM Funds commencing on the first day of the calendar quarter coincident with or following his date of retirement equal to 5% of such Director's compensation paid by the AIM Funds multiplied by the number of such Director's years of service (not in excess of 10 years of service) completed with respect to any of the AIM Funds. Such benefit is payable to each eligible director in quarterly installments for a period of no more than five years. If an eligible director dies after attaining the normal retirement date but before receipt of any benefits under the Plan commences, the director's surviving spouse (if any) shall receive a quarterly survivor's benefit equal to 50% of the amount payable to the deceased director, for no more than five years beginning the first day of the calendar quarter following the date of the director's death. Payments under the Plan are not secured or funded by any AIM Fund.

Set forth below is a table that shows the estimated annual benefits payable to an eligible director upon retirement assuming various compensation and years of service classifications. The estimated credited years of service as of December 31, 1994 for Messrs. Crockett, Daly, Frischling, Kroeger, Pennock, Robinson and Sklar are 7, 8, 17, 17, 13, 7, and 5 years, respectively.

ANNUAL COMPENSATION PAID BY ALL AIM FUNDS

<TABLE>
<CAPTION>

NUMBER OF YEARS OF SERVICE WITH THE AIM FUNDS	$40,000	$45,000	$50,000	$55,000
<S>	<C>	<C>	<C>	<C>
10	$20,000	$22,500	$25,000	$27,500
9	$18,000	$20,250	$22,500	$24,750
8	$16,000	$18,000	$20,000	$22,000
7	$14,000	$15,750	$17,500	$19,250
6	$12,000	$13,500	$15,000	$16,500
5	$10,000	$11,250	$12,500	$13,750

</TABLE>

DEFERRED COMPENSATION AGREEMENTS

Messrs. Daly, Frischling, Kroeger, Robinson and Sklar (for purposes of this paragraph only, the "deferring directors") have each executed a Deferred Compensation Agreement (collectively, the "Agreements"). Pursuant to the Agreements, the deferring directors elected to defer receipt of 100% of their compensation payable by the Company, and such amounts are placed into a deferral account. Currently, the deferring directors may select various AIM Funds in which all or part of his deferral account shall be deemed to be invested. Distributions from the deferring directors' deferral accounts will be paid in cash, in generally equal quarterly installments over a period of five years beginning on the date the deferring director's retirement benefits commence under the Plan. The Company's Board of Directors, in its sole discretion, may accelerate or extend the distribution of such deferral accounts after the deferring director's termination of service as a director of the Company. If a deferring director dies prior to the distribution of amounts in his deferral account, the balance of the deferral account will be distributed to his designated beneficiary in a single lump sum payment as soon as practicable after such deferring director's death. The Agreements are not funded and, with respect to the payments of amounts held in the deferral accounts, the deferring directors have the status of unsecured creditors of the Company and of each other AIM Fund from which they are deferring compensation.

AIM and the Company have adopted a Code of Ethics which requires investment personnel (a) to pre-clear all personal securities transactions, (b) to file reports regarding such transactions, and (c) to refrain from personally engaging in (i) short-term trading of a security, (ii) transactions involving a security within seven days of an AIM Fund transaction involving the same, and (iii) transactions involving securities being considered for investment by an AIM Fund. The Code also prohibits investment personnel from purchasing securities in an initial public offering. Personal trading reports are reviewed periodically by AIM, and the Board of Directors reviews annually such reports (including information on any substantial violations of the Code). Violations of the Code may result in censure, monetary penalties, suspension or termination of employment.

The Fund paid legal fees of $4,475 for services rendered by Reid & Priest as counsel to the Board of Directors. In September 1994, Kramer, Levin, Naftalis, Nessen, Kamin & Frankel was appointed as counsel to the Board of Directors. The Fund paid legal fees of $1,296 for services rendered by that firm as counsel. A member of that firm is a director of the Company and, prior to September 1994, was a member of Reid & Priest.

THE DISTRIBUTOR

Fund Management Company ("FMC") serves as the distributor of the Institutional Class pursuant to a Distribution Agreement dated as of October 18, 1993 (the "Distribution Agreement"). FMC is a registered broker-dealer and a wholly-owned subsidiary of AIM. The address of FMC is 11 Greenway Plaza, Suite 1919, Houston, Texas 77046. Mail addressed to FMC should be sent to P.O. Box 4333, Houston, Texas 77210-4333.

The Distribution Agreement provides that FMC has the exclusive right to distribute shares of the Institutional Class either directly or through other broker-dealers. Pursuant to the Distribution Agreement, AIM Distributors (a) solicits and receives orders for the purchase of shares of the Institutional Class, accepts or rejects such orders on behalf of the Company in accordance with the Company's currently effective Prospectus, and transmits such orders as are accepted to the Company's transfer agent as promptly as possible; (b) receives requests for redemptions and transmits such redemption requests to the Company's transfer agent as promptly as possible; (c) responds to inquiries from shareholders concerning the status of their accounts and the operations of the Company; and (d) provides information concerning yields and dividend rates to shareholders. FMC does not receive any fees from the Company for its services.

FMC has not undertaken to sell any specific number of shares of the Institutional Class. The Distribution Agreement further provides that, in connection with the distribution of shares of the Institutional Class, FMC will pay all of the promotional expenses, including the incremental costs of printing prospectuses, statements of additional information, annual reports and other periodic reports for distribution to prospective investors and the costs of preparing and distributing any other supplemental sales material to prospective investors. The services of FMC to the Company are not exclusive so it is free to render similar services to others. FMC shall not be liable to the Company or the shareholders of the Institutional Class for any act or omission by FMC or for any loss sustained by the Company or the shareholders of the Institutional Class except in the case of willful misfeasance, bad faith, gross negligence or reckless disregard of duty.

FMC may, from time to time, at its expense, pay a bonus or other consideration or incentive to dealers or banks who sell a minimum dollar amount of the Institutional Class during a specific period of time. In some instances, these incentives may be offered only to certain dealers or institutions who have sold or may sell significant amounts of shares. The total amount of such additional bonus or payments or other consideration shall not exceed 0.05% of the net asset value per share of the Institutional Class sold. Any such bonus or incentive programs will not change the price paid by investors for the purchase of shares of the Institutional Class or the amount received as proceeds from such sales. Dealers or institutions may not use sales of the shares of the Institutional Class to qualify for any incentives to the extent that such incentives may be prohibited by the laws of any jurisdiction.

THE INVESTMENT ADVISOR

A I M Advisors, Inc., 11 Greenway Plaza, Suite 1919, Houston, Texas 77046, serves as investment advisor to the Fund pursuant to an Investment Advisory Agreement dated as of October 18, 1993 (the "Advisory Agreement"). AIM, which was organized in 1976, is the investment advisor or manager of 37 investment company portfolios. As of July 14, 1995, the total assets advised or managed by AIM or its affiliates were approximately $34.8 billion.

On May 9, 1995, the Board of Directors (including the affirmative vote of all the directors who were not parties to such agreement or "interested persons" of any such party) last approved the Advisory Agreement, which will be in effect until June 30, 1996. The Advisory Agreement will continue in effect from year to year thereafter if it is specifically approved at least annually by the affirmative vote of a majority of the directors who are not parties to the Advisory Agreement or "interested persons" of any such party by votes cast in person at a meeting called for such purpose. The Company or AIM may terminate the Advisory Agreement on 60 days' written notice without penalty. The Advisory Agreement terminates automatically in the event of its "assignment," as defined in the 1940 Act.

Pursuant to the terms of the Advisory Agreement, AIM: (a) supervises and manages all aspects of the Company's operations; (b) provides the Company with certain executive, administrative and clerical services as deemed advisable by the Board of Directors; (c) provides the Company with, or obtains for the Company, adequate office space and all necessary equipment and services, including telephone services, utilities, stationery supplies and similar items for the Company's principal office; (d) arranges, but does not pay for, the periodic updating of prospectuses and statements of additional information (and supplements thereto), proxy materials, tax returns, reports to the Fund's shareholders and reports to and filings with the SEC

and state Blue Sky authorities; (e) provides the Company's Board of Directors on a regular basis with financial reports and analyses of the Portfolio's operations and the operation of comparable funds; (f) obtains and evaluates pertinent information about significant developments and economic, statistical and financial data, domestic, foreign or otherwise, whether affecting the economy generally or the Fund and whether concerning the individual issuers whose securities are included in the Fund; (g) determines which issuers and securities shall be represented in the Fund and regularly reports thereon to the Board of Directors; (h) formulates and implements continuing programs for purchases and sales of securities for the Fund; and (i) takes, on behalf of the Company, all actions which appear to be necessary to carry into effect such purchase and sale programs, including the placing of orders for the purchase and sale of portfolio securities. Any investment program undertaken by AIM will at all times be subject to the policies and control of the Board of Directors. AIM shall not be liable to the Fund or its shareholders for any act or omission by AIM or for any loss sustained by the Fund or its shareholders, except in the case of AIM's willful misfeasance, bad faith, gross negligence or reckless disregard of duty; provided, however, that AIM may be liable for certain breaches of duty under the 1940 Act.

As compensation for its services, AIM receives a fee from the Company with respect to the Fund, calculated daily and paid monthly, at the annual rate of 0.25% of the first $500 million of the Fund's aggregate average daily net assets, plus 0.20% of the Fund's aggregate daily net assets in excess of $500 million. For the fiscal years ended March 31, 1995, 1994 and 1993, pursuant to an advisory agreement previously in effect which provided for the same level of compensation to AIM, the fees paid by the Company to AIM with respect to the Fund were $1,824,453, $1,525,419 and $1,799,812, respectively (after giving effect to fee waivers for the fiscal years ended March 31, 1995, 1994 and 1993 of $659,533, $802,331 and $741,740, respectively).

In addition, in order to increase the yield to investors, AIM may, from time to time, waive or reduce its fee. The fee waivers currently in effect, if any, are shown in the Prospectus.

EXPENSES

AIM and FMC furnish, without cost to the Company, the services of the President, Secretary and one or more Vice Presidents of the Company and such other personnel as are required for the proper conduct of the Company's affairs and to carry out their obligations under the Advisory Agreement and the Distribution Agreement. AIM maintains, at its expense and without cost to the Company, a trading function in order to carry out its obligations to place orders for the purchase and sale of portfolio securities for the Fund. FMC bears the expenses of printing and distributing prospectuses and statements of additional information (other than those prospectuses and statements of additional information distributed to existing holders of shares) and any other promotional or sales literature used by FMC or furnished by FMC to purchasers or dealers in connection with the public offering of shares of the Institutional Class.

The Company pays, or causes to be paid, all other expenses of the Company; including, without limitation: the fees paid to AIM; the charges and expenses of any registrar, any custodian or depository appointed by the Company for the safekeeping of cash, portfolio securities and other property, and any transfer, dividend or accounting agent or agents; brokers' commissions in connection with portfolio securities transactions of the Fund; all taxes, including securities issuance and transfer taxes, and fees payable to federal, state or other governmental agencies; the costs and expenses of engraving or printing share certificates; all costs and expenses in connection with registration and maintenance of registration with the SEC and various states and other jurisdictions (including filing fees, legal fees and disbursements of counsel); the costs and expenses of printing, including typesetting, and distributing proxy statements, reports to shareholders, prospectuses and statements of additional information of the Company and supplements thereto (except reports to shareholders and prospectuses distributed to potential shareholders of the Company which are paid for by FMC); expenses of shareholders' and directors' meetings; fees and travel expenses of directors or director members of any advisory board or committee; expenses incident to the payment of any dividend, distribution, withdrawal or redemption, whether in shares or in cash; charges and expenses of any outside pricing service; fees and expenses of legal counsel and of independent accountants; membership dues of industry associations; interest payable on borrowings; postage; insurance premiums on property or personnel (including officers and directors) of the Company; extraordinary expenses (including, but not limited to, legal claims and liabilities and litigation costs and any indemnification related thereto); and all other charges and costs of the Company's operations unless otherwise explicitly assumed by AIM or FMC.

The Company may also reimburse AIM for the costs of a principal financial officer and related personnel who may perform internal accounting functions for the Company. Such accounting functions consist primarily of regulatory, tax, shareholder and internal management reporting and calculation of the Fund's net asset value and the daily dividend for its several classes. The method of calculating such reimbursements must be approved annually, and the amounts paid will be reviewed periodically by the Board of Directors. For the fiscal years ended March 31, 1995, 1994 and 1993, AIM was reimbursed $78,184, $65,124 and $53,930, respectively, by the Portfolio for such expenses.

Expenses of the Company which are not directly attributable to the operations of any class are pro-rated among all classes of the Company based upon the relative net assets of each class. Expenses of the Company which are directly attributable to a class are charged against the income available for distribution as dividends to such class.

AIM has agreed to reduce its fee for any fiscal year, or reimburse the Fund, to the extent required, so that the amount of the ordinary expenses of the Company (excluding brokerage commissions, interest, directors' fees, taxes and extraordinary expenses such as litigation costs) paid or incurred by the Company does not exceed the expense limitations applicable to the Fund imposed by the securities laws or regulations of those states or jurisdictions in which the Shares are registered or qualified for sale. Currently, the most restrictive of such state expense limitations would require AIM to reduce its fees to the extent required so that ordinary expenses of the Company (excluding interest, taxes, brokerage commissions and extraordinary expenses) for any fiscal year do not exceed 2 1/2% of the first $30 million of the Company's average daily net assets, plus 2% of the next $70 million of the Company's average daily net assets, plus 1 1/2% of the Company's average daily net assets in excess of $100 million.

In addition, in order to increase the yield to investors, AIM may, from time to time, waive or reduce its fee while retaining the right to be reimbursed prior to year end. The fee waivers currently in effect, if any, are shown in the Prospectus.

Expenses of the Fund which are not directly attributable to the operations of any class are pro-rated among the classes of the Fund based upon the relative net assets of each class. Expenses of the Fund which are directly attributable to a class are charged against the income available for distribution as dividends to such class.

TRANSFER AGENT AND CUSTODIAN

A I M Institutional Fund Services, Inc., ("AIFS") 11 Greenway Plaza, Suite 1919, Houston, Texas 77046-1173, serves as transfer agent and dividend disbursing agent for the shares of the Institutional Class. The Company pays AIFS such compensation as may be agreed upon from time to time. State Street Bank and Trust Company ("State Street") acts as custodian for the Company's portfolio securities and cash. State Street receives such compensation from the Company for its services in such capacity as is agreed to from time to time by State Street and the Company. The address of State Street is 225 Franklin Street, Boston, Massachusetts 02110.

LEGAL COUNSEL

The law firm of Ballard Spahr Andrews & Ingersoll, Philadelphia, Pennsylvania, serves as counsel to the Company.

SUB-ACCOUNTING

The Company and FMC have arranged for AIFS or the Fund to offer sub-accounting services to shareholders of the Institutional Class and to maintain information with respect to the underlying beneficial ownership of the shares. Investors who purchase shares of the Institutional Class for the account of others can make arrangements through the Company or FMC for these sub-accounting services. In addition, shareholders utilizing certain versions of AIM LINK(TM), a personal computer application software product, may receive sub-accounting services via such software.

PRINCIPAL HOLDERS OF SECURITIES

To the best knowledge of the Company, the names and addresses of the holders of 5% or more of the outstanding shares of the Institutional Cash Reserve Shares as of July 14, 1995, and the amount of the outstanding shares held of record by such shareholders are set forth below:

NAME AND ADDRESS OF RECORD OWNER	PERCENT OWNED OF RECORD*
NationsBank of Texas, N.A. 1401 Elm Street Dallas, TX 75202	25.93%**
Liberty Bank and Trust Company of Tulsa P.O. Box 25848 Oklahoma City, OK 73125	10.82%
First Interstate Bank Northwest Region P.O. Box 2971 Portland, OR 97208	10.44%
Trust Company Bank P.O. Box 105504 Atlanta, GA 30348	10.08%

To the best knowledge of the Company, the names and addresses of the holders of 5% or more of the outstanding shares of the Private Investment Class of the Fund as of July 14, 1995, and the amount of the outstanding shares held of record by such shareholders, are set forth below:

NAME AND ADDRESS OF RECORD OWNER	PERCENT OWNED OF RECORD*
Cullen/Frost Discount Brokers P.O. Box 2358 San Antonio, TX 78299	36.70%**
The Bank of New York 440 Mamaroneck Ave Harrison, NY 10528	33.87%**
Huntington Capital Corporation 41 South High St. Columbus, OH 43287	20.61%
Charter National Bank of Houston P.O. Box 1494 Houston, TX 77251	6.12%

</TABLE>

As of July 14 1995, the directors and officers of the Company owned less than 1% of the Institutional Cash Reserve Shares and the Private Investment Class Shares.

REPORTS

The Company furnishes shareholders of the Institutional Class with semi-annual reports containing information about the Company and its operations, including a schedule of investments held in the Fund, and its financial statements. The annual financial statements are audited by the Company's independent auditors. The Board of Directors has selected KPMG Peat Marwick LLP, 700 Louisiana, NationsBank Building, Houston, Texas 77002, as the Company's independent auditors to audit the Company's financial statements and review the Company's tax returns.

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* The Company has no knowledge as to whether all or any portfolio of the shares owned of record only are also owned beneficially.

** A shareholder who holds more than 25% of the outstanding shares of a class may be presumed to be in "control" of such class of shares, as defined in the 1940 Act.

SHARE PURCHASES AND REDEMPTIONS

PURCHASES AND REDEMPTIONS

A complete description of the manner by which shares of the Institutional Class may be purchased, redeemed or exchanged appears in the Prospectus under the heading "Purchase of Shares."

The right of redemption may be suspended or the date of payment postponed when (a) trading on the New York Stock Exchange is restricted, as determined by applicable rules and regulations of the SEC, (b) the New York Stock Exchange is closed for other than customary weekend and holiday closings, (c) the SEC has by order permitted such suspension, or (d) an emergency as determined by the SEC exists making disposition of portfolio securities or the valuation of the net assets of the Company not reasonably practicable.

NET ASSET VALUE DETERMINATION

The net asset value of a share of the Fund is determined once daily as of the time shown in the Prospectus on each business day of the Company, as defined in the Prospectus. For the purpose of determining the price at which all shares of the Fund are issued and redeemed, the net asset value per share is calculated by: (a) valuing all securities and instruments of the Fund as set forth below; (b) adding other assets of the Fund, if any; (c) deducting the liabilities of the Fund; (d) dividing the resulting amount by the number of shares outstanding of the Fund; and (e) rounding such per share net asset value to the nearest whole cent.

The debt instruments held in the Fund are valued on the basis of amortized cost. This method involves valuing an instrument at its cost and thereafter assuming a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the instrument. While this method provides certainty in valuation, it may result in periods during which value, as determined by amortized cost, is higher or lower than the price the Company would receive if it sold the entire portfolio.

All variable rate securities held in the Fund, with an unconditional demand or put feature exercisable within seven days or less shall be valued at par, which reflects the market value of such securities.

The valuation of the portfolio instruments based upon their amortized cost, and the concomitant maintenance of the net asset value per share of $1.00 for the Fund is permitted in accordance with applicable rules and regulations of the SEC, which require the Company to adhere to certain conditions. The Fund is required pursuant to such rules to maintain a dollar-weighted average portfolio maturity of 90 days or less, to purchase only instruments having remaining maturities of 397 days or less, and to invest only in securities determined by AIM, pursuant to guidelines established by the Board of Directors, to be "Eligible Securities" and to present minimal credit risk to the Fund. The Fund adheres to a policy of purchasing only First Tier securities, which is a higher quality standard and more restrictive than required by such rules.

Eligible Securities generally include (1) U.S. Government securities; (2) securities that (a) are rated (at the time of purchase) by two or more nationally recognized statistical rating organizations ("NRSROs") in the two highest rating categories for such securities (e.g., commercial paper rated "A-1" or "A-2" by Standard & Poor's Corporation ("S&P"), or rated "Prime-1" or "Prime-2" by Moody's Investors Service, Inc. ("Moody's"), or (b) are rated (at the time of purchase) by only one NRSRO in one of its two highest rating categories for such securities; (3) short-term obligations and long-term obligations that have remaining maturities of 397 calendar days or less, provided in each instance that such obligations have no short-term rating and are comparable in priority and security to a class of short-term obligations of the issuer that has been rated in accordance with (2)(a) or (b) above ("comparable obligations"); (4) securities that are not rated and are issued by an issuer that does not have comparable obligations rated by an NRSRO ("Unrated Securities"), provided that such securities are determined to be of comparable quality to a security satisfying (2) or (3) above; and (5) long-term obligations that have remaining maturities in excess of 397 calendar days that are subject to a demand feature or put (such as a guarantee, a letter of credit or similar credit enhancement) ("demand instrument") (a) that are unconditional (readily exercisable in the event of default), provided that the demand feature satisfies (2), (3) or (4) above, and the demand instrument or long-term obligations of the issuer satisfy (2) or (4) above for long-term debt obligations. The Board of Directors will approve or ratify any purchases by the Fund of securities that are rated by only one NRSRO or that are unrated securities.

The Board of Directors is required to establish procedures designed to stabilize, to the extent reasonably possible, the Fund's price per share at $1.00 as computed for the purpose of sales and redemptions. Such procedures include review of the portfolio holdings by the Board of Directors, at such intervals as they may deem appropriate, to determine whether the net asset value calculated by using available market quotations or other reputable sources for the Fund deviates from $1.00 per share and, if so, whether such deviation may result in material dilution or is otherwise unfair to purchasers or existing holders of any class of shares of the Fund. In the event the Board of Directors determines that such a deviation exists for any class of shares of the Fund, it will take such corrective action as the Board of Directors deems necessary and appropriate, including the sale of

portfolio instruments prior to maturity to realize capital gains or losses or to shorten the average portfolio maturity; the withholding of dividends; the redemption of shares in kind; or the establishment of a net asset value per share by using available market quotations.

DIVIDENDS, DISTRIBUTIONS AND TAX MATTERS

DIVIDENDS AND DISTRIBUTIONS

Net investment income for the Fund is declared as a dividend to the shareholders of record of the Institutional Class on each business day of the Fund. The dividend declared on any day preceding a non-business day will include the income accrued on such non-business day. Dividends will be paid monthly. Net realized capital gains, if any, are normally distributed annually. The Company may distribute realized capital gains of the Fund more often if deemed necessary in order to maintain the net asset value of the Fund at $1.00 per share. However, the Company does not expect the Fund to realize net long-term capital gains. Dividends and distributions are paid in cash unless the shareholder has elected to reinvest such dividends and distributions in additional full and fractional shares of the Institutional Class at the net asset value thereof.

The dividend accrued and paid for each class will consist of: (a) income for the Portfolio to which such class relates, the allocation of which is based upon each such class' pro rata share of the total shares outstanding which relate to the Portfolio, less (b) Company expenses accrued for the applicable dividend period attributable to the Portfolio, such as custodian fees and accounting expenses, allocated based upon each such class' pro rata share of the net assets of the Portfolio, less (c) expenses directly attributable to each class which are accrued for the applicable dividend period, such as distribution expenses, if any, transfer agent fees or registration fees which may be unique to such class.

Dividends with respect to the Institutional Class are declared to shareholders of record immediately after 3:00 p.m. Eastern Time on the date of declaration. Accordingly, dividends accrue on the first day that a purchase order for shares of the Institutional Class is effective, but not on the day that a redemption order is effective. Thus, if a purchase order is accepted prior to 12:00 noon Eastern Time, the shareholder will receive its pro rata share of dividends beginning with those declared on that day.

Should the Company incur or anticipate any unusual expense, loss or depreciation, which would adversely affect the net asset value per share of the Fund or the net income per share of a class of the Fund for a particular period, the Board of Directors would at that time consider whether to adhere to the present dividend policy described above or to revise it in light of then prevailing circumstances. For example, if the net asset value per share of the Fund were reduced, or were anticipated to be reduced, below $1.00, the Board of Directors might suspend further dividend payments on shares of the Fund until the net asset value returns to $1.00. Thus, such expense or loss or depreciation might result in a shareholder receiving no dividends for the period during which it held shares of the Fund and/or in its receiving upon redemption a price per share lower than that which it paid.

TAX MATTERS

The following is only a summary of certain additional tax considerations generally affecting the Portfolio and its shareholders that are not described in the Prospectus. No attempt is made to present a detailed explanation of the tax treatment of the Fund or its shareholders, and the discussion here and in the Prospectus is not intended as a substitute for careful tax planning.

QUALIFICATION AS A REGULATED INVESTMENT COMPANY

The Fund has elected to be taxed as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). As a regulated investment company, the Fund is not subject to federal income tax on the portion of its net investment income (i.e., taxable interest, dividends and other taxable ordinary income, net of expenses) and capital gain net income (i.e., the excess of capital gains over capital losses) that it distributes to shareholders, provided that it distributes an amount at least equal to the sum of (a) 90% of its investment company taxable income (i.e., net investment income and the excess of net short-term capital gain over net long-term capital loss) and (b) 90% of its tax-exempt income (net of allocable expenses and amortized bond premium allocable thereto) for the taxable year (the "Distribution Requirement"), and satisfies certain other requirements of the Code that are described below. Distributions by the Fund made during the taxable year or, under specified circumstances, within twelve months after the close of the taxable year, will be considered distributions of income and gains of the taxable year and can therefore satisfy the Distribution Requirement.

In addition to satisfying the Distribution Requirement, a regulated investment company must (1) derive at least 90% of its gross income from dividends, interest, certain payments with respect to securities loans, gains from the sale or other disposition of stock or securities or foreign currencies (to the extent such currency gains are directly related to the regulated investment

company's principal business of investing in stock or securities) and other income (including but not limited to gains from options, futures or forward contracts) derived with respect to its business of investing in such stock, securities or currencies (the "Income Requirement"); and (2) derive less than 30% of its gross income from the sale or other disposition of stock, securities or certain foreign currencies (or options, futures or forward contracts thereon) held for less than three months (the "Short-Short Gain Test"). Because of the Short-Short Gain Test, the Fund may have to limit the sale of appreciated securities that it has held for less than three months. However, the Short-Short Gain Test will not prevent the Fund from disposing of investments of a loss, since the recognition of a loss before the expiration of the three-month holding period is disregarded. Interest (including original issue discount) received by the Fund at maturity or upon the disposition of a security held for less than three months will not be treated as gross income derived from the sale or other disposition of such security within the meaning of the Short-Short Gain Test. However, income that is attributable to realized market appreciation will be treated as gross income from the sale or other disposition of securities for this purpose.

In addition to satisfying the requirements described above, the Fund must satisfy an asset diversification test in order to qualify as a regulated investment company. Under this test, at the close of each quarter of the Fund's taxable year, at least 50% of the value of the Fund's assets must consist of cash and cash items, U.S. Government securities, securities of other regulated investment companies, and securities of other issuers (as to which the Fund has not invested more than 5% of the value of the Fund's total assets in securities of such issuer and as to which the Fund does not hold more than 10% of the outstanding voting securities of such issuer), and no more than 25% of the value of its total assets may be invested in the securities of any one issuer (other than U.S. Government securities and securities of other regulated investment companies), or in two or more issuers which the Fund controls and which are engaged in the same or similar trades or businesses.

If for any taxable year the Fund does not qualify as a regulated investment company, all of its taxable income (including its net capital gain) will be subject to tax at regular corporate rates without any deduction for distributions to shareholders, and such distributions will be taxable as ordinary dividends to the extent of the Fund's current and accumulated earnings and profits.

EXCISE TAX ON REGULATED INVESTMENT COMPANIES

A 4% non-deductible excise tax is imposed on a regulated investment company that fails to distribute in each calendar year an amount equal to 98% of ordinary taxable income for the calendar year and 98% of capital gain net income for the one-year period ended on October 31 of such calendar year. The balance of such income must be distributed during the next calendar year. Undistributed tax-exempt interest on Municipal Securities is not subject to the excise tax. For the foregoing purposes, a regulated investment company is treated as having distributed any amount on which it is subject to income tax for any taxable year ending in such calendar year.

The Fund intends to make sufficient distributions or deemed distributions of its ordinary taxable income and capital gain net income prior to the end of each calendar year to avoid liability for the excise tax. However, investors should note that the Fund may in certain circumstances be required to liquidate portfolio investments to make sufficient distributions to avoid excise tax liability.

FUND DISTRIBUTIONS

The Fund intends to qualify to pay exempt-interest dividends by satisfying the requirement that at the close of each quarter of the Fund's taxable year at least 50% of the Fund's total assets consists of Municipal Securities. Distributions from the Fund will constitute exempt-interest dividends to the extent of the Fund's tax-exempt interest income (net of allocable expenses and amortized bond premium). Exempt-interest dividends distributed to shareholders of the Fund are excluded from gross income for federal income tax purposes. However, shareholders required to file a federal income tax return will be required to report the receipt of exempt-interest dividends on their returns. Moreover, while exempt-interest dividends are excluded from gross income for federal income tax purposes, they may be subject to alternative minimum tax ("AMT") in certain circumstances and may have other collateral tax consequences as discussed below. Distributions by the Fund of any investment company taxable income or of any net capital gain will be taxable to shareholders as discussed below.

AMT is imposed in addition to, but only to the extent it exceeds, the regular tax and is computed at a maximum rate of 28% for noncorporate taxpayers and 20% for corporate taxpayers on the excess of the taxpayer's alternative minimum taxable income ("AMTI") over an exemption amount. In addition, under the Superfund Amendments and Reauthorization Act of 1986, a tax is imposed for taxable years beginning after 1986 and before 1996 at the rate of 0.12% on the excess of a corporate taxpayer's AMTI (determined without regard to the deduction for this tax and the AMT net operating loss deduction) over $2 million. Exempt-interest dividends derived from certain "private activity" Municipal Securities issued after August 7, 1986 will generally constitute an item of tax preference includable in AMTI for both corporate and noncorporate taxpayers. In addition, exempt-interest dividends derived from all Municipal Securities, regardless of the date of issue, must be included in adjusted current earnings, which are used in computing an additional corporate preference item (i.e., 75% of the excess of a corporate taxpayer's adjusted current earnings over its AMTI (determined without regard to this item and the AMT net operating loss deduction)) includable in AMTI.

Exempt-interest dividends must be taken into account in computing the portion, if any, of social security or railroad retirement benefits that must be included in an individual shareholder's gross income subject to federal income tax. Further, a

shareholder of the Fund is denied a deduction for interest on indebtedness incurred or continued to purchase or carry shares of the Fund. Moreover, a shareholder who is (or is related to) a "substantial user" of a facility financed by industrial development bonds held by the Fund will likely be subject to tax on dividends paid by the Fund which are derived from interest on such bonds. Receipt of exempt-interest dividends may result in other collateral federal income tax consequences to certain taxpayers, including financial institutions, property and casualty insurance companies and foreign corporations engaged in a trade or business in the United States. Prospective investors should consult their own tax advisers as to such consequences.

The Fund anticipates distributing substantially all of its investment company taxable income, if any, for each taxable year. Such distributions will be taxable to shareholders as ordinary income and treated as dividends for federal income tax purposes, but they will not qualify for the dividends-received deduction for corporations.

The Fund may either retain or distribute to shareholders its net capital gain, if any, for each taxable year. The Fund currently intends to distribute any such amounts. If net capital gain is distributed and designated as a capital gain dividend, it will be taxable to shareholders as long-term capital gain, regardless of the length of time the shareholder has held his shares or whether such gain was recognized by the Fund prior to the date on which the shareholder acquired his shares. Realized market discount on Municipal Securities purchased after April 30, 1993, will be treated as ordinary income and not as capital gain.

Distributions by the Fund that do not constitute ordinary income dividends, exempt-interest dividends or capital gain dividends will be treated as a return of capital to the extent of (and in reduction of) the shareholder's tax basis in his shares; any excess will be treated as gain from the sale of his shares.

Distributions by the Fund will be treated in the manner described above regardless of whether such distributions are paid in cash or reinvested in additional shares of the Fund (or of another portfolio). Shareholders electing to reinvest a distribution in additional shares will be treated as receiving a distribution in an amount equal to the net asset value of the shares received, determined as of the reinvestment date.

Ordinarily, shareholders are required to take distributions by the Fund into account in the year in which the distributions are made. However, dividends declared in October, November or December of any year and payable to shareholders of record on a specified date in such a month will be deemed to have been received by the shareholders (and made by the Fund) on December 31 of such calendar year if such dividends are actually paid in January of the following year. Shareholders will be advised annually as to the U.S. federal income tax consequences of distributions made (or deemed made) during the year.

The Fund will be required in certain cases to withhold and remit to the U.S. Treasury 31% of ordinary income dividends and capital gain dividends, if any, and the proceeds of redemption of shares, paid to any shareholder (1) who has provided either an incorrect tax identification number or no number at all, (2) who is subject to backup withholding by the Internal Revenue Service for failure to report the receipt of interest or dividend income properly, or (3) who has failed to certify to the Fund that it is not subject to backup withholding or that it is a corporation or other "exempt recipient."

FOREIGN SHAREHOLDERS

Taxation of a shareholder who, as to the United States, is a nonresident alien individual, foreign trust or estate, foreign corporation, or foreign partnership ("foreign shareholder"), depends on whether the income from the Fund is "effectively connected" with a U.S. trade or business carried on by such shareholder.

If the income from the Fund is not effectively connected with a U.S. trade or business carried on by a foreign shareholder, ordinary income dividends and return of capital distributions will be subject to U.S. withholding tax at the rate of 30% (or lower treaty rate) upon the gross amount of the dividend. Such a foreign shareholder would generally be exempt from U.S. federal income tax on gains realized on the sale of shares of the Fund, capital gain dividends (if any) and exempt-interest dividends.

If the income from the Fund is effectively connected with a U.S. trade or business carried on by a foreign shareholder, then ordinary income dividends, capital gain dividends (if any) and any gains realized upon the sale of shares of the Fund will be subject to U.S. federal income tax at the rates applicable to U.S. citizens or domestic corporations.

In the case of foreign noncorporate shareholders, the Fund may be required to withhold U.S. federal income tax at a rate of 31% on distributions (other than exempt-interest dividends) that are otherwise exempt from withholding tax (or taxable at a reduced treaty rate) unless such shareholders furnish the Fund with proper notification of their foreign status.

The tax consequences to a foreign shareholder entitled to claim the benefits of an applicable tax treaty may be different from those described herein. Foreign shareholders are urged to consult their own tax advisers with respect to the particular tax consequences to them of an investment in the Fund, including the applicability of foreign taxes.

EFFECT OF FUTURE LEGISLATION; LOCAL TAX CONSIDERATIONS

The foregoing general discussion of U.S. federal income tax consequences is based on the Code and the regulations issued thereunder as in effect on the date of this Statement of Additional Information. Future legislative or administrative changes or court decisions may significantly change the conclusions expressed herein, and any such changes or decisions may have a retroactive effect with respect to the transactions contemplated herein.

Rules of state and local taxation of ordinary income dividends, exempt-interest dividends and capital gain dividends from regulated investment companies often differ from the rules for U.S. federal income taxation described above. Shareholders are urged to consult their tax advisers as to the consequences of these and other state and local tax rules affecting investment in the Portfolios.

PERFORMANCE INFORMATION

Calculations of yield will take into account the total income received by the Fund, including taxable income, if any; however, the Portfolio intends to invest its assets so that 100% of its annual interest income will be tax-exempt. To the extent that institutions charge fees in connection with services provided in conjunction with the Institutional Class, the yield will be lower for those beneficial owners paying such fees.

The current yields quoted for the Institutional Class will be the net average annualized yield for an identified period, usually seven consecutive calendar days. Yields for the Institutional Class will be computed by assuming that an account was established with a single share (the "Single Share Account") on the first day of the period. To arrive at the quoted yield, the net change in the value of that Single Share Account for the period (which would include dividends accrued with respect to the share, and dividends declared on shares purchased with dividends accrued and paid, if any, but would not include any realized gains and losses or unrealized appreciation or depreciation) will be multiplied by 365 and then divided by the number of days in the period, with the resulting figure carried to the nearest hundredth of one percent. The Company may also furnish a quotation of effective yields for the Institutional Class that assumes the reinvestment of dividends for a 365 day year and a return for the entire year equal to the average annualized yields for the period, which will be computed by compounding the unannualized current yields for the period by adding 1 to the unannualized current yields, raising the sum to a power equal to 365 divided by the number of days in the period, and then subtracting 1 from the result.

For the seven-day period ended March 31, 1995, the current yield and effective yield for the Institutional Class were 3.86% and 3.93%, respectively. Assuming a corporate tax rate of 35%, those yields for the Institutional Class on a tax-equivalent basis were 5.94% and 6.05%, respectively.

INVESTMENT PROGRAM AND RESTRICTIONS

INVESTMENT PROGRAM

Information concerning the Fund's investment objectives and fundamental and operating policies is set forth in the Prospectus. The principal features of the Fund's investment program and the primary risks associated with that investment program are also discussed in the Prospectus. There can be no assurance that the Portfolio will achieve its objective. The values of the securities in which the Fund invests fluctuate based upon interest rates, the financial stability of the issuer and market factors. The following is a more detailed description of the instruments eligible for purchase by the Fund, which augments the summary of the Fund's investment program which appears under the heading "Investment Program" in the Prospectus.

As set forth in the Prospectus, the Fund will limit its purchases of Municipal Securities to

(i) "First Tier" securities, as such term is defined from time to time in Rule 2a-7 under the 1940 Act, or

(ii) securities guaranteed as to payment of principal and interest by the U.S. Government.

As of the date of this Statement of Additional Information, Rule 2a-7 defines a "First Tier" security as any "Eligible Security" (as defined in Rule 2a-7 and summarized above under "Share Purchases and Redemptions -- Net Asset Value Determinations") that:

(i) is rated (or that has been issued by an issuer that is rated with respect to a class of short-term debt obligations, or any security within that class, that is comparable in priority and security with the security) by the requisite NRSROs in

the highest rating category for short-term debt obligations (within which there may be sub-categories or gradations indicating relative standing); or

(ii) is a security described in paragraph (a)(5)(ii) of Rule 2a-7 (i.e., a security that at the time of issuance was a long-term security but that has a remaining maturity of 397 days or less) whose issuer has received from the requisite NRSROs a rating, with respect to a class of short-term debt obligations (or any security within that class) that now is comparable in priority and security with the security, in the highest rating category for short-term debt obligations (within which there may be sub-categories or gradations indicating relative standing); or

(iii) is an unrated security that is of comparable quality to a security meeting the requirements of clauses (i) and (ii) above, as determined by the Company's Board of Directors.

Subsequent to its purchase by the Fund, an issue of Municipal Securities may cease to be a First Tier security. Subject to certain exceptions set forth in Rule 2a-7, such an event will not require the elimination of the security from the Fund, but AIM will consider such an event to be relevant in its determination of whether the Fund should continue to hold the security. To the extent that the ratings applied by an NRSRO to Municipal Securities may change as a result of changes in these rating systems, the Company will attempt to use comparable ratings as standards for its investments in Municipal Securities in accordance with the investment policies described herein.

The Fund may, from time to time, invest in taxable short-term investments ("Temporary Investments") consisting of obligations of the U.S. Government, its agencies or instrumentalities and repurchase agreements (instruments under which the seller agrees to repurchase the security at a specified time and price) relating thereto; commercial paper rated within the highest rating category by a recognized rating agency; and certificates of deposit of domestic banks with assets of $1.5 billion or more as of the date of their most recently published financial statements. The Fund may invest in Temporary Investments, for example, due to market conditions or pending the investment of proceeds from the sale of shares of the Fund or proceeds from the sale of Fund securities or in anticipation of redemptions. Although interest earned from such Temporary Investments will be taxable as ordinary income, the Fund intends to minimize taxable income through investment, when possible, in short-term tax-exempt securities, which may include shares of other investment companies whose dividends are tax-exempt. See "Investment Restrictions" in the Prospectus for limitations on the Fund's ability to invest in repurchase agreements and in shares of other investment companies. It is a fundamental policy of the Company that the Fund's assets will be invested so that at least 80% of the Fund's income will be exempt from federal income taxes, and it is the Company's present intention (but it is not a fundamental policy) to invest the Fund's assets so that 100% of the Fund's annual interest income will be tax-exempt. Accordingly, the Fund may hold cash reserves pending the investment of such reserves in Municipal Securities.

The Fund may, from time to time in order to qualify shares of the Portfolio for sale in a particular state, agree to certain investment restrictions in addition to or more stringent than those set forth above. Such restrictions are not fundamental and may be changed without the approval of shareholders.

Pursuant to an undertaking made to the Ohio Department of Commerce, Division of Securities, the Portfolio will not purchase the securities of any issuer if, as to 75% of the total assets of the Portfolio, more than 10% of the voting securities of such issuer would be held by the Portfolio at the time of purchase.

MUNICIPAL SECURITIES

Municipal Securities include debt obligations issued to obtain funds for various public purposes, including the construction of a wide range of public facilities such as airports, bridges, highways, housing, hospitals, mass transportation, schools, streets and water and sewer works. Other public purposes for which Municipal Securities may be issued include the refunding of outstanding obligations, obtaining funds for general operating expenses and lending such funds to other public institutions and facilities. In addition, certain types of industrial development bonds are issued by or on behalf of public authorities to obtain funds to provide for the construction, equipment, repair or improvement of privately operated housing facilities and certain local facilities for water supply, gas, electricity or sewage or solid waste disposal. The interest paid on such bonds may be exempt from federal income tax, although current federal tax laws place substantial limitations on the size and purpose of such issues. Such obligations are considered to be Municipal Securities provided that the interest paid thereon, in the opinion of bond counsel, qualifies as exempt from federal income tax. However, interest on Municipal Securities may give rise to a federal alternate minimum tax liability and may have other collateral federal income tax consequences. See "Dividends, Distributions and Tax Matters -- Tax Matters" in this Statement of Additional Information.

The two major classifications of Municipal Securities are bonds and notes. Bonds may be further categorized as "general obligation" or "revenue" issues. General obligation bonds are secured by the issuer's pledge of its full faith, credit, and taxing power for the payment of principal and interest. Revenue bonds are payable from the revenues derived from a particular facility or class of facilities, or, in some cases, from the proceeds of a special excise or other specific revenue source, but not from the general taxing power. Tax-exempt industrial development bonds are in most cases revenue bonds and do not generally carry the pledge of the credit of the issuing municipality. Notes are short-term instruments. Most notes are general obligations of the issuing municipalities or agencies and are sold in anticipation of a bond sale, collection of taxes or receipt of other revenues. There are, of course, variations in the risks associated with Municipal Securities, both within a particular classification and between classifications. The Fund's assets may consist of any combination of general obligation bonds, revenue bonds, industrial revenue bonds and notes. The percentage of such Municipal Securities in the Fund will vary from time to time.

For purpose of the diversification requirements applicable to the Fund, the identification of the issuer of the Municipal Securities depends on the terms and conditions of the security. When the assets and revenues of an agency, authority, instrumentality or other political subdivision are separate from those of the government creating the subdivision and the security is backed only by the assets and revenues of the subdivision, such subdivision will be deemed to be the sole issuer. Similarly, in the case of an industrial revenue bond, if that bond is backed only by the assets and revenues of the non-governmental user, then such non-governmental user will be deemed to be the sole issuer. If, however, in either case, the creating government or some other entity guarantees a security, such a guarantee would be considered a separate security and will be treated as an issue of such government or other agency. Certain Municipal Securities may be secured by the guaranty or irrevocable letter of credit of a major banking institution, or the payment of principal and interest when due may be insured by an insurance company.

The yields on Municipal Securities depend on a variety of factors, including general economic and monetary conditions, money market factors, conditions of the Municipal Securities market, size of a particular offering, maturity of the obligation, and rating of the issue. The yield realized by holders of a class of the Fund will be the yield realized by the Fund on its investments reduced by the general expenses of the Company and those expenses attributable to such class. The market values of the Municipal Securities held by the Fund will be affected by changes in the yields available on similar securities. If yields increase following the purchase of a Municipal Security the market value of such Municipal Security will generally decrease. Conversely, if yields on such Municipal Security decrease, the market value of such security will generally increase.

INVESTMENT RATINGS

The following is a description of the factors underlying the tax-exempt debt ratings of Moody's, S&P, Fitch Investors Service ("Fitch") and Duff & Phelps, Inc. ("Duff & Phelps"):

MOODY'S MUNICIPAL BOND RATINGS

Aaa

Bonds which are rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Aa

Bonds which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities.

Note: Bonds in the Aa group which Moody's believes possess the strongest investment attributes are designated by the symbol Aa1.

Note: Also, Moody's applies numerical modifiers 1, 2, and 3 in the Aa group when assigning ratings to: industrial development bonds; and bonds secured by either a letter of credit or bond insurance. The modifier 1 indicates that the security ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category.

MOODY'S DUAL RATINGS

In the case of securities with a demand feature, two ratings are assigned; one representing an evaluation of the degree of risk associated with scheduled principal and interest payments, and the other representing an evaluation of the degree of risk associated with the demand feature.

MOODY'S SHORT-TERM LOAN RATINGS

Moody's ratings for state and municipal short-term obligations will be designated Moody's Investment Grade (or MIG). Such ratings recognize the differences between short-term credit risk and long-term risk. Factors affecting the liquidity of the borrower and short-term cyclical elements are critical in short-term ratings, while other factors of major importance in bond risk, long-term secular trends for example, may be less important over the short run.

A short-term rating may also be assigned on an issue having a demand feature (i.e., a variable rate demand obligation or VRDO). Short-term ratings on issues with demand features are differentiated by the use of the VMIG symbol to reflect such characteristics as payment upon periodic demand rather than fixed maturity dates and payment relying on external liquidity. Additionally, the source of payment may be limited to the external liquidity with no or limited legal recourse to the issuer in the event the demand is not met.

A VMIG rating may be assigned to commercial paper programs. Such programs are characterized as having variable short-term maturities but having neither a variable rate nor demand feature.

Gradations of investment quality are indicated by rating symbols, with each symbol representing a group in which the quality characteristics are broadly the same.

MIG 1/VMIG 1

This designation denotes best quality. There is present strong protection by established cash flows, superior liquidity support or demonstrated broad based access to the market for refinancing.

MOODY'S COMMERCIAL PAPER RATINGS

Moody's commercial paper ratings are opinions of the ability of issuers to repay punctually promissory obligations not having an original maturity in excess of nine months.

Moody's employs the following two designations, each judged to be investment grade, to indicate the relative repayment capacity of rated issuers.

Prime-1

Issuers (or related supporting institutions) rated Prime-1 (P-1) have a superior capacity for repayment of short-term promissory obligations. P-1 repayment capacity will normally be evidenced by the following characteristics: leading market positions in well-established industries; high rates of return on funds employed; conservative capitalization structures with moderate reliance on debt and ample asset protection; broad margins in earnings coverage of fixed financial charges and high internal cash generation; and well-established access to a range of financial markets and assured sources of alternate liquidity.

Note: A Moody's commercial paper rating may also be assigned as an evaluation of the demand feature of a short-term or long-term security with a put option.

S&P MUNICIPAL BOND RATINGS

A S&P municipal bond rating is a current assessment of the creditworthiness of an obligor with respect to a specific obligation. This assessment may take into consideration obligors such as guarantors, insurers, or lessees.

The ratings are based, in varying degrees, on the following considerations: likelihood of default -- capacity and willingness of the obligor as to the timely payment of interest and repayment of principal in accordance with the terms of the obligation; nature of and provisions of the obligation; and protection afforded by, and relative position of, the obligation in the event of bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights.

AAA

Debt rated AAA has the highest rating assigned by S&P. Capacity to pay interest and repay principal is extremely strong.

AA

Debt rated AA has a very strong capacity to pay interest and repay principal and differs from the highest rated issues only in a small degree.

Note: Ratings within the AA and A major rating categories may be modified by the addition of a plus (+) sign or minus (-) sign to show relative standing.

S&P DUAL RATINGS

S&P assigns "dual" ratings to all debt issues that have, as part of their structure, a demand feature.

The first rating addresses the likelihood of repayment of principal and interest as due, and the second rating addresses only the demand feature. The long-term debt rating symbols are used for bonds to denote the long-term maturity and the commercial paper rating symbols for the put option (e.g., AAA/A-1+). With short-term demand debt, the note rating symbols are used with the commercial paper rating symbols (e.g., SP-1+/A-1+).

S&P MUNICIPAL NOTE RATINGS

A S&P note rating reflects the liquidity concerns and market access risks unique to notes. Notes due in three years or less will likely receive a note rating. Notes maturing beyond three years will most likely receive a long-term debt rating. The following criteria will be used in making that assessment: amortization schedule (the larger the final maturity relative to other maturities the more likely it will be treated as a note); and source of payment (the more dependent the issue is on the market for its refinancing, the more likely it will be treated as a note).

The highest note rating symbol is as follows:

SP-1

Category denotes very strong or strong capacity to pay principal and interest. Those issues determined to possess overwhelming safety characteristics will be given a plus (+) designation.

S&P COMMERCIAL PAPER RATINGS

S&P commercial paper rating is a current assessment of the likelihood of timely payment of debt having an original maturity of no more than 365 days.

The highest rating category is as follows:

A-1

This highest category indicates that the degree of safety regarding timely payment is strong. Those issues determined to possess extremely strong safety characteristics are denoted with a plus (+) sign designation.

FITCH BOND RATINGS

Fitch investment grade bond ratings provide a guide to investors in determining the credit risk associated with a particular security. The ratings represent Fitch's assessment of the issuer's ability to meet the obligations of a specific debt issue or class of debt in a timely manner.

The rating takes into consideration special features of the issue, its relationship to other obligations of the issuer, the current and prospective financial condition and operating performance of the issuer and any guarantor, as well as the economic and political environment that might affect the issuer's future financial strength and credit quality.

Fitch ratings do not reflect any credit enhancement that may be provided by insurance policies or financial guaranties unless otherwise indicated.

Bonds that have the same ratings are of similar but not necessarily identical credit quality since the rating categories do not fully reflect small differences in the degrees of credit risk.

Fitch ratings are not recommendations to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect of any security.

Fitch ratings are based on information obtained from issuers, other obligors, underwriters, their experts, and other sources Fitch believes to be reliable. Fitch does not audit or verify the truth or accuracy of such information. Ratings may be changed, suspended, or withdrawn as a result of changes in, or the unavailability of, information or for other reasons.

AAA

Bonds considered to be investment grade and of the highest credit quality. The obligor has an exceptionally strong ability to pay interest and repay principal, which is unlikely to be affected by reasonably foreseeable events.

AA

Bonds considered to be investment grade and of very high credit quality. The obligor's ability to pay interest and repay principal is very strong, although not quite as strong as bonds rated "AAA." Because bonds rated in the "AAA" and "AA" categories are not significantly vulnerable to foreseeable future developments, short-term debt of these issuers is generally rated "F-l."

Plus (+) Minus (-) -- Plus and minus signs are used with a rating symbol to indicate the relative position of a credit within the rating category. Plus and minus signs, however, are not used in the "AAA" category.

NR -- Indicates that Fitch does not rate the specific issue.

FITCH SHORT-TERM RATINGS

Fitch's short-term ratings apply to debt obligations that are payable on demand or have original maturities of generally up to three years, including commercial paper, certificates of deposit, medium-term notes, and municipal and investment notes.

The short-term rating places greater emphasis than a long-term rating on the existence of liquidity necessary to meet the issuer's obligations in a timely manner.

The highest Fitch short-term rating is as follows:

F-1

Exceptionally Strong Credit Quality. Issues assigned this rating are regarded as having the strongest degree of assurance for timely payment.

DUFF & PHELPS RATINGS

AAA

Highest credit quality. The risk factors are negligible, being only slightly more than for risk-free U.S. Treasury debt.

AA+, AA, AA-

High credit quality. Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

WHEN-ISSUED SECURITIES AND DELAYED DELIVERY TRANSACTIONS

The Fund may purchase Municipal Securities on a "when-issued" basis, that is, the date for delivery of and payment for the securities is not fixed at the date of purchase, but is set after the securities are issued (normally within forty-five days after the date of the transaction). The Fund may purchase or sell Municipal Securities on a delayed delivery basis. The payment obligation and the interest rate that will be received on the when-issued securities are fixed at the time the buyer enters into the commitment. The Fund will only make commitments to purchase when-issued or delayed delivery Municipal Securities with the intention of actually acquiring such securities, but the Fund may sell these securities before the settlement date if it is deemed advisable. No additional when-issued or delayed delivery commitments will be made if more than 25% of the Fund's net assets would thereby become so committed.

If the Fund purchases a when-issued or delayed delivery security, the Fund will direct its custodian bank to segregate cash or other high grade securities (including Temporary Investments and Municipal Securities) of the Fund in an amount equal to the when-issued or delayed delivery commitment. The segregated securities will be valued at market for the purpose of determining the adequacy of the segregated securities. If the market value of such securities declines, additional cash or securities will be segregated on a daily basis so that the market value of the segregated assets will equal the amount of the Fund's when-issued or delayed delivery commitments. To the extent funds are segregated, they will not be available for new investment or to meet redemptions.

Securities purchased on a when-issued or delayed delivery basis and the securities held in the Fund are subject to changes in market value based upon the public's perception of the creditworthiness of the issuer and changes in the level of interest rates (which will generally result in all of those securities changing in value in the same way, i.e., experiencing appreciation when interest rates fall). Therefore, if in order to achieve higher interest income the Fund remains substantially fully invested at the same time that it has purchased securities on a when-issued or delayed delivery basis, there is a possibility that the Fund will experience greater fluctuation in the market value of its assets.

Furthermore, when the time comes for the Fund to meet its obligations under when-issued or delayed delivery commitments, the Fund will do so by use of its then available cash, by the sale of the segregated securities, by the sale of other securities or, although it would not normally expect to do so, by directing the sale of the when-issued or delayed delivery securities themselves (which may have a market value greater or less than the Fund's payment obligation thereunder). The sale of securities to meet such obligations carries with it a greater potential for the realization of net short-term capital gains, which are not exempt from federal income taxes. The value of when-issued or delayed delivery securities on the settlement date may be more or less than the purchase price.

In a delayed delivery transaction, the Fund relies on the other party to complete the transaction. If the transaction is not completed, the Fund may miss a price or yield considered to be advantageous.

VARIABLE OR FLOATING RATE INSTRUMENTS

The Fund may invest in Municipal Securities which have variable or floating interest rates which are readjusted periodically. Such readjustment may be based either upon a predetermined standard, such as a bank prime rate or the U.S. Treasury bill rate, or upon prevailing market conditions. Variable or floating interest rates generally reduce changes in the market price of Municipal Securities from their original purchase price. Accordingly, as interest rates decrease or increase, the potential for capital appreciation or depreciation is less for variable or floating rate Municipal Securities than for fixed income obligations.

Many Municipal Securities with variable or floating interest rates purchased by the Fund are subject to payment of principal and accrued interest (usually within seven days) on the Fund's demand. The terms of such demand instruments require payment of principal and accrued interest from the issuer, a guarantor and/or a liquidity provider. All variable or floating rate instruments will meet the quality standards of the Fund. AIM will monitor the pricing, quality and liquidity of the variable or floating rate Municipal Securities held by the Fund.

SYNTHETIC MUNICIPAL INSTRUMENTS

The Fund may invest in synthetic municipal instruments the value of and return on which are derived from underlying securities. The types of synthetic municipal instruments in which the Fund may invest include tender option bonds and variable rate trust certificates. Both types of instruments involve the deposit into a trust or custodial account of one or more long-term tax-exempt bonds or notes ("Underlying Bonds"), and the sale of certificates evidencing interests in the trust or custodial account to investors such as the Fund. The trustee or custodian receives the long-term fixed rate interest payments on the Underlying Bonds, and pays certificate holders short-term floating or variable interest rates which are reset periodically. A "tender option bond" provides a certificate holder with the conditional right to sell (put) its certificate to the Sponsor or some designated third party at specified intervals and receive the par value of the certificate plus accrued interest. A "variable rate trust certificate" evidences an interest in a trust entitling the certificate holder to receive variable rate interest based on prevailing short-term interest rates and also typically providing the certificate holder with the conditional right to put its certificate at par value plus accrued interest.

Because synthetic municipal instruments involve a trust or custodial account and a third party conditional put feature, they involve complexities and potential risks that may not be present where a municipal security is owned directly. For further information regarding certain risks associated with investing in synthetic municipal instruments see the Prospectus under the caption "Investment Program -- Synthetic Municipal Instruments."

PARTICIPATION INTERESTS AND MUNICIPAL LEASES

The Fund reserves the right to purchase participation interests from financial institutions. These participation interests give the purchaser an undivided interest in one or more underlying Municipal Securities. The Fund also reserves the right to invest in municipal leases and participation interests therein. Such obligations, which may take the form of a lease or an installment sales contract, are issued by state and local governments and authorities to acquire a wide variety of equipment and facilities. Interest payments on qualifying municipal leases are exempt from federal income taxes.

FUND TRANSACTIONS

AIM is responsible for decisions to buy and sell securities for the Fund, for selection of broker-dealers and for negotiation of commission rates. Since purchases and sales of portfolio securities by the Fund are usually principal transactions, the Fund incurs little or no brokerage commissions. Fund securities are normally purchased directly from the issuer or from a market maker for the

securities. The purchase price paid to dealers serving as market makers may include a spread between the bid and asked prices. The Fund may also purchase securities from underwriters at prices which include a commission paid by the issuer to the underwriter.

AIM's primary consideration in effecting a security transaction is to obtain the best net price and the most favorable execution of the order. To the extent that the executions and prices offered by more than one dealer are comparable, AIM may, in its discretion, effect transactions with dealers that furnish statistical research or other information or services which are deemed beneficial by AIM. Such research services supplement AIM's own research. Research services may include the following: statistical and background information on U.S. and foreign economies, industry groups and individual companies; forecasts and interpretations with respect to U.S. and foreign economies, money market fixed income markets, equity markets, specific industry groups and individual companies; information on federal, state, local and foreign political developments; portfolio management strategies; performance information on securities, indices and investment accounts; information concerning prices of securities; the providing of equipment used to communicate research information; the arranging of meetings with management of companies; and the providing of access to consultants who supply research information. Certain research services furnished by dealers may be useful to AIM with clients other than the Fund. Similarly, any research services received by AIM through placement of portfolio transactions of other clients may be of value to AIM in fulfilling its obligations to the Fund. AIM is of the opinion that the material received is beneficial in supplementing AIM's research and analysis; and therefore, such material may benefit the Fund by improving the quality of AIM's investment advice. The advisory fee paid by the Fund is not reduced because AIM receives such services; however, because AIM must evaluate information received as a result of such services, receipt of such services does not reduce AIM's workload.

Under the 1940 Act, persons affiliated with the Company are prohibited from dealing with the Company as principal in any purchase or sale of securities unless an exemptive order allowing such transactions is obtained from the SEC. Furthermore, the 1940 Act prohibits the Company from purchasing a security being publicly underwritten by a syndicate of which persons affiliated with the Company are a member except in accordance with certain conditions. These conditions may restrict the ability of the Fund to purchase Municipal Securities being publicly underwritten by such a syndicate, and the Fund may be required to wait until the syndicate has been terminated before buying such securities. At such time, the market price of the securities may be higher or lower than the original offering price. A person affiliated with the Company may, from time to time, serve as placement agent or financial advisor to an issuer of Municipal Securities and be paid a fee by such issuer. The Fund may purchase such Municipal Securities directly from the issuer, provided that the purchase is reviewed by the Company's Board of Directors and a determination is made that the placement fee or other remuneration paid by the issuer to the person affiliated with the Company is fair and reasonable in relation to the fees charged by others performing similar services. During the fiscal years ended March 31, 1995, 1994 and 1993 no securities or instruments were purchased by the Fund from issuers who paid placement fees or other compensation to a broker affiliated with the Fund.

From time to time, an identical security may be sold by an AIM Fund or another investment account advised by AIM or A I M Capital Management, Inc. ("AIM Capital") and simultaneously purchased by another AIM Fund or another investment account advised by AIM or AIM Capital, when such transactions comply with applicable rules and regulations and are deemed consistent with the investment objective(s) and policies of the investment accounts advised by AIM or AIM Capital. Procedures pursuant to Rule 17a-7 under the 1940 Act regarding transactions between investment accounts advised by AIM or AIM Capital have been adopted by the Boards of Directors/Trustees of the various AIM Funds, including the Company. Although such transactions may result in custodian, tax or other related expenses, no brokerage commissions or other direct transaction costs are generated by transactions among the investment accounts advised by AIM or AIM Capital.

Provisions of the 1940 Act and rules and regulations thereunder have also been construed to prohibit the Fund from purchasing securities or instruments from, or selling securities or instruments to, any holder of 5% or more of the voting securities of any investment company managed or advised by AIM. The Company has obtained an order of exemption from the SEC which permits the Fund to engage in certain transactions with such 5% holder, if the Fund complies with conditions and procedures designed to ensure that such transactions are executed at fair market value and present no conflicts of interest. Purchases from these 5% holders will be subject to quarterly review by the Board of Directors, including those directors who are not "interested persons" of the Company.

Some of the AIM Funds may have objectives similar to that of the Fund. It is possible that at times, identical securities will be acceptable for one or more of such investment companies. However, the position of each account in the securities of the same issue may vary and the length of time that each account may choose to hold its investment in the securities of the same issue may likewise vary. The timing and amount of purchase by each account will also be determined by its cash position. If the purchase or sale of securities consistent with the investment policies of the Fund and one or more of these accounts is considered at or about the same time, transactions in such securities will be allocated in good faith among the Fund and such accounts in a manner deemed equitable by AIM. AIM may combine such transactions, in accordance with applicable laws and regulations, in order to obtain the best net price and most favorable execution. Simultaneous transactions could adversely affect the ability of the Fund to obtain or dispose of the full amount of a security which it seeks to purchase or sell.

TAX-FREE INVESTMENTS CO.

INSTITUTIONAL CASH RESERVE SHARES

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED

MARCH 31, 1995

INDEPENDENT AUDITORS'REPORT

To the Board of Directors and Shareholders
Tax-Free Investments Co.

We have audited the accompanying statement of assets and liabilities of the Cash Reserve Portfolio (a Portfolio of Tax-Free Investments Co.), including the schedule of investments, as of March 31, 1995, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the six-year period then ended, the eleven-month period ended March 31, 1989, and each of the years in the three-year period ended April 30, 1988. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of March 31, 1995, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Cash Reserve Portfolio as of March 31, 1995, the results of its operations of the year then ended, the changes in its net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the six-year period then ended, the eleven-month period ended March 31, 1989, and each of the years in the three-year period ended April 30, 1988, in conformity with generally accepted accounting principles.

/s/ KPMG Peat Marwick LLP

KPMG Peat Marwick LLP

Houston, Texas

May 5, 1995

SCHEDULE OF INVESTMENTS

March 31, 1995

<TABLE>

<S>	<C> RATING(a) S&P	<C> MOODY'S	<C> PAR (000)	<C> VALUE	<C>
ALABAMA - 1.07%					
Birmingham (City of); General Obligation Series 1994-A Warrants 4.20% 06/01/18(b)(c)..............	A-1+	VMIG-1	$ 3,000	$ 3,000,000	

Industrial Development Board of the City of McIntosh (CIBA-GEIGY Corp. Project); Variable Rate Series 1986 PCR				
4.50% 07/01/04(b)(c)..............	A-1+	--	1,200	1,200,000
Marshall (County of); Special Obligation School Refunding Series 1994 Warrants				
4.25% 02/01/12(b)(c)..............	A-1+	--	2,925	2,925,000
Medical Clinic Board of the City of Birmingham; Medical Clinic UAHSF Series 1991 RB				
4.50% 12/01/26(b)(c)..............	A-1+	--	4,000	4,000,000
				11,125,000
ALASKA - 2.81%				
Alaska (State of) Finance Corp.; Government Purpose Series 1994 A RB				
4.25% 12/01/24(b)(c)..............	A-1+	VMIG-1	5,000	5,000,000
Alaska Housing Finance Corp.; General Mortgage RB				
4.20% Series 1991 A 06/01/26(b)....	A-1+	VMIG-1	6,000	6,000,000
4.15% Series 1991 C 06/01/26(b)....	A-1+	VMIG-1	18,200	18,200,000
				29,200,000
ARIZONA - 5.42%				
Apache (County of) (Tucson Electric Co.); Series 1981 B PCR				
4.25% 10/01/21(b)(c)..............	A-1+	VMIG-1	8,000	8,000,000
Industrial Development Authority of the County of Pinal (Magma Copper Co. Project); Refunding PCR				
4.55% Series 1984 12/01/09(b)(c)...	A-1+	P-1	2,600	2,600,000
4.25% Series 1992 12/01/11(b)(c)...	A-1+	VMIG-1	2,500	2,500,000
Maricopa County Pollution Control Corp. (Arizona Public Service Co.); PCR				
4.50% Series 1994 A 05/01/29(b)(c).	A-1+	P-1	700	700,000
4.50% Series 1994 C 05/01/29(b)(c).	A-1+	P-1	5,900	5,900,000
Peoria Unified School District No. 11 of Maricopa County; School Improvement Refunding Series 1994 RB				
3.75% 07/01/95(d)..................	AAA	Aaa	1,830	1,830,000
Pima County Industrial Development Authority (Tucson Electric Power Co.-Irvington Project); Series 1982-A IDR				
4.20% 10/01/22(b)(c)..............	A-1+	VMIG-1	6,200	6,200,000
Pima County Industrial Development Authority (Tucson Electric Power Co. General Project); Series 1982 A IDR				
4.20% 07/01/22(b)(c)..............	A-1	VMIG-1	2,000	2,000,000
Pima County Industrial Development Authority (Tucson Retirement Center Project); Refunding Series 1988 IDR				
4.00% 01/01/09(b)(c)..............	--	VMIG-1	3,000	3,000,000
4.00% 06/15/22(b)(c)..............	A-1+	VMIG-1	22,100	22,100,000
Tempe Union High School District No. 213; Series 1994 TAN				
4.70% 07/28/95.....................	SP-1+	--	1,500	1,502,338
				56,332,338

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	RATING(a) S&P	RATING(a) MOODY'S	PAR (000)	VALUE

ARKANSAS - 0.46%				
Arkansas Hospital Equipment Finance Authority; Equipment Lease Series 1985 RB				
4.10% 12/01/05(b)(c)..............	A-1+	--	$ 1,800	$ 1,800,000
University of Arkansas Board of Trustees (UAMS Campus): Various Facility Series 1994 RB				
4.20% 12/01/19(b)(c)..............	--	VMIG-1	3,000	3,000,000
				4,800,000
CALIFORNIA - 3.45%				
Alameda (County of); 1994-95 TRAN				
4.75% 08/11/95.....................	SP-1+	MIG-1	5,000	5,009,490
California School Cash Reserve Program Authority; Series 1994 A RAN				
4.50% 07/05/95.....................	--	MIG-1	4,000	4,007,518
California Statewide Community Development Authority; Series 1994 A TRAN				
4.50% 07/17/95(c)..................	SP-1+	MIG-1	6,000	6,013,558
Los Angeles County Local Educational Agencies; Series 1994-95 A TRAN				
4.50% 07/06/95(c)(d)..............	SP-1+	MIG-1	3,000	3,004,791
Riverside (County of); Series 1994-95 TRAN				
4.25% 06/30/95.....................	SP-1+	MIG-1	2,800	2,804,326
Sacramento (City of); 1994 TRAN				
4.50% 07/28/95.....................	SP-1+	MIG-1	5,000	5,004,964
San Diego Area Local Governments; 1994 TRAN				
4.50% 06/30/95.....................	SP-1+	--	10,000	10,021,410
				35,866,057
COLORADO - 2.26%				
Colorado (State of); Series 1994 TRAN				
4.50% 06/27/95.....................	--	MIG-1	4,000	4,006,433
Colorado Health Facilities Authority (Boulder Community Hospital Project); Variable Rate Demand Hospital Series 1989 B RB				
4.00% 10/01/14(b)(c)..............	A-1+	VMIG-1	4,795	4,795,000
Colorado Health Facilities Finance Authority (Sisters of Charity Health Facility); RB				
4.05% Series 1992 A 05/15/22(b)....	A-1+	VMIG-1	2,000	2,000,000
4.05% Series 1992 B 05/15/22(b)....	A-1+	VMIG-1	1,000	1,000,000
Pitkin (County of) (Centennial-Aspen Project); Multifamily Housing Series 1984 RB				
3.95% 04/01/07(b)(d)..............	--	VMIG-1	7,700	7,700,000
Regional Transportation District; Weekly Adjustable/Fixed Rate Special Passenger Fare Series 1989 A RB				
4.25% 06/01/99(b)(d)..............	A-1+	--	4,005	4,005,000
				23,506,433
CONNECTICUT - 1.92%				
Connecticut (State of); Special Assessment Unemployment Compensation Advance Refunding Series 1993 C RB				
3.85% 07/01/95(c)(e)..............	A-1+	VMIG-1	20,000	19,984,773

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	RATING(a) S&P	RATING(a) MOODY'S	PAR (000)	VALUE
DISTRICT OF COLUMBIA - 0.37%				
District of Columbia (The American University Issue); Variable Rate				

Weekly Demand Series 1985 RB 4.30% 10/01/15(b)(d)................	--	VMIG-1	$ 3,800	$ 3,800,000

DELAWARE - 0.47%				
Delaware Health Facilities Authority (Pooled Loan Program); Variable Rate Weekly Demand/Fixed Rate Series 1988 RB 4.10% 03/01/00(b)(d)................	A-1+	VMIG-1	4,900	4,900,000

FLORIDA - 2.69%				
Florida Housing Finance Authority (Cypress Lake Project); Multi-Family Housing Series WW RB 4.05% 12/01/07(b)(c)................	A-1	--	5,300	5,300,000
Florida Local Government Finance Authority; Governmental Unit Loan Series 1987 A RB 4.15% 09/01/16(b)(d)................	--	VMIG-1	4,000	4,000,000
Hillsborough County Industrial Development Authority (Tampa Electric Co. Gannon Coal Conversion Project); Series 1992 PCR 4.55% 05/15/18(b)...................	A-1+	VMIG-1	1,000	1,000,000
Jacksonville (City of) Health Facility Authority (Baptist Medical Center); Hospital RB 4.45% 06/01/08(b)(d)................	A-1+	VMIG-1	2,900	2,900,000
Orange (County of); School District Series A RAN 3.75% 04/06/95......................	--	MIG-1	7,940	7,939,402
Pineallas Florida Housing Authority (Foxbridge Apartments); Multifamily Mortgage Refunding Series 1993 A RB 4.05% 03/01/23(b)(c)................	A-1	--	1,000	1,000,000
Putnam County Development Authority (Seminole Electric Cooperative, Inc. Project); National Rural Utilities Cooperative Finance Corp. Guaranteed Floating/Fixed Rate PCR				
4.30% Pooled Series 1984H-1 03/15/14(b)(c).....................	A-1+	P-1	4,065	4,065,000
4.30% Pooled Series 1984H-2 03/15/14(b)(c).....................	A-1+	P-1	1,700	1,700,000

				27,904,402

GEORGIA - 1.79%				
College Park Business & Industrial Development Authority (Marriott Corp. Project); Adjustable Tender Series 1985 IDR 4.60% 08/01/15(b)(c)................	--	P-1	2,700	2,700,000
Decatur County Bianbridge Industrial Development Authority (Kaiser Agriculture Chemical Inc. Project); Series 1985 IDR 4.05% 12/01/02(b)(c)................	A-1+	--	3,500	3,500,000
DeKalb County Housing Authority (Columbia on Claremont Project); Multifamily Housing Series 1985H RB 4.05% 08/01/05(b)(c)................	--	VMIG-1	1,100	1,100,000

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	RATING(a) S&P	RATING(a) MOODY'S	PAR (000)	VALUE
GEORGIA - (CONTINUED)				
DeKalb Private Hospital Authority (Egleston Children's Hospital at Emory University); Variable Rate Demand Series 1994 A Revenue Anticipation Certificates 4.10% 03/01/24(b)(c)...............	A-1+	VMIG-1	$ 1,000	$ 1,000,000
Development Authority of Burke County (Oglethorpe Power Corp.); Adjustable				

Tender Series 1994A PCR				
4.10% 01/01/19(b)(d)..............	A-1+	VMIG-1	3,100	3,100,000
Development Authority of DeKalb County (Joyce International, Inc. Project); Monthly Floating Rate Issued 1984 IDR				
4.00% 01/01/00(b)(c)..............	A-1	--	500	500,000
Development Authority of DeKalb County (Radiation Sterilizers, Inc. Project); Variable Rate Demand Series 1985 IDR				
4.00% 03/01/05(b)(c)..............	A-1	--	4,600	4,600,000
Housing Authority of Clayton County (Kimberly Forest Apartments Project); Multifamily Housing Refunding Series 1990 B RB				
4.25% 01/01/21(b)(d)..............	A-1+	VMIG-1	2,055	2,055,000

				18,555,000

IDAHO - 1.88%				
Idaho (State of); Series 1994 TAN				
4.50% 06/29/95.....................	SP-1	MIG-1	1,000	1,001,596
Idaho Health Facilities Authority (Holy Cross Health System Corp.); Variable Rate Series 1995 RB				
4.15% 12/01/23(b)..................	A-1+	VMIG-1	18,500	18,500,000

				19,501,596

ILLINOIS - 7.75%				
Burbank (City of) (Service Merchandise Co. Inc. Project); Floating Rate Monthly Demand Industrial Building Series 1984 RB				
3.90% 09/15/24(b)(c)..............	A-1+	--	3,600	3,600,000
Chicago (City of) O'Hare International Airport (American Airlines, Inc. Project); Special Facility RB				
4.55% Series 1983 C 12/01/17(b)(c).	--	P-1	400	400,000
4.55% Series 1983 D 12/01/17(b)(c).	--	P-1	1,700	1,700,000
Cook (County of) (Catholic Charities Housing Development Corp. Project); Adjustable Demand Series 1988 A-1 RB				
4.20% 01/01/28(b)(c)..............	--	VMIG-1	1,700	1,700,000
East Peoria (City of) (Radnor/East Peoria Partnership Project); Multifamily Housing Series 1983 RB				
4.375% 06/01/08(b)(c).............	--	Aa3	6,690	6,690,000
Elmhurst (City of) (Joint Commission on Accreditation of Healthcare Organizations); Adjustable Demand Series 1988 RB				
4.20% 07/01/18(b)(c)..............	A-1+	VMIG-1	1,275	1,275,000
Illinois (State of); Series 1994 General Obligation Certificates				
4.75% 05/15/95.....................	SP-1+	MIG-1	5,000	5,005,196

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<S>	<C> RATING(a) S&P	<C> MOODY'S	<C> PAR (000)	<C> VALUE	<C>
ILLINOIS - (CONTINUED)					
Illinois Development Finance Authority (A.E. Staley Manufacturing Co. Project); Adjustable Tender Series 1985 PCR					
4.10% 12/01/05(b)(c)...............	--	P-1	$ 2,000	$ 2,000,000	
Illinois Development Finance Authority (Institutional Gas Technology Project); Variable Rate Series 1993 RB					
4.15% 09/01/18(b)(c)...............	A-1+	--	2,800	2,800,000	
Illinois Development Finance Authority (Jewish Charities Revenue Anticipation Note Program); Variable Rate Demand Series 1994-1995 B RAN					

4.25% 06/30/95(b)(c)................	A-1+	--	7,000	7,000,000
Illinois Development Finance Authority (Marriott Corp. Deerfield Project); Adjustable Tender Series 1984 IDR				
4.20% 11/01/14(b)(c)................	--	P-1	1,300	1,300,000
Illinois Educational Facilities Authority (Aurora University Project); Variable/Fixed Rate Refunding Series 1989 RB				
4.25% 01/01/09(b)(c)................	A-1+	--	800	800,000
Illinois Health Facilities Authority (Franciscan Sisters Health Care Corp. Project); Adjustable Rate Series 1985-B RB				
4.10% 09/01/15(b)(c)................	--	VMIG-1	900	900,000
Illinois Health Facilities Authority (Hospital Sister Services, Inc. Obligated Group Project); Unit Priced Demand Adjustable Series 1985 E RB				
4.00% 12/01/14(b)(d)................	A-1+	VMIG-1	3,200	3,200,000
Illinois Health Facilities Authority (South Suburban Hospital Project); Variable Rate Demand Series 1994 RB				
4.20% 02/15/14(b)(c)................	A-1+	--	12,500	12,500,000
Illinois State Toll Highway Authority; Toll Highway Refunding Series 1993 B RB				
4.25% 01/01/10(b)(d)................	A-1+	VMIG-1	18,200	18,200,000
Marseilles (City of) (Kaiser Agricultural Chemicals Inc. Project); Variable Rate Demand Series 1985 IDR				
4.05% 01/01/98(b)(c)................	A-1+	--	4,650	4,650,000
Northwest Suburban Municipal Joint Action Water Agency (Cook, Dupage, and Kane Counties, Illinois); Water Supply System Series 1985 RB				
9.875% 05/01/95(e)(f)...............	--	Aaa	1,805	1,832,226
Village of Lisle (The Ponds of Pembroke Project); Multi-Family Housing 1985 Issue RB				
4.10% 12/15/25(b)(c)................	A-1+	--	1,300	1,300,000
Village of Northbrook (Euromarket Designs, Inc. Project); Variable Rate Demand Series 1993 IDR				
4.15% 07/01/02(b)(c)................	A-1+	--	3,700	3,700,000

				80,552,422

INDIANA - 0.12%				
Auburn (City of) (Sealed Power Corp. Project); Variable Rate Demand Economic Development Series 1985 RB				
4.00% 07/01/10(b)(c)................	--	VMIG-1	1,200	1,200,000

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<S>	<C> RATING(a) S&P	<C> MOODY'S	<C> PAR (000)	<C> VALUE	<C>
IOWA - 1.08%					
Chariton (City of) (Hy-Vee Food Stores, Inc. Project); Refunding Series 1984 IDR					
3.90% 11/01/04(b)(c)...............	A-1+	--	$ 1,162	$ 1,162,000	
Iowa (State of) School Corporations; Warrant Certificates Series 1994 A TRAN					
4.25% 07/17/95(d)..................	SP-1+	MIG-1	10,000	10,018,355	

				11,180,355	

KANSAS - 0.70%					
Kansas City (City of); Temporary Notes Series 1994 GO					
4.35% 07/31/95(g)..................	--	--	5,403	5,405,179	

Lawrence (County of) Industrial Development Authority (Homestake Mining Co.); Series 1983 PCR 4.25% 04/01/03(b)(c)..............	A-1+	P-1	1,900	1,900,000

				7,305,179

KENTUCKY - 2.36%				
Kentucky Development Finance Authority (FHA-Baptist Hospital Southeast Inc.); Hospital Series 1985 RB 9.75% 08/01/95(e)(f)..............	AAA	Aaa	2,000	2,076,071
Mason County (East Kentucky Power Cooperative, Inc. Project); National Rural Utilities Cooperative Finance Corp. Guaranteed Floating/Fixed Rate PCR				
4.30% Pooled Series 1984 B-1 10/15/14(b)(c)...................	A-1+	Aa3	12,950	12,950,000
4.30% Pooled Series 1984 B-2 10/15/14(b)(c)...................	A-1+	Aa3	9,450	9,450,000

				24,476,071

LOUISIANA - 2.20%				
East Baton Rouge (Parish of) (Georgia-Pacific Corp. Project); 7 & 7 Series 1984 PCR 4.05% 10/01/99(b)(c)..............	AA	Aa2	2,000	2,000,000
Lake Charles Harbor & Terminal District (Reynolds Metals Co. Project); Series 1990 IDR 4.00% 05/01/06(b)(c)..............	A-1+	--	9,900	9,900,000
Louisiana Offshore Terminal Authority (LOOP Inc. Project); Deepwater Port Refunding RB				
4.55% First Stage Series 1986 09/01/06(b)(c)...................	--	VMIG-1	1,000	1,000,000
4.05% First Stage Series 1991A 09/01/08(b)(c)...................	A-1+	VMIG-1	3,500	3,500,000
Louisiana Public Facilities Authority (Sisters of Charity of the Incarnate Word); SCH Health Care System Unit Priced Demand Adjustable Series 1993 RB 3.70% 04/03/95(e).................	A-1+	VMIG-1	4,000	4,000,000
New Orleans Exhibition Hall Authority; Special Tax Series 1989 B Bonds 4.25% 07/01/18(b)(c)..............	A-1+	VMIG-1	2,500	2,500,000

				22,900,000

MAINE - 0.39%				
Maine (State of); General Obligation TAN 4.50% 06/30/95....................	SP-1+	MIG-1	4,000	4,007,604

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	RATING(a) S&P	RATING(a) MOODY'S	PAR (000)	VALUE
MICHIGAN - 3.22%				
Detroit (City of); Limited Tax General Obligation Series 1994 B TAN 4.25% 05/01/95(c).................	SP-1+	MIG-1	$ 8,250	$ 8,254,072
Grand Rapids (City of); Water Supply System Improvement Variable Rate Demand Series 1993 Refunding RB 4.50% 01/01/20(b)(d)..............	A-1+	VMIG-1	7,400	7,400,000
Jackson County Economic Development Corp. (Sealed Power Corp.); Economic Development Variable Refunding RB				

4.00% 10/01/19(b)(c)..............	--	VMIG-1	1,000	1,000,000
Michigan State Hospital Finance Authority (Edward Sparrow Hospital); Series 1985 RB				
8.75% 06/01/95(d)(e)..............	AAA	Aaa	3,900	4,008,224
Michigan State Hospital Finance Authority; Series 1991 RB				
4.05% 12/01/11(b)(c)..............	--	VMIG-1	1,400	1,400,000
Michigan State Housing Development Authority; Rental Housing Series 1994 C RB				
4.15% 04/01/19(b)(c)..............	A-1+	--	6,700	6,700,000
Michigan Strategic Fund (260 Brown St. Associates Project); Convertible Variable Rate Demand Limited Obligation Series 1985 RB				
3.75% 10/01/15(b)(c)..............	--	VMIG-1	3,750	3,750,000
Michigan Strategic Fund (Norcor Corp. Project); IDR				
4.00% 12/01/00(b)(c)..............	--	P-1	1,000	1,000,000
				33,512,296
MINNESOTA - 0.47%				
Austin (City of) (Hy-Vee Foodstores Inc. Project); Commercial Development Series 1984 RB				
3.90% 12/01/04(b)(c)..............	A-1+	--	900	900,000
Mankato (City of) (Northern States Power Co. Project); Floating Collateralized Series 1985 PCR				
4.15% 03/01/11(b)..................	AA-	A1	2,900	2,900,000
St. Paul (City of); Capital Improvement Series A GO				
3.50% 04/01/95.....................	AA+	Aa	1,100	1,099,952
				4,899,952
MISSOURI - 3.19%				
Columbia (City of); Special Obligation Insurance Reserve Series 1988 A Bonds				
4.20% 06/01/08(b)(c)..............	--	VMIG-1	5,700	5,700,000
Health and Educational Facilities Authority of the State of Missouri (Washington University); Health and Educational Facilities Multi Modal Interchangeable Rate Series 1989 A RB				
4.50% 03/01/17(b)..................	A-1+	VMIG-1	5,000	5,000,000
Higher Education Facilities Authority of the State of Missouri (The Washington University Project); Educational Facilities Series 1985 B RB				
4.15% 09/01/10(b)..................	A-1+	VMIG-1	1,200	1,200,000
Independence Industrial Development Authority (Resthaven Project); Series 1995 IDR				
4.15% 02/01/25(b)(c)..............	A-1+	--	5,200	5,200,000

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	RATING(a) S&P	RATING(a) MOODY'S	PAR (000)	VALUE
MISSOURI - (CONTINUED)				
Land Clearance for Redevelopment Authority of Kansas City (East-West Bryant Limited Partnership); Series 1984 IDR				
4.50% 12/01/14(b)(c)...............	--	Aa2	$ 4,000	$ 4,000,000
Missouri State Environmental Improvement & Energy Resource Authority (Associated Electric Cooperative, Inc. Project); Pooled Series 1993-M RB				

4.30% 12/15/03(b)(c)................	AA-	VMIG-1	3,080	3,080,000
Saint Louis County Industrial Development Authority (Bonhomme Village Apartments Association Project); Variable Rate Demand Housing Series 1985 RB				
4.10% 10/01/07(b)(c)................	--	VMIG-1	7,000	7,000,000
Saint Louis County Industrial Development Authority (Westport Station Project); Multifamily Housing Series 1991 A RB				
4.05% 07/01/06(b)(c)................	A-1	--	2,000	2,000,000

				33,180,000

NEBRASKA - 0.12%				
Buffalo (County of) (Franciscan Healthcare Corp. - Kearny Hospital); Hospital Series 1985 Bonds				
4.10% 01/01/16(b)(c)................	--	VMIG-1	1,200	1,200,000

NEVADA - 0.54%				
Clark (County of); Adjustable Rate Airport System Series 1995 A-1 RB				
4.10% 07/01/25(b)(c)................	A-1+	--	5,600	5,600,000

NEW HAMPSHIRE - 0.04%				
New Hampshire Industrial Development Authority (Bangor Hydro-Electric Co. Project); Variable Rate Demand Series 1983 PCR				
4.10% 01/01/09(b)(c)................	A-1+	--	400	400,000

NEW JERSEY - 0.47%				
New Jersey Economic Development Authority (Trailer Marine Transport Corp. Project); Adjustable Rate Port Facility Series 1983 RB				
3.85% 02/01/02(b)(c)	A-1	--	4,900	4,900,000

NEW MEXICO - 1.50%				
Albuquerque (City of); Gross Receipts Ledgers Tax Series 1991 A RB				
4.15% 07/01/22(b)(c)................	--	VMIG-1	8,000	8,000,000
Farm City of Farmington (Arizona Public Service); Refunding Series 1994 B PCR				
4.55% 09/01/24(b)(c)................	A-1+	P-1	7,600	7,600,000

				15,600,000

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<S>	<C> RATING(a) S&P	<C> MOODY'S	<C> PAR (000)	<C> VALUE	<C>
NEW YORK - 20.06%					
Eagle Tax Exempt Trust; Class A COP(h)					
4.35% Series 1994 B 01/01/04(b)(d)..	A-1c	--	$22,400	$ 22,400,000	
4.35% Series 1993 E 08/01/06(b).....	A-1c	--	15,000	15,000,000	
4.35% Series 943802 05/01/07(b)(d)..	A-1c	--	17,800	17,800,000	
4.35% Series 1992 A 06/15/07(b)(d)..	A-1c	--	14,500	14,500,000	
4.35% Series 1993 F 08/01/07(b).....	A-1c	--	20,500	20,500,000	
4.35% Series 94C2102 06/01/14(b)(d).	A-1c	--	12,600	12,600,000	
4.35% Series 1994 C-1 06/15/18(b)(f)....................	A-1c	--	18,000	18,000,000	
4.35% Series 1994 C-2 06/15/18(b)(d)....................	A-1c	--	10,200	10,200,000	
4.35% Series 950901 06/01/21(b).....	A-1c	--	12,700	12,700,000	
4.30% Series 943207 07/01/29(b)(d)..	A-1c	--	14,200	14,200,000	
New York (City of); Variable Rate Demand GO					
4.60% Series 1995 B 08/15/04(b)(d)..	A-1+	VMIG-1	1,800	1,800,000	
4.50% Series 1994-1995 B 08/15/05(b)(d)....................	A-1+	VMIG-1	2,500	2,500,000	

4.25% Series 1995 F 02/15/16(b)(c)..	A-1+	VMIG-1	19,000	19,000,000
4.55% Series D 02/01/20(b)(d).......	A-1+	VMIG-1	5,600	5,600,000
4.55% Series 1992 D 02/01/21(b)(d)..	A-1+	VMIG-1	800	800,000
4.55% Series D 02/01/22(b)(d).......	A-1+	VMIG-1	4,700	4,700,000
4.50% Series 1994 08/15/22(b)(c)....	A-1+	VMIG-1	4,400	4,400,000
New York City Housing Development Corp. (James Tower Development); Multifamily Housing Series 1994 A RB				
3.95% 07/01/05(b)(c)...............	A-1	--	1,000	1,000,000
New York State Thruway Authority; Variable Rate Series B RB				
4.60% 01/01/24(b)(c)...............	--	VMIG-1	10,800	10,800,000

				208,500,000

NORTH CAROLINA - 1.17%				
New Hanover County Industrial Facilities and Pollution Control Financing Authority (Gang-Nail Systems, Inc. Project); Series 1984 IDR				
4.15% 12/01/99(b)(c)...............	--	P-1	1,000	1,000,000
North Carolina Educational Facilities Finance Agency (The Bowman Gray School of Medicine Project); Series 1990 RB				
4.10% 09/01/20(b)(c)...............	--	VMIG-1	2,700	2,700,000
North Carolina Medical Care Commission (Moses H. Cone Memorial Hospital Project); Hospital Series 1993 RB				
4.10% 10/01/23(b)..................	A-1+	--	3,500	3,500,000
North Carolina Medical Care Commission (North Carolina Baptist Hospital Project); Hospital Series 1992 B RB				
4.10% 06/01/22(b)..................	A-1+	VMIG-1	1,000	1,000,000
Wake (County of) Pollution Control Financing Authority (Carolina Power and Light Co.); Series 1985 A RB				
4.00% 05/01/15(b)(c)...............	A-1+	P-1	4,000	4,000,000

				12,200,000

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<S>	<C> RATING(a) S&P	<C> MOODY'S	<C> PAR (000)	<C> VALUE	<C>
OHIO - 2.49%					
Cuyahoga (County of) (S&R Playhouse Realty Co.); Adjustable Rate Demand Series 1984 IDR					
4.15% 12/01/09(b)(c)..............	--	MIG-1	$ 670	$ 670,000	
Franklin (County of) (Bricker & Eckler Building Co. Project); Variable Rate Demand Series 1984 IDR					
4.375% 11/01/14(b)(c).............	--	P-1	9,200	9,200,000	
Franklin (County of) (Holy Cross Health System); Variable Rate Series Hospital 1995 RB					
4.15% 06/01/16(b)..................	A-1+	VMIG-1	15,000	15,000,000	
Ohio Housing Finance Agency (Kenwood Congregate Retirement Community Project); Variable Rate Demand Multifamily Housing Series 1985 RB					
4.00% 12/01/15(b)(c)..............	--	VMIG-1	980	980,000	

				25,850,000	

OREGON - 1.43%					
Hospital Facility Authority of Clackamus County (Kaiser Permanente Medical Care Program);					

Semiannual Tender Series 1984 RB				
3.85% 04/01/95(e)..................	A-1+	--	1,800	1,800,000
Klamath Falls (City of) (Salt Caves Hydroelectric Project); Fixed Adjustable Rate Electric RB				
3.75% Series 1986 B 05/02/95(e)(f).	SP-1+	--	4,500	4,497,420
3.75% Series E 05/02/95(e)(f)......	SP-1+	--	750	749,780
Multnoma County School District #1J; TAN				
3.75% 06/29/95.....................	SP-1+	MIG-1	3,000	2,997,633
Portland (City of) (South Park Block Project); Multifamily Housing Refunding Series 1988 A RB				
4.05% 12/01/11(b)(c)...............	A-1+	--	4,800	4,800,000

				14,844,833

PENNSYLVANIA - 3.24%				
Allegheny County Hospital Development Authority; Hospital RB				
4.15% Series 1988 B 03/01/07(b)(c).	A-1	VMIG-1	2,300	2,300,000
4.15% Series 1988 D 03/01/18(b)(c).	A-1	VMIG-1	2,000	2,000,000
Allentown (City of); Series 1985 GO				
8.875% 05/15/95(e)(f)..............	--	Aaa	1,620	1,630,244
Beaver County Industrial Development Authority (Duquesne Light Co. Project); Series Refunding 1994 PCR				
4.50% 10/10/95(c)..................	--	VMIG-1	2,000	2,000,000
Beaver County Industrial Development Authority (Ohio Edison Co.); Series A PCR				
3.45% 10/01/95(c)(e)...............	A-1+	P-1	1,500	1,490,727
Delaware County Industrial Development Authority (Henderson-Radnor Joint Venture Project); Limited Obligation Series 1985 RB				
4.375% 04/01/15(b)(c)..............	--	Aa3	1,000	1,000,000
Delaware County Industrial Development Authority (Scott Paper Co. Project); Variable Rate Demand Solid Waste Series 1984 D RB				
4.25% 12/01/18(b)(c)...............	A-1+	Aa2	400	400,000

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	RATING(a) S&P	RATING(a) MOODY'S	PAR (000)	VALUE
PENNSYLVANIA - (CONTINUED)				
Pennsylvania Higher Education Facilities Authority (Trustees of the University of Pennsylvania); Health Services Series 1994 B RB				
4.20% 01/01/24(b).................	A-1+	VMIG-1	$ 2,300	$ 2,300,000
Philadelphia (City of); TRAN				
4.75% Series 1994-1995A 06/15/95(c)......................	SP-1+	MIG-1	2,000	2,003,367
4.75% Series D 06/15/95(c)........	SP-1+	MIG-1	7,000	7,012,490
4.75% Series 1994-1995 06/30/95...	SP-1	MIG-1	3,000	3,003,912
Schuykill County Industrial Development Authority (Gilberton Power Project); Variable Rate Resource Recovery Series 1985 RB				
4.25% 12/01/02(b)(c)..............	A-1	--	6,200	6,200,000
Wilkes-Barre (City of) Industrial Development Authority (Toys "R" Us/Penn Inc. Project); Economic Development Series 1984 RB				
4.125% 07/01/14(b)(c)............	--	Aa2	2,300	2,300,000

				33,640,740

SOUTH CAROLINA - 3.79%				
Charleston (County of) (Massey Coal Terminal Corp. Project); Series 1982 Industrial Refunding Series 1982 RB				
4.55% 01/01/07(b)(c).............	--	P-1	3,600	3,600,000

Florence (County of) (Stone Container Corp.); Variable Rate Series 1984 IDR 4.00% 02/01/07(b)(c).............	A-1+	--	33,400	33,400,000
Horry (County of) (Carolina Treatment Center); Variable Rate Demand Series 1984 RB 4.05% 12/01/14(b)(c).............	--	Aa2	600	600,000
York (County of) (North Carolina Electric Membership Corp.); PCR 4.30% Pooled Series 1984 N-2 09/15/14(b)(c)..................	A-1+	P-1	1,800	1,800,000
				39,400,000
TENNESSEE - 5.51%				
Health, Educational and Housing Facility Board of Shelby County (Rhodes College); Variable Rate Demand Educational Facilities Series 1985 RB 4.05% 08/01/10(b)(c).............	A-1+	--	2,300	2,300,000
Industrial Development Board of the City of Franklin (The Landings Project); Variable Rate Demand Multifamily Housing Series 1985 Class A RB 4.05% 12/01/06(b)(c).............	A-1	--	2,000	2,000,000
Industrial Development Board of the City of Knoxville (Toys "R" Us Inc., Project); Series 1984 IDR 4.375% 05/01/14(b)(c)............	--	Aa2	1,150	1,150,000
Industrial Development Board of the County of Bradley (Olin Corp.); Refunding Series 1993 C RB 4.80% 11/01/17(b)(c).............	A-1+	--	1,800	1,800,000
Industrial Development Board of the Metropolitan Government of Nashville and Davidson County (Amberwood Ltd. Project); Multifamily Housing Refunding Series 1993 A RB 4.00% 07/01/95(c)(e).............	--	VMIG-1	1,500	1,500,000

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	RATING(a) S&P	RATING(a) MOODY'S	PAR (000)	VALUE
TENNESSEE - (CONTINUED)				
Knox County Industrial Development Authority (Center Square); Variable Rate Demand RB 3.95% 12/01/14(b)(c)...............	A-1+	--	$ 5,400	$ 5,400,000
Knox County Industrial Development Authority (Old Kingston Properties); Floating Rate Industrial Series 1984 RB 3.95% 12/01/14(b)(c)...............	A-1+	--	3,500	3,500,000
Knox County Industrial Development Authority (Professional Plaza); Variable Rate Demand RB 3.95% 12/01/14(b)(c)...............	A-1+	--	2,900	2,900,000
Knox County Industrial Development Board (Weisgarber Partners); Floating Rate Series 1984 IDR 3.95% 12/01/14(b)(c)...............	A-1+	--	700	700,000
Metro Nashville Airport Authority; Adjustable Rate Refunding Series 1993 RB 4.25% 07/01/19(b)(d)...............	A-1+	VMIG-1	12,900	12,900,000
Public Building Authority of the City of Clarksville (Tennessee Municipal Bond Fund); Adjustable Rate Pooled Financing Series 1990 RB 4.10% 07/01/13(b)(d)...............	A-1+	VMIG-1	1,585	1,585,000
Tennessee (State of); General Obligation				

Series 1994 A BAN 4.10% 05/01/96(b)...................	A-1+	VMIG-1	11,000	11,000,000
Tennessee Higher Educational Facilities; Variable Rate Series 1993 B BAN 4.10% 03/01/98(b)...................	A-1+	VMIG-1	1,400	1,400,000
Tennessee State School Bond Authority; Higher Educational Facilities Series 1994 B BAN 4.10% 03/01/98(b)...................	A-1+	--	9,150	9,150,000
				57,285,000
TEXAS - 7.49%				
Austin County Industrial Development Corp. (Justin Industries); Adjustable Tender IDR 4.25% 12/01/14(b)(c)................	--	P-1	2,150	2,150,000
Bexar County Health Facilities Development Corp. (Air Force Village II Project); Retirement Community Series 1985-B RB 4.125% 03/01/12(b)(c)..............	A-1+	--	5,305	5,305,000
Brazos River Harbor Navigation District of Brazoria County (Hoffman-La Roche Inc. Project); Series 1985 RB 4.25% 04/01/02(b)(c)................	--	Aa2	2,750	2,750,000
Dallas (City of) School District; Series 1994 TRAN 4.875% 08/30/95.....................	--	MIG-1	5,000	5,015,460
Grapevine Industrial Development Corp. (Southern Air Transport Inc.-Simuflite Training Project); Variable Rate Demand Airport Improvement Refunding Series 1993 RB 4.10% 03/01/10(b)(c)................	A-1+	--	5,700	5,700,000
Harris County Health Development Corp. (The Methodist Hospital); Hospital Series 1994 RB 4.50% 12/01/25(b)...................	A-1+	--	5,000	5,000,000

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<S>	<C> RATING(a) S&P	<C> MOODY'S	<C> PAR (000)	<C> VALUE
TEXAS - (CONTINUED)				
Harris County Health Facilities Authority (Sisters of Charity of the Incarnate Word-Houston); Unit Priced Adjustable Tax Exempt Securities Series 1985 RB 3.75% 04/03/95......................	AA	VMIG-1	$ 4,000	$ 4,000,000
Harris County Health Facilities Development Corp. (Gulf Coast Regional Blood Center Project); Series 1992 RB 4.40% 04/01/17(b)(c)................	A-1	--	3,650	3,650,000
Harris County Health Facilities Development Corp. (St. Luke's Episcopal Hospital Project); Hospital RB				
4.50% Series 1985 D 02/15/16(b).....	A-1+	--	2,250	2,250,000
4.50% Series 1992 A 02/15/21(b).....	A-1+	--	14,700	14,700,000
Harris County Health Facilities Development Corp. (Texas Childrens Hospital); Hospital Series 1989 B-2 RB 4.15% 10/01/19(b)...................	AA	VMIG-1	5,000	5,000,000
Harris County Industrial Development Corp. (Exxon Project); Series 1984-A PCR 4.60% 03/01/24(b)...................	A-1+	Aaa	1,000	1,000,000
Harris County Industrial Development Corp. (The Lubrizol Corp. Project); Marine Terminal Refunding Series 1991 RB				

4.10% 07/01/00(b)..................	A-1+	P-1	1,100	1,100,000
Houston (City of); Variable Rate Demand Series 1992 B Certificates of Obligation				
4.15% 04/01/98(b)..................	A-1+	VMIG-1	600	600,000
Nueces County Health Facilities Development Corp. (Driscoll Childrens Hospital); Floating Rate Demand Hospital Series 1985 RB				
4.30% 07/01/15(b)(c)...............	--	VMIG-1	2,570	2,570,000
Nueces River Authority (Reynolds Metals Co. Project); Refunding Series 1985 PCR				
4.60% 12/01/99(b)(c)...............	--	P-1	1,300	1,300,000
Red River Authority of Texas (Southwestern Public Service Co. Project); Refunding Series 1991 PCR				
4.00% 07/01/11(b)..................	A-1+	VMIG-1	3,000	3,000,000
Texas Association of School Boards (Tax Anticipation Notes Program); Series 1994 A TAN				
4.75% 08/31/95(c)..................	--	MIG-1	8,500	8,520,460
Texas Water Development Board (State Revolving Fund); Multi-Modal Interchangable Rate Series 1992 A RB				
4.50% 03/01/15(b)(c)...............	A-1+	--	2,100	2,100,000
Trinity River Industrial Development Authority (Radiation Sterilizers, Inc. Project); Variable Rate Demand IDR				
4.00% Series 1985 A 11/01/05(b)(c)..	A-1	--	500	500,000
4.00% Series 1985 B 11/01/05(b)(c)..	A-1	--	1,650	1,650,000
				77,860,920

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	RATING(a) S&P	RATING(a) MOODY'S	PAR (000)	VALUE
UTAH - 2.60%				
Bountiful (City of) (Bountiful Gateway Park Project); Adjustable Rate Refunding Series 1987 IDR				
4.20% 12/01/97(b)(c)...............	A-1+	--	$ 3,885	$ 3,885,000
Salt Lake County Housing Authority (Sandy Retirement Center Project); Series 1988 RB				
4.00% 01/01/09(b)(c)...............	--	VMIG-1	1,000	1,000,000
State Board of Regents of the State of Utah; Variable Rate Demand Series 1988 B RB				
4.10% 11/01/00(b)(d)...............	A-1+	VMIG-1	5,400	5,400,000
State Board of Regents of the State of Utah (University Inn Project); Variable Rate Demand Series 1985 IDR				
4.50% 12/01/15(b)(c)...............	--	P-1	8,935	8,935,000
Utah State Housing Finance Agency; Single Family Mortgage Variable Rate Issue 1993 D RB				
4.25% 07/01/16(b)..................	--	VMIG-1	7,800	7,800,000
				27,020,000
VIRGINIA - 2.10%				
Fairfax County Redevelopment and Housing Authority (Chase Commons Project); Variable Rate Demand Series 1984 A RB				
4.25% 12/01/06(b)(c)...............	--	VMIG-1	3,330	3,330,000
Industrial Development Authority of Fairfax County (Fairfax Hospital Systems, Inc.); Variable Rate Demand Obligation Refunding Series 1985 A RB				
4.10% 10/01/16(b)..................	A-1+	VMIG-1	2,400	2,400,000

	S&P	MOODY'S	PAR (000)	VALUE
Peninsula Ports Authority of Virginia (Dominion Terminal Associates); Coal Terminal Refunding Series 1987 C RB 4.60% 07/01/16(b)(c)...............	--	P-1	3,300	3,300,000
Virginia Housing Development Authority (AHC Service Corp.); Variable Rate Demand Housing Series 1987 A RB 4.15% 09/01/17(b)(c)...............	--	P-1	7,780	7,780,000
Virginia Housing Development Authority (Commonwealth Mortgage); Series 1992 C RB 4.25% 07/12/95(e)..................	A-1+	VMIG-1	5,000	5,000,000
				21,810,000
WASHINGTON - 0.66%				
Industrial Development Corp. of the Port of Port Townsend (Port Townsend Paper Corp. Project); Variable Rate Refunding Series 1988 A RB 4.20% 03/01/09(b)(c)...............	--	VMIG-1	5,100	5,100,000
Student Loan Finance Association (Guaranteed Student Loan Program); Variable Rate Demand Second Series 1985 RB 4.00% 01/01/01(b)(c)...............	--	VMIG-1	1,800	1,800,000
				6,900,000
WEST VIRGINIA - 0.06%				
West Virginia Hospital Finance Authority (VHA Mid-Atlantic States, Inc. Capital Asset Financing Program); Variable Rate Demand Hospital Series 1985 A RB 4.10% 12/01/25(b)(d)...............	A-1	Aaa	600	600,000

</TABLE>

<TABLE>

	RATING(a) S&P	MOODY'S	PAR (000)	VALUE
WISCONSIN - 0.92%				
Milwaukee Metropolitan Sewer District; Unlimited Tax Metro Sewer Series 1985 GO 8.80% 05/01/95.................	AA	Aa	$ 2,535	$ 2,544,598
Racine County Unified School District; Series 1994 TRAN 4.75% 08/23/95.................	SP-1+	--	7,000	7,017,215
				9,561,813
WYOMING - 1.55%				
Kemmerer (City of) (Exxon Project); Series 1984 PCR 4.55% 11/01/14(b)..............	A-1+	P-1	15,600	15,600,000
Lincoln (County of) (Exxon Project); Series 1984 C PCR 4.60% 11/01/14(b)..............	A-1+	Aaa	500	500,000
				16,100,000
TOTAL INVESTMENTS - 101.81%.......				1,057,962,784(i)
OTHER ASSETS LESS LIABILITIES - (1.81%)........................				(18,785,546)
NET ASSETS - 100.00%.............				$1,039,177,238

</TABLE>

INVESTMENT ABBREVIATIONS:
<TABLE>
<C> <S>

BAN	Bond Anticipation Notes
COP	Certificates of Participation
GO	General Obligation Bonds
IDR	Industrial Development Revenue Bonds
PCR	Pollution Control Revenue Bonds
RAN	Revenue Anticipation Notes
RB	Revenue Bonds
TAN	Tax Anticipation Notes
TRAN	Tax and Revenue Anticipation Notes

</TABLE>

NOTES TO SCHEDULE OF INVESTMENTS:

(a) Ratings assigned by Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Corporation ("S&P"). Ratings are not covered by Independent Auditors' Report.

(b) Demand security; payable upon demand by the Fund at specified time intervals no greater than thirteen months. Interest rates are redetermined periodically. Rates shown are the rates in effect on March 31, 1995.

(c) Security is secured by a letter of credit.

(d) Security is secured by bond insurance.

(e) Security has an outstanding call or mandatory put by the issuer. Par value and maturity date reflect such call or put.

(f) Security is secured by an escrow fund.

(g) Unrated security; determined by the investment advisor to be of comparable quality to the rated securities in which the Fund may invest, pursuant to guidelines of quality adopted by the Board of Directors and followed by the investment advisor.

(h) The Fund may invest in synthetic municipal instruments the value of and return on which are derived from underlying securities. The types of synthetic municipal instruments in which the Fund may invest include variable rate instruments. These instruments involve the deposit into a trust or custodial account of one or more long-term tax-exempt bonds or notes ("Underlying Bonds"), and the sale of certificates evidencing interests in the trust or custodial account to investors such as the Fund. The trustee or custodian receives the long-term fixed rate interest payments on the Underlying Bonds, and pays certificate holders short-term floating or variable interest rates which are reset periodically. A "variable rate trust certificate" evidences an interest in a trust entitling the certificate holder to receive variable rate interest based on prevailing short-term interest rates and also typically providing the certificate holder with the conditional right to put its certificate at par value plus accrued interest. Because synthetic municipal instruments involve a trust or custodial account and a third party conditional put feature, they involve complexities and potential risks that may not be present where a municipal security is owned directly.

(i) Cost for federal income tax purposes is $1,057,999,138.

See Notes to Financial Statements.

STATEMENT
OF ASSETS
AND LIABILITIES

March 31, 1995

<TABLE>

<S>	<C>
ASSETS:	
Investments, at value (amortized cost)	$1,057,962,784
Cash	98,532
Receivables for:	
Investments sold	5,574,206
Interest	8,638,051
Investment for deferred compensation plan	10,031
Other assets	71,459
Total assets	1,072,355,063
LIABILITIES:	
Payables for:	
Investments purchased	29,555,313
Dividends	3,350,160
Deferred compensation	10,031
Accrued advisory fees	141,628
Accrued directors' fees	2,417
Accrued administrative service fees	7,234
Accrued transfer agent fees	15,901
Accrued distribution fees	6,078
Accrued operating expenses	89,063

Total liabilities	33,177,825
NET ASSETS	$1,039,177,238
NET ASSETS:	
Institutional Shares	$1,009,890,739
Private Investment Class	$ 29,286,499
CAPITAL STOCK, $0.001 PAR VALUE PER SHARE:	
Institutional Shares:	
Authorized	3,000,000,000
Outstanding	1,010,228,635
Private Investment Class:	
Authorized	1,000,000,000
Outstanding	29,296,298
NET ASSET VALUE PER SHARE:	
Net asset value, offering and redemption price per share	$1.00

</TABLE>

See Notes to Financial Statements.

STATEMENT OF OPERATIONS

For the year ended March 31, 1995

<TABLE>
<CAPTION>

	Institutional Shares	Private Investment Class	Fund
<S>	<C>	<C>	<C>
INVESTMENT INCOME:			
Interest income	$35,037,716	$824,460	$35,862,176
EXPENSES:			
Advisory fees	1,783,634	40,819	1,824,453
Custodian fees	158,286	7,283	165,569
Transfer agent fees	29,774	2,364	32,138
Registration and filing fees	19,314	46,725	66,039
Administrative service fees	76,484	1,700	78,184
Directors' fees	14,056	216	14,272
Distribution fees	--	60,489	60,489
Printing	21,939	42,801	64,740
Other expenses	100,865	9,326	110,191
Total expenses	2,204,352	211,723	2,416,075
Less expenses assumed by advisor	--	(100,000)	(100,000)
Net expenses	2,204,352	111,723	2,316,075
NET INVESTMENT INCOME	$32,833,364	$712,737	33,546,101
Net realized gain (loss) on sales of investments			(430,985)
Net unrealized appreciation of investments			33,165
Net increase in net assets resulting from operations			$33,148,281

</TABLE>

See Notes to Financial Statements.

STATEMENT OF CHANGES IN NET ASSETS

For the years ended March 31, 1995 and 1994

<TABLE>
<CAPTION>

<S>	1995 <C>	1994 <C>
OPERATIONS:		
Net investment income	$ 33,546,101	$ 23,857,366
Net realized gain (loss) on sales of investments	(430,985)	(35,815)
Net unrealized appreciation (depreciation) of investments	33,165	(1,994)
Net increase in net assets resulting from operations	33,148,281	23,819,557
Distributions to shareholders from net investment income:		
Institutional Shares	(32,833,365)	(23,575,716)
Private Investment Class	(712,736)	(281,650)
Share transactions - net:		
Institutional Shares	(30,316,694)	45,804,111
Private Investment Class	12,695,756	7,008,670
Net increase (decrease) in net assets	(18,018,758)	52,774,972
NET ASSETS:		
Beginning of period	1,057,195,996	1,004,421,024
End of period	$1,039,177,238	$1,057,195,996
NET ASSETS CONSIST OF:		
Shares of beneficial interest:		
Institutional Shares	$1,010,228,635	$1,040,545,329
Private Investment Class	29,296,298	16,600,542
Undistributed net realized gain (loss) on sales of investments	(384,049)	46,936
Unrealized appreciation of investments	36,354	3,189
	$1,039,177,238	$1,057,195,996

</TABLE>

See Notes to Financial Statements.

NOTES TO
FINANCIAL
STATEMENTS

March 31, 1995

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Tax-Free Investments Co. (the "Company") is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as a diversified, open-end management investment company. The Company is organized as a Maryland corporation consisting of one portfolio, the Cash Reserve Portfolio (the "Fund"). The Fund consists of two different classes of shares, the Institutional Cash Reserve Shares ("Institutional Shares") and the Private Investment Class.

The following is a summary of the significant accounting policies followed by the Fund in the preparation of its financial statements.

A. Securities Valuations - The Fund uses the amortized cost method of valuing investment portfolio securities which has been determined by the Board of Directors of the Company to represent the fair value of the Fund's investments.

B. Securities Transactions and Investment Income - Securities transactions are recorded on a trade date basis. Interest income, adjusted for amortization of premiums and, when appropriate, discounts on investments, is earned from settlement date and is recorded on the accrual basis. Interest income is allocated to each class daily, based upon each class' pro rata share of the total shares of the Fund outstanding. Discounts, other than original issue, on short-term obligations are amortized to unrealized appreciation for financial reporting purposes. Realized gains and losses from securities transactions are computed on the basis of specific identification of the securities sold.

C. Dividends and Distributions to Shareholders - It is the policy of the Fund to declare daily dividends from net investment income. Such dividends are paid monthly. Distributions from net realized capital gains, if any, are declared and paid annually. Net capital gains cannot be distributed to the extent they can be offset by any capital loss carryovers of the Fund.

D. Federal Income Taxes - The Fund intends to comply with the requirements of the Internal Revenue Code necessary to qualify as a regulated investment company and, as such, will not be subject to federal income taxes on otherwise taxable income (including net realized capital gains) which is distributed to shareholders. Therefore, no provision for federal income taxes is recorded in the financial statements. The Fund has a capital loss carryforward of $97,086 (which may be carried forward to offset future taxable gains, if any) which expires, if not previously utilized, through the year 2003. The Fund cannot distribute capital gains to shareholders until the tax loss carryforwards have been utilized. In addition, the Fund intends to invest in sufficient municipal securities to allow it to qualify to pay "exempt interest dividends," as defined in the Internal Revenue Code, to shareholders.

E. Expenses - Operating expenses directly attributable to a class are charged to that class' operations. Expenses which are applicable to both classes, e.g., advisory fees, are allocated between them.

NOTE 2 - ADVISORY FEES AND OTHER TRANSACTIONS WITH AFFILIATES

The Company has entered into a master investment advisory agreement with A I M Advisors, Inc. ("AIM"). Under the terms of the master investment advisory agreement, the Fund pays an advisory fee to AIM at the annual rate of 0.25% of the first $500 million of the Fund's average daily net assets plus 0.20% of the Fund's average daily net assets in excess of $500 million. AIM will, if necessary, reduce its fees for any fiscal year to the extent required so that the amount of ordinary expenses of each class (excluding interest, taxes, brokerage commissions and extraordinary expenses) paid or incurred by each class for such fiscal year does not exceed the applicable expense limitations imposed by securities regulations in any state or jurisdiction in which the Company's shares are qualified for sale.

AIM has voluntarily agreed to reduce its fee from the Fund to the extent necessary so that the amount of ordinary expenses of the Institutional Shares (excluding interest, taxes, brokerage commissions, directors' fees, extraordinary expenses and federal registration fees) paid or incurred by the Institutional Shares does not exceed 0.20% of the Institutional Shares' average daily net assets. As a result, AIM's advisory fee on the Private Investment Class is reduced in the same proportion as the Institutional Shares. For the year ended March 31, 1995, AIM reduced its fees from the Fund by $659,533. AIM also assumed expenses of $100,000 on the Private Investment Class during the same period.

The Company has entered into a master distribution agreement with Fund Management Company ("FMC") for the distribution of shares of the Institutional Shares and the Private Investment Class. The Company has also adopted a distribution plan (the "Plan") pursuant to Rule 12b-1 under the 1940 Act with respect to the Private Investment Class. The Plan provides that the Private Investment Class may pay up to a 0.50% maximum annual rate of the Private Investment Class' average daily net assets. Of this amount, the Fund may pay an asset-based sales charge to FMC and the Fund may pay a service fee of 0.25% of the average daily net assets of the Private Investment Class to selected broker-dealers and other financial institutions who offer continuing personal shareholder services to their customers who purchase and own shares of the Private Investment Class. Any amounts not paid as a service fee under such Plan would constitute an asset-based sales charge. The Plan also imposes a cap on the total amount of sales charges, including asset-based sales charges, that may be paid by the Fund with respect to the Private Investment Class. During the year ended March 31, 1995, the Private Investment Class accrued $60,489 as compensation under the Plan.

The Fund, pursuant to the Company's master investment advisory agreement with AIM, has agreed to reimburse AIM for certain costs incurred in providing accounting services to the Fund. During the year ended March 31, 1995, the Fund reimbursed AIM $78,184 for such services. Effective September 16, 1994, A I M Institutional Fund Services, Inc. ("AIFS") became a transfer agent for the Fund. Certain officers and directors of the Company are directors or officers of AIM, AIFS and FMC.

The Fund paid legal fees of $4,475 for services rendered by Reid & Priest as counsel to the Board of Directors. In September 1994, Kramer, Levin, Naftalis, Nessen, Kamin & Frankel was appointed as counsel to the Board of Directors. The Fund paid legal fees of $1,296 for services rendered by that firm as counsel. A member of that firm is a director of the Company and, prior to September 1994, was a member of Reid & Priest.

NOTE 3 - DIRECTORS' FEES

Directors' fees represent remuneration paid or accrued to each director who is not an "interested person" of the Company. The Company may invest directors' fees, if so elected by a director, in mutual fund shares in accordance with a deferred compensation plan.

NOTE 4 - CAPITAL STOCK

Changes in capital stock outstanding during the years ended March 31, 1995 and 1994 were as follows:

	1995 Shares	1995 Amount	1994 Shares	1994 Amount
Sold:				
Institutional Shares..	5,223,878,446	$ 5,223,878,446	5,038,828,273	$ 5,038,828,273
Private Investment Class................	147,139,503	147,139,503	53,255,784	53,255,784
Issued as reinvestment of dividends:				
Institutional Shares..	74,376	74,376	78,543	78,543
Private Investment Class................	600,786	600,786	269,437	269,437
Redeemed:				
Institutional Shares..	(5,254,269,516)	(5,254,269,516)	(4,993,102,705)	(4,993,102,705)
Private Investment Class................	(135,044,533)	(135,044,533)	(46,516,551)	(46,516,551)
Net increase (decrease).	(17,620,938)	$ (17,620,938)	52,812,781	$ 52,812,781

NOTE 5 - FINANCIAL HIGHLIGHTS

Shown below are the condensed financial highlights for a share of the Institutional Shares outstanding during each of the years in the six-year period ended March 31, 1995, the eleven months ended March 31, 1989 and each of the years in the three-year period ended April 30, 1988.

	March 31, 1995	1994	1993	1992	1991	1990	1989
Net asset value, beginning of period............	$ 1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00
Income from investment operations:							
Net investment income..........	0.03	0.02	0.03	0.04	0.06	0.06	0.05
Less distributions:							
Dividends from net investment income..........	(0.03)	(0.02)	(0.03)	(0.04)	(0.06)	(0.06)	(0.05)
Net asset value, end of period....	$ 1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00
Total return.....	3.06%	2.33%	2.66%	4.09%	5.68%	6.22%	5.67%(a)
Ratios/supplemental data:							
Net assets, end of period (000s omitted)...	$1,009,891	$1,040,595	$994,828	$1,191,209	$1,156,557	$1,114,813	$1,062,479
Ratio of expenses to average net assets...........	0.20%(b)(c)	0.20%(b)	0.20%(b)	0.20%(b)	0.20%(b)	0.20%(b)	0.20%(a)(b)
Ratio of net investment income to average net assets............	3.01%(b)(c)	2.30%(b)	2.66%(b)	4.00%(b)	5.52%(b)	6.03%(b)	5.52%(a)(b)

<CAPTION>

	April 30,		
	1988	1987	1986
<S>	<C>	<C>	<C>
Net asset value, beginning of period............	$1.00	$1.00	$1.00
Income from investment operations:			
Net investment income..........	0.04	0.04	0.05
Less distributions:			
Dividends from net investment income..........	(0.04)	(0.04)	(0.05)
Net asset value, end of period....	$1.00	$1.00	$1.00
Total return.....	4.56%	4.24%	5.26%
Ratios/supplemental data:			
Net assets, end of period (000s omitted)...	$1,192,604	$993,392	$1,000,227
Ratio of expenses to average net assets...........	0.21%(b)	0.21%(d)	0.22%(d)
Ratio of net investment income to average net assets............	4.47%(b)	4.14%(d)	5.20%(d)

</TABLE>

- ------

(a) Annualized.

(b)After waiver of advisory fees.

(c) Ratios are based on average net assets of $1,092,308,224. Ratios of expenses and net investment income to average net assets prior to waiver of advisory fees are 0.26% and 2.95%, respectively.

(d)After waiver of advisory fees and distribution fees.

INVESTMENT ADVISOR
A I M ADVISORS, INC.
11 Greenway Plaza, Suite 1919
Houston, Texas 77046-1173
(713) 626-1919

DISTRIBUTOR
FUND MANAGEMENT COMPANY

PROSPECTUS

JULY 31, 1995

11 Greenway Plaza, Suite 1919
Houston, Texas 77046
(800) 659-1005

AUDITORS

KPMG PEAT MARWICK LLP
700 Louisiana, NationsBank Building
Houston, Texas 77002

CUSTODIAN
STATE STREET BANK AND
TRUST COMPANY
225 Franklin Street
Boston, Massachusetts 02110

TRANSFER AGENT

A I M INSTITUTIONAL FUND SERVICES, INC.

11 Greenway Plaza, Suite 1919

Houston, Texas 77046-1173

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFERING MADE BY THIS PROSPECTUS, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE FUND OR THE DISTRIBUTOR. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER IN ANY JURISDICTION TO ANY PERSON TO WHOM SUCH OFFERING MAY NOT LAWFULLY BE MADE.

TAX-FREE
INVESTMENTS CO.

INSTITUTIONAL CASH
RESERVE SHARES

11 GREENWAY PLAZA, SUITE 1919
HOUSTON, TEXAS 77046-1173

<TABLE>
<CAPTION>

</TABLE>

PROSPECTUS

PRIVATE INVESTMENT CLASS
OF THE
CASH RESERVE PORTFOLIO
OF
TAX-FREE INVESTMENTS CO.
11 GREENWAY PLAZA, SUITE 1919
HOUSTON, TEXAS 77046-1173
(800) 877-7748

The Private Investment Class of the Cash Reserve Portfolio of Tax-Free Investments Co. (the "Company") is designed to be a convenient vehicle in which customers of banks, certain broker-dealers and other financial institutions can invest in a diversified, open-end money market fund which is exempt from federal income taxes.

Pursuant to this Prospectus, the Company offers one class of shares which represents interests in the Cash Reserve Portfolio. Shares of the Institutional Class of the Cash Reserve Portfolio are offered pursuant to a separate prospectus. The Cash Reserve Portfolio is a "money market fund," the investment objective of which is the generation of as high a level of tax-exempt income as is consistent with preservation of capital and maintenance of liquidity by investing in high quality, short-term municipal obligations. The Cash Reserve Portfolio attempts to maintain a constant net asset value of $1.00 per share. No assurance can be given that such a net asset value can be maintained.

This Prospectus relates solely to the Private Investment Class of the Cash Reserve Portfolio.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS PROSPECTUS SETS FORTH BASIC INFORMATION THAT A PROSPECTIVE INVESTOR SHOULD KNOW ABOUT THE COMPANY AND THE SHARES PRIOR TO INVESTING AND SHOULD BE READ AND RETAINED FOR FUTURE REFERENCE. A STATEMENT OF ADDITIONAL INFORMATION DATED JULY 31, 1995 HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION AND IS HEREBY INCORPORATED BY REFERENCE. FOR A COPY OF THE STATEMENT OF ADDITIONAL INFORMATION, WRITE TO FUND MANAGEMENT COMPANY AT P.O. BOX 4333, HOUSTON, TEXAS 77210-4333 OR CALL (800) 877-7748.

SHARES OF THE CASH RESERVE PORTFOLIO ARE NOT DEPOSITS OR OBLIGATIONS OF, OR GUARANTEED OR ENDORSED BY, ANY BANK, AND THE CASH RESERVE PORTFOLIO'S SHARES ARE NOT FEDERALLY INSURED OR GUARANTEED BY THE U.S. GOVERNMENT, THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE FEDERAL RESERVE BOARD OR ANY OTHER AGENCY. THERE CAN BE NO ASSURANCE THAT THE CASH RESERVE PORTFOLIO WILL BE ABLE TO MAINTAIN A STABLE NET ASSET VALUE OF $1.00 PER SHARE. SHARES OF THE CASH RESERVE PORTFOLIO INVOLVE INVESTMENT RISKS, INCLUDING THE POSSIBLE LOSS OF PRINCIPAL.

PROSPECTUS DATED: JULY 31, 1995

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SUMMARY

THE COMPANY AND ITS INVESTMENT OBJECTIVE

The Company is an open-end, diversified, series management investment company with one portfolio, the Cash Reserve Portfolio (the "Portfolio"). Pursuant to this Prospectus, the Company offers one class of shares of the Portfolio, known as the Private Investment Class (the "Class"). Shares of such Class represent an interest in the Portfolio. The investment objective of the Portfolio is the generation of as high a level of tax-exempt income as is consistent with preservation of capital and maintenance of liquidity by investing in high quality, short-term municipal obligations. The Portfolio attempts to maintain a constant net asset value of $1.00 per share. No assurance can be given that such a net asset value can be maintained.

The Portfolio currently offers two classes of shares, the Institutional Cash Reserve Shares and the Class. Shares of the Institutional Cash Reserve Shares are offered pursuant to a separate prospectus.

Because the Company declares dividends on a daily basis, shares of each class of the Portfolio are expected to have the same net asset value (proportionate interest in the net assets of the Portfolio) and bear equally the expenses, such as the advisory fee, of the Portfolio as a whole. Both classes of the Portfolio share a common investment objective and portfolio of investments. However, the classes have different shareholder qualifications, and are separately allocated certain class expenses, such as those associated with the distribution of their shares. Therefore, each class will have a different dividend payment and a different yield.

INVESTORS IN THE COMPANY

The Class is designed to be a convenient vehicle in which customers of banks, certain broker-dealers and other financial institutions can invest in a diversified, open-end money market fund, the income from which is exempt from federal income taxes.

PURCHASE OF SHARES

Shares of the Portfolio are sold at net asset value. The minimum initial investment in the shares of the Class is $10,000. There is no minimum amount for subsequent investments. Payment for shares purchased must be in funds immediately available to the Company. See "Purchase of Shares."

REDEMPTION OF SHARES

Redemptions may be made without charge at net asset value. Payment for redeemed shares for which redemption orders are received prior to 12:00 noon Eastern Time will normally be made on the same day. See "Redemption of Shares."

DIVIDENDS

The net income of the Portfolio is declared as a dividend daily to shareholders of record immediately after 3:00 p.m. Eastern Time. Dividends are paid monthly by check or wire transfer unless the shareholder has previously elected to have such dividends automatically reinvested in additional shares of the Class. Information concerning the amount of the dividends declared on any particular day will normally be available by 3:00 p.m. Eastern Time on that day. See "Dividends."

CONSTANT NET ASSET VALUE

The Company uses the amortized cost method of valuing the securities held by the Portfolio and rounds the per share net asset value to the nearest whole cent. Accordingly, the net asset value per share of the Portfolio will normally remain constant at $1.00; however, no assurance can be given that such a net asset value can be maintained. See "Net Asset Value."

INVESTMENT ADVISOR

A I M Advisors, Inc. ("AIM") serves as the Company's investment advisor and receives a fee based on the Portfolio's average daily net assets. During the fiscal year ended March 31, 1995, the Company paid AIM advisory fees which represented 0.16% of the average net assets of the Portfolio. During such fiscal year, those expenses of the Company (relating exclusively to the Portfolio) which were borne by the Class, including fees paid to AIM, amounted to 0.45% of the Class' average net assets. For the fiscal year ended March 31, 1995, AIM waived a portion of its fees from the Company with respect to the Portfolio. Had AIM not waived its fee, AIM would have received an amount from the Company pursuant to the Investment Advisory Agreement with respect to the Portfolio which represented 0.22% of the Portfolio's average daily net assets. AIM is primarily engaged in the business of acting as manager or advisor to investment companies. See "Management of the Company--Investment Advisor."

DISTRIBUTOR AND DISTRIBUTION PLAN

Fund Management Company ("FMC") acts as the exclusive distributor of the shares of the Class. Pursuant to a Distribution Plan (the "Plan") adopted by the Company pursuant to Rule 12b-1 under the Investment Company Act of 1940, as amended (the "1940 Act") with respect to the Class, the Company may pay up to 0.50% of the Portfolio's average net asset value attributable to the shares of the Class to FMC and/or to certain broker-dealers or other financial institutions. Of this amount, up to 0.25% may be for continuing personal services to shareholders provided by broker-dealers or institutions and the balance would be deemed an asset-based sales charge. See "Purchase of Shares" and "Distribution Plan."

SPECIAL CONSIDERATIONS

The Portfolio may invest in repurchase agreements on a temporary basis or for defensive purposes. AIM may purchase securities for the Portfolio on a "when-issued" basis or on a delayed delivery basis. The Portfolio may also purchase participation interests from financial institutions. Accordingly, an investment in the shares of the Class may entail somewhat different risks from an investment in an investment company that does not engage in such investment practices. See "Investment Program."

TABLE OF FEES AND EXPENSES

The following table is designed to help an investor understand the various costs and expenses that an investor in the shares of the Class will bear directly or indirectly. If management fees were not being waived and other expenses were not being reimbursed, management fees, 12b-1 fees, and other expenses would be 0.22%, 0.50% and 0.45%, respectively, of the average net assets of the shares of the Class. The 12b-1 fees have been restated to reflect current fee waivers. A beneficial holder of shares of the Class should also consider the effect of any account fees charged by the financial institution managing his or her account.

	PRIVATE INVESTMENT CLASS OF THE CASH RESERVE PORTFOLIO
SHAREHOLDER TRANSACTION EXPENSES	
Maximum sales load imposed on purchases (as a percentage of offering price)	None
Maximum sales load on reinvested dividends (as a percentage of offering price)	None
Deferred sales load (as a percentage of original purchase price or redemption proceeds, as applicable)	None
Redemption fees (as a percentage of amount redeemed, if applicable)	None
Exchange fees	None
ANNUAL FUND OPERATING EXPENSES (AS A PERCENTAGE OF AVERAGE NET ASSETS)	
Management fees (after fee waivers)	0.16%
12b-1 Fees (after fee waivers)	0.25%(a)
Other expenses (after expense reimbursements)	0.04%
Total fund operating expenses	0.45%

- --------

(a) It is possible that as a result of Rule 12b-1 fees, long-term shareholders may pay more than the economic equivalent of the maximum front-end sales charges permitted under rules of the National Association of Securities Dealers, Inc. Given the Rule 12b-1 fee of the Class, however, it is estimated that it would take a substantial number of years for a shareholder to exceed such maximum front-end sales charges.

EXAMPLE

An investor in the Class would pay the following expenses on a $1,000 investment, assuming (1) 5% annual return and (2) redemption at the end of each time period.

	PRIVATE INVESTMENT CLASS OF THE CASH RESERVE PORTFOLIO
1 year	$ 5
3 years	$14
5 years	$25
10 years	$57

THE EXAMPLE SHOWN IN THE ABOVE TABLE SHOULD NOT BE CONSIDERED TO BE AN ACCURATE REPRESENTATION OF PAST OR FUTURE PERFORMANCE AND ACTUAL EXPENSES MAY BE GREATER OR LESS THAN THOSE SHOWN.

FINANCIAL HIGHLIGHTS

Shown below are the per share income and capital changes for a share of the Class outstanding during the fiscal years ended March 31, 1995, 1994 and 1993. The following information has been derived from financial statements audited by KPMG Peat Marwick LLP, independent auditors, whose report on the financial statements and the related notes appears in the Statement of Additional

Information.

	FOR THE YEAR ENDED MARCH 31, 1995	1994	1993
Net asset value, beginning of period	$ 1.00	$ 1.00	$ 1.00
Income from investment operations:			
Net investment income	0.03	0.02	0.02
Less distributions:			
Dividends from net investment operations	(0.03)	(0.02)	(0.02)
Net asset value, end of period	$ 1.00	$ 1.00	$ 1.00
Total return	2.80%	2.07%	2.43%
Ratios/supplemental data:			
Net assets, end of period (000s omitted)	$29,286	$16,601	$9,593
Ratio of expenses to average net assets(a)	0.45%(b)	0.45%	0.45%
Ratio of net investment income to average net assets(a)	2.89%(b)	2.05%	2.22%

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(a) After waiver of advisory fees and expense reimbursements.

(b) Ratios are based on average net assets of $24,685,681. Ratios of expenses and net investment income to average net assets prior to waiver of advisory fees and expense reimbursements are 0.92% and 2.42%, respectively.

SUITABILITY FOR INVESTORS

The Class is intended for use primarily by customers of banks, certain broker-dealers and other financial institutions who seek a convenient and economical vehicle in which to invest in an open-end, diversified money market fund, the income from which is exempt from federal income taxes. The minimum initial investment is $10,000.

INVESTMENT PROGRAM

INVESTMENT OBJECTIVE

The investment objective of the Portfolio is to generate as high a level of tax-exempt income as is consistent with preservation of capital and maintenance of liquidity by investing in high quality, short-term municipal obligations.

There can be no assurance that the Portfolio will achieve its investment objective.

MUNICIPAL SECURITIES

"Municipal Securities" include debt obligations issued to obtain funds for various public purposes, including the construction of a wide range of public facilities, the refunding of outstanding obligations, the obtaining of funds for general operating expenses and the lending of such funds to other public institutions and facilities. In addition, certain types of industrial development bonds are issued by or on behalf of public authorities to obtain funds to provide for the construction, equipment, repair or improvement of privately operated facilities. As used in this Prospectus and its related Statement of Additional Information, interest which is "tax-exempt" or "exempt from federal income taxes" means interest on Municipal Securities which is excluded from gross income for federal income tax purposes, and which does not give rise to a federal alternative minimum tax liability. See "Tax Matters" herein and in the Statement of Additional Information.

INVESTMENT POLICIES

Except where noted, the investment policies stated below are not fundamental and may be changed by the Board of Directors of the Company without shareholder approval. Shareholders will be notified before any material change in the following investment policies becomes effective. Policies which are noted as fundamental may be changed only with the approval of the shareholders of the Portfolio.

QUALITY STANDARDS

The policies set forth below with respect to quality standards are fundamental and may be changed only with shareholder approval. The quality standards apply at the time of purchase of a security. Information concerning the ratings criteria of Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Corporation ("S&P") and certain other nationally recognized statistical ratings organizations ("NRSROs") appears in the Statement of Additional Information.

The Portfolio will limit its purchases of Municipal Securities to those which are "First Tier" securities as defined in Rule 2a-7 under the 1940 Act. The United States Securities and Exchange Commission (the "SEC") has proposed certain changes to Rule 2a-7. While such proposed changes may have a prospective impact on the investments held by the Portfolio, the Company anticipates no difficulty in complying with any proposed change if adopted by the SEC. Briefly, "First Tier" securities are securities that are rated in the highest rating category for short-term obligations by two NRSROs, or, if only rated by one NRSRO, are rated in the highest rating category by that NRSRO, or, if unrated, are determined by the Portfolio's investment advisor (under the supervision of and pursuant to guidelines established by the Board of Directors) to be of comparable quality to a rated security that meets the foregoing quality standards. For a complete definition of a "First Tier" security, see the definition set forth in the Statement of Additional Information.

MATURITIES

The policies set forth below with respect to maturities are non-fundamental and may be changed without shareholder approval.

Consistent with its objective of stability of principal, the Portfolio attempts to maintain a constant net asset value per share of $1.00 and, to this end, values its assets by the amortized cost method and rounds the per share net asset value of its shares in compliance with Rule 2a-7, as amended from time to time. Accordingly, the Portfolio invests only in Municipal Securities having remaining maturities of 397 days or less and maintains a dollar weighted average portfolio maturity of 90 days or less.

The maturity of a security held by the Portfolio is determined in compliance with applicable rules and regulations. Certain securities bearing interest at rates that are adjusted prior to the stated maturity of the instrument or that are subject to repurchase agreements are deemed to have maturities shorter than their stated maturities.

VARIABLE OR FLOATING RATE INSTRUMENTS

The Portfolio may invest in Municipal Securities which have variable or floating interest rates which are readjusted periodically. Such readjustment may be based either upon a predetermined standard, such as a bank prime rate or the U.S. Treasury bill rate, or upon prevailing market conditions. Variable or floating interest rates generally reduce changes in the market price of Municipal Securities from their original purchase price. Accordingly, as interest rates decrease or increase, the potential for capital appreciation or depreciation is less for variable or floating rate Municipal Securities than for fixed income obligations.

Many Municipal Securities with variable or floating interest rates purchased by the Portfolio are subject to payment of principal and accrued interest (usually within seven days) on the Portfolio's demand. The terms of such demand instruments require payment of principal and accrued interest from the issuer, a guarantor and/or a liquidity provider. Frequently such obligations include letters of credit or other credit support arrangements provided by banking institutions. All variable or floating rate instruments will meet the quality standards of the Portfolio. The Company's investment advisor will monitor the pricing, quality and liquidity of the variable or floating rate Municipal Securities held by the Portfolio.

SYNTHETIC MUNICIPAL INSTRUMENTS

AIM believes that certain synthetic municipal instruments provide opportunities for mutual funds to invest in high credit quality securities providing attractive returns, even in market conditions where the supply of short-term tax-exempt instruments may be limited. Synthetic municipal instruments (sometimes referred to as "derivative municipal instruments") are securities the value of and return on which are derived from underlying securities. Synthetic municipal instruments comprise a large percentage of tax-exempt securities eligible for purchase by tax-exempt money market funds. The types of synthetic municipal instruments in which the Portfolio may invest involve the deposit into a trust or custodial account of one or more long-term tax-exempt bonds or notes ("Underlying Bonds"), and the sale of certificates evidencing interests in the trust or custodial account to investors such as the Portfolio. The trustee or custodian receives the long-term fixed rate interest payments on the Underlying Bonds, and pays certificate holders short-term floating or variable interest rates which are reset periodically. Synthetic municipal instruments typically are created by a bank, broker-dealer or other financial institution ("Sponsor"). Typically, a portion of the interest paid on the Underlying Bonds which exceeds the interest paid to the certificate holders is paid to the Sponsor or other investors. For further information regarding specific types of synthetic municipal instruments in which the Portfolio may invest see the Statement of Additional Information.

All such instruments must meet the minimum quality standards required for the Portfolio's investments and must present minimal credit risks. In selecting synthetic municipal instruments for the Portfolio, AIM considers the creditworthiness of the issuer of the Underlying Bonds, the Sponsor and the party providing certificate holders with a conditional right to sell (put) their certificates at stated times and prices. Typically, a certificate holder cannot exercise its put upon the occurrence of certain conditions, such as where the issuer of the Underlying Bond defaults on interest payments. Moreover, because synthetic municipal instruments involve a trust or custodial account and a third party conditional put feature, they involve complexities and potential risks that may not be present where a municipal security is owned directly.

The tax-exempt character of the interest paid to certificate holders is based on the assumption that the holders have an ownership interest in the Underlying Bonds; however, the Internal Revenue Service has not issued a ruling addressing this issue. In the event the Internal Revenue Service issues an adverse ruling or successfully litigates this issue, it is possible that the interest paid to the Portfolio on certain synthetic municipal instruments would be deemed to be taxable. The Portfolio relies on opinions of counsel on this ownership question and opinions of bond counsel regarding the tax-exempt character of interest paid on the Underlying Bonds.

WHEN-ISSUED SECURITIES AND DELAYED DELIVERY TRANSACTIONS

The Portfolio may purchase Municipal Securities on a "when-issued" basis, that is, delivery of and payment for the securities is not fixed at the date of purchase, but is set after the securities are issued (normally within forty-five days after the date of the transaction), and may purchase or sell Municipal Securities on a delayed delivery basis. The payment obligation and the interest rate that will be received on the securities are fixed at the time the buyer enters into the commitment. The Portfolio will only make commitments to purchase when-issued or delayed delivery Municipal Securities with the intention of actually acquiring such securities, but the Portfolio may sell these securities before the settlement date if it is deemed advisable. No additional when-issued or delayed delivery commitments will be made if more than 25% of the Portfolio's net assets would become so committed.

Investment in securities on a when-issued or delayed delivery basis may increase the Portfolio's exposure to market fluctuation and may increase the possibility that the Portfolio will incur short-term gains subject to federal taxation or short-term losses if the Portfolio must engage in portfolio transactions in order to honor a when-issued or delayed delivery commitment. In a delayed delivery transaction, the Portfolio relies on the other party to complete the transaction. If the transaction is not completed, the Portfolio may miss a price or yield considered to be advantageous. The Portfolio will employ techniques designed to reduce such risks.

If the Portfolio purchases a when-issued or delayed delivery security, the Portfolio will direct its custodian bank to segregate cash or other high grade securities (including temporary investments and Municipal Securities) of the Portfolio in an amount equal to the when-issued or delayed delivery commitment. If the market value of such segregated securities declines, additional cash or securities will be segregated on a daily basis so that the market value of the segregated cash or securities will equal the amount of the Portfolio's when-issued or delayed delivery commitments. To the extent funds are segregated, they will not be available for new investments or to meet redemptions.

For a more complete description of when-issued securities and delayed delivery transactions, see the Statement of Additional Information under the caption "Investment Program and Restrictions-- When-Issued Securities and Delayed Delivery Transactions."

INVESTMENT RESTRICTIONS

The Portfolio's investment program is subject to a number of investment restrictions which reflect self-imposed standards as well as federal and state regulatory limitations. The most significant of these restrictions provide that the Portfolio will not:

(1) with respect to 75% of its total assets, purchase securities of any issuer (except obligations of the U.S. Government, its agencies or instrumentalities, including any Municipal Securities guaranteed by the U.S. Government) if as a result of such purchase more than 5% of the Portfolio's total net assets would be invested in securities of such issuer, and except as permitted by Rule 2a-7 of the 1940 Act as amended from time to time; or

(2) purchase any securities which would cause more than 25% of the value of the Portfolio's total net assets at the time of such purchase to be invested in: (i) securities of one or more issuers conducting their principal activities in the same state, (ii) securities, the interest on which is paid from revenues of projects with similar characteristics, or (iii) industrial development bonds issued by issuers in the same industry; provided that there is no limit with respect to investments in U.S. Treasury Bills, other obligations issued or guaranteed by the U.S. Government and its agencies or instrumentalities, certificates of deposit and guarantees of Municipal Securities by banks.

The foregoing restrictions are matters of fundamental policy and may not be changed without shareholder approval.

The Portfolio also may not invest more than 10% of the value of its net assets in illiquid securities, including repurchase agreements with remaining maturities in excess of seven days.

In addition to the restrictions set forth above, the Company must also comply with the requirements of Rule 2a-7 under the 1940 Act, which governs the operations of money market funds and may be more restrictive. The SEC has proposed certain changes to Rule 2a-7. While such proposed changes may have a prospective impact on the investments of the Portfolio, the Portfolio anticipates no difficulty in complying with any proposed change if adopted by the SEC. A description of further investment restrictions applicable to the Portfolio is contained in the Statement of Additional Information.

OTHER CONSIDERATIONS

The ability of the Portfolio to achieve its investment objectives depends upon the continuing ability of the issuers or guarantors of Municipal Securities held by the Portfolio to meet their obligations for the payment of interest and principal when due. The securities in which the Portfolio invests may not yield as high a level of current income as longer term or lower grade securities, which generally have less liquidity and greater fluctuation in value. The net asset value of the shares of the Class will normally remain constant at $1.00 per share (although there can be no assurance that such net asset value will not change).

PURCHASE OF SHARES

Shares of the Class are sold on a continuing basis at their net asset value next determined after an order has been accepted by the Company. Although no sales charges are imposed in connection with the purchase of shares of the Class, banks or other financial institutions may charge a recordkeeping, account maintenance or other fees to their customers, and beneficial holders of shares of the Portfolio should consult with such institutions to obtain a schedule of such fees. In order to maximize its income, the Portfolio attempts to remain as fully invested as practicable. Accordingly, in order to be accepted for execution and unless the purchasing institution has made prior arrangements with the Company, purchase orders must be submitted to and received by the Company prior to 12:00 noon Eastern Time on a business day of the Company, which means any day on which commercial banks are open for business. It is expected that commercial banks will be closed during the next twelve months on Saturdays and Sundays and on the observed holidays for New Year's Day, Martin Luther King Jr. Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans' Day, Thanksgiving Day and Christmas Day.

Shares of the Class are sold to customers of banks, certain broker-dealers and other financial institutions (individually, "Institution," or collectively, "Institutions"). Individuals, corporations, partnerships and other

businesses that maintain qualified accounts at an Institution may invest in shares of the Class. Each institution will render administrative support services to its customers who are the beneficial owners of the shares of the Class. Such services include, among other things, establishment and maintenance of shareholder accounts and records; assistance in processing purchase and redemption transactions in shares of the Class; providing periodic statements showing a client's account balance in shares of the Class; distribution of Company proxy statements, annual reports and other communications to shareholders whose accounts are serviced by the Institution; and such other services as the Company may reasonably request. Institutions will be required to certify to the Company that they comply with applicable state law regarding registration as broker-dealers, or that they are exempt from such registration.

Prior to the initial purchase of shares, an Account Application, which can be obtained from A I M Institutional Fund Services, Inc. ("Transfer Agent" or "AIFS"), must be completed and sent to AIFS, P.O. Box 4497, Houston, Texas 77210-4497. Any changes made to the information provided in the Account Information and Authorization Form must be made in writing or by completing a new form and providing it to AIFS. An investor must open a Company account through an Institution in accordance with procedures established by such Institution. Each Institution separately determines the rules applicable to Company accounts opened with it including minimum initial and subsequent investment requirements and the procedures to be followed by investors to effect purchases of shares. The minimum initial investment is $10,000, and there is no minimum amount of subsequent purchases of shares by an Institution on behalf of its customers.

An Institution may have a "sweep" program under which a portion of a customer's account with such Institution may be automatically invested in the Class. An investor who proposes to open a Company account with an Institution should consult with a representative of such Institution to obtain a description of the rules governing such an account. The Institution holds shares registered in its name, as agent for the customer, on the books of the Institution. A statement with regard to the customer's investment in the Class is supplied to the customer periodically, and confirmations of all transactions for the account of the customer are provided by the Institution to the client promptly upon request. In addition, each customer is sent proxies, periodic reports and other information from the Institution with regard to the customer's shares of the Class. The customer's shares of the Class are fully assignable and subject to encumbrance by the customer.

An investor may terminate his relationship with an Institution at any time, in which case an account in the investor's name will be established directly with the Company and the investor will become a shareholder of record. In such case, however, the investor will not be able to purchase additional shares of the Class directly, except through reinvestment of dividends and distributions.

All agreements which relate to a customer's account with an Institution are with the Institution.

An order for the purchase of shares of the Class is placed by the investor with the Institution. The Institution is responsible for the prompt transmission of the order to the Company. The Portfolio is normally required to make immediate settlement in federal funds (member bank deposits with a Federal Reserve Bank) for portfolio securities purchased. Accordingly, payment for shares of the Class purchased by Institutions on behalf of their clients must be in federal funds. If an investor's order to purchase shares of the Class is paid for other than in federal funds, the Institution, acting on behalf of the investor, completes the conversion into federal funds (which may take two business days), or itself advances federal funds prior to conversion, and promptly transmits the order and payment in the form of federal funds to AIFS.

Subject to the conditions stated above and to the Company's right to reject any purchase order, orders will be accepted (i) when payment for shares of the Class purchased is received by the Company in the form described above or (ii) at the time the order is placed, if the Company is assured of payment. Shares purchased by orders which are accepted prior to 12:00 noon Eastern Time will earn the dividend declared on the date of purchase.

Federal Reserve wires should be sent as early as possible in order to facilitate crediting to the shareholder's account. Any funds received in respect of an order which is not accepted by the Company and any funds received for which an order has not been received will be returned to the sending Institution.

In the interest of economy and convenience, certificates representing shares of the Class will not be issued except upon written request to the Company. Certificates (in full shares only) will be issued without charge and may be redeposited at any time.

The Company reserves the right in its sole discretion to withdraw all or any part of the offering made by this Prospectus or to reject any purchase order.

REDEMPTION OF SHARES

A shareholder may redeem any or all of his or her shares of the Class at the net asset value next determined after receipt of the redemption request in proper form by the Company. Redemption requests with respect to the Class may also be made via AIM LINK(TM) , a personal computer application software product. Normally, the net asset value per share of the Portfolio will remain constant at $1.00 per share. See "Net Asset Value" below. Redemption requests with respect to shares for which certificates have not been issued are normally made through a customer's Institution.

Payment for redeemed shares is normally made by Federal Reserve wire to the commercial bank account designated in the Institution's Account Application, but may be remitted by check upon request by a shareholder. If a redemption request is received by AIFS prior to 12:00 noon Eastern Time on a business day of the Portfolio, the redemption will be effected at the net asset value next determined on such day and the shares of the Class to be redeemed will not receive the dividend declared on the day the request is received. Unless prior arrangements have been made with the Company, if a redemption request is received by AIFS after 12:00 noon Eastern Time or on other than a business day of the Portfolio, the redemption will be effected at the net asset value of the Portfolio determined as of 12:00 noon Eastern Time on the next business day of the Portfolio, and the proceeds of such redemption will normally be wired on that day.

A shareholder may change the bank account designated to receive redemption proceeds by written notice to the Company. The authorized signature on the notice must be guaranteed by a commercial bank or a trust company. Additional documentation may be required when deemed appropriate by the Portfolio or the Transfer Agent.

Payment for shares redeemed by mail and payment for telephone redemptions in amounts of less than $1,000 will be made by check mailed within seven days after receipt of the redemption request in proper form. The Company may make payment for telephone redemptions in excess of $1,000 by check when it is considered to be in the Company's best interest to do so.

The shares of the Class are not redeemable at the option of the Company unless the Board of Directors of the Company determines in its sole discretion that failure to so redeem may have materially adverse consequences to the shareholders of the Company.

DIVIDENDS

Dividends from the net investment income (not including any net short-term gains) earned by the Portfolio are declared daily to shareholders of record as of 3:00 p.m. Eastern Time on the day of declaration. Net investment income for dividend purposes is determined daily as of 3:00 p.m. Eastern Time. Although realized gains and losses on the assets of the Portfolio are reflected in the net asset value of the Portfolio, they are not expected to be of an amount which would affect the Portfolio's net asset value of $1.00 per share for purposes of purchases and redemptions. See "Net Asset Value." Distributions from net realized capital gains (including net short-term gains) are normally distributed annually. See "Taxes." The Company does not expect to realize any long-term capital gains or losses in the Portfolio.

All dividends declared during a month will normally be paid by wire transfer. Payment will normally be made on the first business day of the following month. A shareholder may elect to have all dividends automatically reinvested in additional full and fractional shares of the Portfolio at the net asset value of such shares as of 12:00 noon Eastern Time on the last business day of the month. Such election, or any revocation thereof, must be made either in writing by the Institution to AIFS, P.O. Box 4497, Houston, TX 77210-4497 or transmitted via the version of AIM LINK(TM) containing the subaccounting feature, and will become effective with dividends paid after its receipt by FMC or, if such election is transmitted via AIM LINK(TM), its affiliates. If a shareholder redeems all the shares in his account at any time during the month, all dividends declared through the date of redemption are paid to the shareholder along with the proceeds of the redemption.

The dividend accrued and paid for each class of the Portfolio will consist of: (a) interest accrued and original issue discount earned less amortization of premiums if any, for the Portfolio, the allocation of which is based upon each such class' pro rata share of the total shares outstanding, less (b) Company expenses accrued for the applicable dividend period, such as custodian fees and accounting expenses, based upon each such class' pro rata share of the net assets of the Portfolio, less (c) expenses directly attributable to each class that are accrued for the applicable dividend period, such as distribution expenses, if any, transfer agent fees or registration fees that may be unique to such class.

The Company uses its best efforts to maintain the net asset value per share of the Portfolio at $1.00 for purposes of sales and redemptions. See "Net Asset Value." Should the Company incur or anticipate any unusual expense, loss or depreciation which could adversely affect the income or net asset value of the Portfolio, the Company's Board of Directors would at that time consider whether to adhere to the present dividend policy described above or to revise it in light of the then prevailing circumstances. For example, under such unusual circumstances the Board of Directors might reduce or suspend the daily dividend in order to prevent to the extent possible the net asset value per share of the Portfolio from being reduced below $1.00. Thus, such expenses, losses or depreciation may result in a shareholder receiving no dividends for the period during which shares of the Class were held and cause such a shareholder to receive upon redemption a price per share lower than the shareholder's original cost.

TAXES

The Portfolio has qualified and intends to qualify for treatment as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). As long as the Portfolio qualifies for this tax treatment, it will not be subject to federal income taxes on amounts distributed to shareholders.

Shareholders will not be required to include the "exempt-interest" portion of dividends paid by the Portfolio in their gross income for federal income tax purposes. However, shareholders will be required to report the receipt of exempt-interest dividends and other tax-exempt interest on their federal income tax returns. Moreover, exempt-interest dividends from the Portfolio may be subject to state income taxes, may give rise to a federal alternative minimum tax liability, may affect the amount of social security benefits subject to federal income tax, may affect the deductibility of interest on certain indebtedness of the shareholder and may have other collateral federal income tax consequences. The Portfolio intends to avoid investment in those Municipal Securities where the interest thereon will constitute an item of tax preference, and therefore which could give rise to a federal alternative minimum tax liability. For additional information concerning the alternative minimum tax and certain collateral tax consequences of the receipt of exempt-interest dividends, see the Statement of Additional Information.

The Portfolio may pay dividends to shareholders which are taxable, but will endeavor to avoid investments which would result in taxable dividends. Unless otherwise required by Treasury regulations, the percentage of dividends which constitutes exempt-interest dividends, and the percentage thereof (if any) which constitutes an item of tax preference, will be determined annually and will be applied uniformly to all dividends declared during that year. These percentages may differ from the actual percentages for any particular day.

To the extent that dividends are derived from taxable investments or net realized short-term capital gains, they will constitute ordinary income for federal income tax purposes, whether received in cash or additional shares. Distributions of net long-term capital gains will be taxable as long-term capital gains (capital gain dividends), whether received in cash or additional shares.

From time to time, proposals have been introduced before Congress that would have the effect of reducing or eliminating the federal tax exemption on Municipal Securities. If such a proposal were enacted, the ability of the Portfolio to pay exempt-interest dividends would be adversely affected.

Shareholders will be advised annually as to the federal income tax status of distributions made during the year. Shareholders are advised to consult with their tax advisors concerning the impact of the Code on their investments in the Portfolio, and concerning the application of state, local and foreign taxes to investments in the Portfolio, which may differ significantly from the federal income tax consequences described above.

NET ASSET VALUE

The net asset value per share (or share price) of the Portfolio is determined as of 12:00 noon Eastern Time on each "business day of the Company," as previously defined. It is calculated by subtracting the Portfolio's liabilities from its total assets and by dividing the result by the total number of shares outstanding in the Portfolio, and rounding such per share net asset value to the nearest whole cent. The determination of the Portfolio's net asset value is made in accordance with generally accepted accounting principles. Among other items, the Portfolio's liabilities include accrued expenses and dividends payable, and its total assets include portfolio securities valued at their market value as well as income accrued but not yet received.

Securities held by the Portfolio are valued on the basis of amortized cost pursuant to rules promulgated by the SEC applicable to money market funds. This method values a security at its cost on the date of purchase and thereafter assumes a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the security. While this method provides certainty in valuation, it may result in periods during which value, as determined by amortized cost, is higher or lower than the price the Portfolio would receive if the security were sold. During such periods, the daily yield on shares of the Portfolio computed as described in "Purchases and Redemptions--Yield Information" in the Statement of Additional Information may differ somewhat from an identical computation made by an investment company with identical investments utilizing available indications as to market value to value its portfolio securities. All variable rate securities held in the Portfolio with an unconditional demand or put feature exercisable within seven days or less shall be valued at par, which reflects the market value of such securities.

YIELD INFORMATION

Yield information for the shares of the Class can be obtained by calling the Company at (800) 877-7748. Yields will vary from time to time and past results are not necessarily indicative of future results. Accordingly, the yield information for the shares of the Class may not provide a basis for comparison with investments which pay fixed rates of interest for a stated period of time, with other investments or with investment companies which use a different method of calculating performance. Yield is a function of the type and quality of a Portfolio's investments, a Portfolio's maturity and the operating expense ratio of the Classes and a Portfolio. A SHAREHOLDER'S INVESTMENT IN THE PORTFOLIO IS NOT INSURED OR GUARANTEED BY THE U.S. GOVERNMENT OR BY ANY INSTITUTION. THESE FACTORS SHOULD BE CAREFULLY CONSIDERED BY THE INVESTOR BEFORE MAKING AN INVESTMENT IN THE PORTFOLIO.

Comparative performance information using data from the industry publications may be used from time to time in advertising or marketing the shares of the Class.

The yield of the Class calculated as described below, will fluctuate from day to day. Calculations of yield will take into account the total income received by the Portfolio, including taxable income, if any; however, the Portfolio intends to invest its assets so that one hundred percent (100%) of its annual interest income will be tax-exempt. To the extent that different classes of shares bear different expenses, the yield of such classes can be expected to vary. To the extent that Institutions charge fees in connection with services provided in conjunction with the Portfolio, the yield will be lower for those beneficial owners paying such fees.

From time to time and in its discretion, AIM may waive all or a portion of its advisory fees and/or assume certain expenses of the Portfolio. Such a practice will have the effect of increasing the Portfolio's yield and total return.

The current yield, effective yield (which assumes the reinvestment of dividends for a 365 day year and a return for the entire year equal to the average annualized current yield for the period) and tax equivalent yield for the Class are calculated according to a formula prescribed by the SEC. See "Performance Information" in the Statement of Additional Information. For the seven-day period ended March 31, 1995, the current and effective yield for the Class were 3.61% and 3.67%, respectively.

REPORTS TO SHAREHOLDERS

The Company furnishes shareholders with semi-annual reports containing information about the Company and its operations, including a list of the investments held in the Portfolio's financial statements. The annual financial statements are audited by the Company's independent auditors. The Board of Directors has selected KPMG Peat Marwick LLP, 700 Louisiana, NationsBank Building, Houston, Texas 77002, as the Company's independent auditors to audit the Company's financial statements and review the Portfolio's tax returns.

MANAGEMENT OF THE COMPANY

BOARD OF DIRECTORS

The overall management of the business and affairs of the Company is vested with its Board of Directors. The Board of Directors approves all significant agreements between the Company and persons or companies furnishing services to the Company, including agreements with the Company's investment advisor, distributor, custodian and transfer agent. The day-to-day operations of the Company are delegated to the Company's officers and to AIM, subject always to the objective and policies of the Company and to the general supervision of the Company's Board of Directors. Certain directors and officers of the Company are affiliated with AIM and A I M Management Group Inc. ("AIM Management"), the parent of AIM. Information concerning the Board of Directors may be found in the Statement of Additional Information.

INVESTMENT ADVISOR

A I M Advisors, Inc., 11 Greenway Plaza, Suite 1919, Houston, Texas 77046-1173, acts as the investment advisor for the Portfolio pursuant to an Investment Advisory Agreement dated as of October 18, 1993 (the "Agreement"). AIM was organized in 1976 and, together with its affiliates, manages or advises 37 investment company portfolios. As of July 14, 1995, the total assets of the investment company portfolios managed or advised by AIM and its affiliates were approximately $34.8 billion. Pursuant to the terms of the Agreement, AIM manages the investment of the Portfolio's assets. AIM obtains and evaluates economic, statistical and financial information to formulate and implement investment programs for the Portfolio. AIM shall not be liable to the Company or to its shareholders except in the case of AIM's willful misfeasance, bad faith, gross negligence or reckless disregard of duty; provided, however, that AIM may be liable for certain breaches of duty under the 1940 Act. Certain of the directors and officers of AIM are also directors or executive officers of the Company.

Pursuant to the Agreement, AIM is paid a fee from the Company with respect to the Portfolio calculated at the annual rate of 0.25% of the first $500 million of the Portfolio's average daily net assets plus 0.20% of such Portfolio's average daily net assets in excess of $500 million.

For the fiscal year ended March 31, 1995, AIM was paid fees from the Company with respect to the Portfolio which represented 0.16% of the Portfolio's average net assets. During such fiscal year, those expenses of the Company (relating exclusively to the Portfolio) which were borne by the Class, including fees paid to AIM, amounted to 0.45% of the Class' average net assets. For the fiscal year ended March 31, 1995, AIM waived a portion of its fees from the Company with respect to the Portfolio. Had AIM not waived its fee, AIM would have received an amount from the Company pursuant to the Agreement with respect to the Portfolio which represented 0.22% of the Portfolio's average daily net assets. AIM also reimbursed the Company for expenses of $100,000 with respect to the Class for the year ended March 31, 1995.

The Company pays or causes to be paid all expenses of the Company which are not borne by its distributor or AIM. See the Statement of Additional Information for a detailed description of these other charges.

DISTRIBUTOR

The Company has entered into a distribution agreement dated as of October 18, 1993 (the "Distribution Agreement") with FMC, a registered broker-dealer and a wholly-owned subsidiary of AIM, to act as the exclusive distributor of the shares of the Class. The address of FMC is 11 Greenway Plaza, Suite 1919, Houston, Texas 77046-1173. Certain directors and officers of the Company are affiliated with FMC and AIM Management. The Distribution Agreement provides that FMC has the exclusive right to distribute shares of the Company either directly or through other broker-dealers. FMC is the distributor of several of the mutual funds managed or advised by AIM.

FMC may, from time to time, at its expense, pay a bonus or other consideration or incentive to financial institutions who sell a minimum dollar amount of the shares of the Private Investment Class during a specific period of time. In some instances, these incentives may be offered only to certain Institutions who have sold or may sell significant amounts of shares. The total amount of such additional bonus payments or other consideration shall not exceed 0.05% of the net asset value of the shares sold. Any such bonus or incentive programs will not change the price paid by investors for the purchase of shares in the Class or the amount received as proceeds from such sales. Sales of shares of the Class may not be used to qualify for any incentives to the extent that such incentives may be prohibited by the laws of any jurisdiction.

DISTRIBUTION PLAN

The Company has adopted the Plan pursuant to Rule 12b-1 under the 1940 Act with respect to the Class. The Plan provides that the Company may incur expenses in connection with the distribution of the shares of the Class of up to 0.50% on an annualized basis of the average daily net assets of the shares of the Class. Such amounts may be expended when and if authorized by the Board of Directors and may be used to finance such distribution-related services as expenses of organizing and conducting sales seminars, printing of prospectuses and statements of additional information (and supplements thereto) and reports for other than existing shareholders, preparation and distribution of advertising material and sales literature, costs of administering the Plan and payment of service fees to certain Institutions. The Plan provides for payment of a service fee to Institutions that provide continuing personal shareholder services to their customers who purchase and own shares of the Class, in amounts of up to 0.25% of the average net assets of the Class attributable to the Institutions. Payments to Institutions in excess of such amount and payments to FMC would be characterized as an asset-based sales charge pursuant to the Plan. The Plan also imposes a cap on the total amount of sales charges, including asset-based sales charges, that may be paid by the Portfolio with

respect to the Class. The Plan does not obligate the Company to reimburse FMC for the actual expenses FMC may incur in fulfilling its obligations under the Plan on behalf of the Class. Thus, under the Plan, even if FMC's actual expenses exceed the fee payable to FMC thereunder at any given time, the Company will not be obligated to pay more than that fee. If FMC's expenses are less than the fee it receives, FMC will retain the full amount of the fee.

FMC is a wholly-owned subsidiary of AIM. Both Charles T. Bauer, a Director and Chairman of the Company and Robert H. Graham, a Director and President of the Company, own shares of AIM Management.

The Plan requires the officers of the Company to provide the Board of Directors at least quarterly with a written report of the amounts expended pursuant to the Plan and the purposes for which such expenditures were made. The Board of Directors shall review these reports in connection with their decisions with respect to the Plan.

As required by Rule 12b-1 under the 1940 Act, the Plan was most recently approved by the Board of Directors, including a majority of the directors who are not "interested persons" (as defined in the 1940 Act) of the Company and who have no direct or indirect financial interest in the operation of the Plan or in any agreements related to the Plan ("Qualified Directors") on May 9, 1995. In approving the Plan in accordance with the requirements of Rule 12b-1, the directors considered various factors and determined that there is a reasonable likelihood that the Plan would benefit the Company and the holders of the shares of the Class.

The Plan became effective on May 1, 1992, as amended as of July 1, 1993, and unless sooner terminated in accordance with its terms, shall continue in effect for each year thereafter as long as such continuance is specifically approved at least annually by the Board of Directors, including a majority of the Qualified Directors. On May 9, 1995, the Board of Directors, including the Qualified Directors, voted to continue the Plan until June 30, 1996.

The Plan may be terminated by a vote of a majority of the Qualified Directors, or by a vote of a majority of the holders of the outstanding voting securities of the Class. Any change in the Plan that would increase materially the distribution expenses paid by the Class requires shareholder approval; otherwise the Plan may be amended by the Board of Directors, including a majority of the Qualified Directors, by vote cast in person at a meeting called for the purpose of voting upon such amendment. As long as the Plan is in effect, the selection or nomination of the Qualified Directors is committed to the discretion of the Qualified Directors.

PORTFOLIO TRANSACTIONS AND BROKERAGE

AIM is responsible for decisions to buy and sell securities for the Portfolio, broker-dealer selection and negotiation of commission rates. Since purchases and sales of portfolio securities by the Portfolio are usually principal transactions, the Portfolio incurs little or no brokerage commissions. Portfolio securities are normally purchased directly from the issuer or from a market maker for the securities. The purchase price paid to dealers serving as market makers may include a spread between the bid and asked prices. The Portfolio may also purchase securities from underwriters at prices which include a concession paid by the issuer to the underwriter.

AIM's primary consideration in effecting a security transaction is to obtain the best net price and the most favorable execution of the order. To the extent that the execution and prices offered by more than one dealer are comparable, AIM may, in its discretion, effect transactions with dealers that furnish statistical, research or other information or services which are deemed by AIM to be beneficial to the Portfolio's

investment program. Certain research services furnished by dealers may be useful to AIM with clients other than the Portfolio. Similarly, research services received by AIM through placement of Portfolio transactions of other clients may be of value to AIM in fulfilling its obligations to the Portfolio.

FEE WAIVERS

In order to increase the yield to investors, AIM or its affiliates may from time to time waive or reduce its advisory or distribution fees while retaining the right to be reimbursed prior to year end. Fee waivers or reductions, other than those set forth in the Agreement, may be rescinded at any time without further notice to investors. AIM has agreed, however, to provide the Board of Directors with 60 days' notice prior to terminating the current voluntary fee waiver described below.

AIM has voluntarily agreed to reduce its advisory fee from the Portfolio to the extent necessary so that the amount of ordinary expenses of the Institutional Cash Reserve Shares (excluding interest, taxes, brokerage commissions, directors' fees, extraordinary expenses and federal registration fees) paid or incurred by the Institutional Cash Reserve Shares does not exceed 0.20% of the Institutional Cash Reserve Shares' average daily net assets. As a result, AIM's advisory fee on the Class is reduced in the same proportion as the Institutional Cash Reserve Shares. For the year ended March 31, 1995, AIM reduced its fees from the Portfolio by $659,533. AIM also assumed expenses of $100,000 on the Class during the same period.

GENERAL INFORMATION

ORGANIZATION AND DESCRIPTION OF SHARES

The Company was originally incorporated in Maryland on January 24, 1977, but had no operations prior to March 21, 1983. Effective August 30, 1985, the Company was reorganized as a Massachusetts business trust and, effective May 1, 1992, it was reorganized as a Maryland corporation. The Company currently offers shares of one portfolio, the Portfolio, which has two classes. All shares of the Company have equal rights with respect to voting, except that the holders of shares of a particular class will have the exclusive right to vote on matters pertaining solely to that class. For example, holders of shares of a particular class will have the exclusive right to vote on any matter, such as distribution arrangements, which relates solely to such class. In the event of liquidation or termination of the Company, holders of shares of each class will receive pro rata, subject to the rights of creditors, (a) the proceeds of the sale of the assets held in the Portfolio, less (b) the liabilities of the Company attributable to the respective class of the Portfolio allocated between the two classes thereof based on the respective liquidation value of the class. Fractional shares of the Class have the same rights as full shares to the extent of their proportionate interest.

There will not normally be annual shareholders' meetings. Shareholders may remove directors from office by votes cast at a meeting of shareholders or by written consent, and a meeting of shareholders may be called at the request of the holders of 10% or more of the Company's outstanding shares.

There are no preemptive or conversion rights applicable to any of the Company's shares. The Company's shares, when issued, will be fully paid and non-assessable. The Board of Directors may create additional classes or series of the Company without shareholder approval.

TRANSFER AGENT AND CUSTODIAN

A I M Institutional Fund Services, Inc., 11 Greenway Plaza, Suite 1919, Houston, Texas 77046-1173, acts as transfer agent for the Class offered pursuant to this Prospectus. State Street Bank and Trust Company, 225 Franklin Street, Boston, Massachusetts 02105, acts as custodian for the Company's portfolio securities and cash for the Class offered pursuant to this Prospectus.

LEGAL MATTERS

The law firm of Ballard Spahr Andrews & Ingersoll, Philadelphia, Pennsylvania, serves as counsel to the Company, and has passed upon the legality of the shares of the Portfolio offered by this Prospectus.

SHAREHOLDER INQUIRIES

Shareholder inquiries concerning the status of an account should be directed to an investor's Institution, or to the Company at 11 Greenway Plaza, Suite 1919, Houston, Texas 77046-1173, or may be made by calling (800) 877-7748.

OTHER INFORMATION

This Prospectus sets forth basic information that investors should know about the Company prior to investing. A Statement of Additional Information has been filed with the SEC. Copies of the Statement of Additional Information are available upon request and without charge by writing or calling the Company or FMC. This Prospectus omits certain information contained in the registration statement filed with the SEC. Copies of the registration statement, including items omitted herein, may be obtained from the SEC by paying the charges prescribed under its rules and regulations.

TAX-FREE INVESTMENTS CO. (TFIC)

PRIVATE INVESTMENT CLASS OF THE

CASH RESERVE PORTFOLIO

PROSPECTUS

JULY 31, 1995

INVESTMENT ADVISOR
A I M ADVISORS, INC.
11 Greenway Plaza, Suite 1919
Houston, Texas 77046-1173
(713) 626-1919

DISTRIBUTOR
FUND MANAGEMENT COMPANY
11 Greenway Plaza, Suite 1919
Houston, Texas 77046-1173
(800) 877-7748

AUDITORS

KPMG PEAT MARWICK LLP
700 Louisiana
NationsBank Building
Houston, Texas 77002

CUSTODIAN
STATE STREET BANK AND TRUST COMPANY
225 Franklin Street
Boston, Massachusetts 02110

TRANSFER AGENT

A I M INSTITUTIONAL FUND SERVICES, INC.

11 Greenway Plaza, Suite 1919

Houston, Texas 77046-1173

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFERING MADE BY THIS

PROSPECTUS, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE FUND OR THE DISTRIBUTOR. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER IN ANY JURISDICTION TO ANY PERSON TO WHOM SUCH OFFERING MAY NOT LAWFULLY BE MADE.

[LOGO OF AIM APPEARS HERE]
Fund Management Company

STATEMENT OF
ADDITIONAL INFORMATION

PRIVATE INVESTMENT CLASS

OF THE

CASH RESERVE PORTFOLIO

OF

TAX-FREE INVESTMENTS CO.

11 GREENWAY PLAZA
SUITE 1919
HOUSTON, TEXAS 77046-1173
(800) 877-7748

THIS STATEMENT OF ADDITIONAL INFORMATION IS NOT A PROSPECTUS.
IT SHOULD BE READ IN CONJUNCTION WITH THE PROSPECTUS,
COPIES OF WHICH
MAY BE OBTAINED BY WRITING
FUND MANAGEMENT COMPANY, P.O. BOX 4333,
HOUSTON, TEXAS 77210-4333
OR CALLING (800) 877-7748

STATEMENT OF ADDITIONAL INFORMATION DATED: JULY 31, 1995
RELATING TO THE PROSPECTUS DATED: JULY 31, 1995

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INTRODUCTION

Tax-Free Investments Co. (the "Company") is a mutual fund organized with one portfolio, the Cash Reserve Portfolio, which has two classes of shares. The rules and regulations of the Securities and Exchange Commission (the "SEC") require all mutual funds to furnish prospective investors certain information concerning the activities of the being considered for investment. This information is included in a Prospectus dated July 31, 1995. Copies of the Prospectus and additional copies of the Statement of Additional Information may be obtained without charge by writing the principal distributor of the Company's shares, Fund Management Company ("FMC"), 11 Greenway Plaza, Suite 1919, Houston, Texas 77046-1173 or by calling (800) 877-7748. Investors must receive a Prospectus before they invest.

This Statement of Additional Information is intended to furnish prospective investors with additional information concerning the Company and the Private Investment Class of the Cash Reserve Portfolio (the "Class"). Some of the information required to be in this Statement of Additional Information is also included in the current Prospectus and, in order to avoid repetition, reference will be made to sections of the Prospectus. Additionally, the Prospectus and this Statement of Additional Information omit certain information contained in the registration statement filed with the SEC. Copies of the registration statement, including items omitted from the Prospectus and this Statement of Additional Information, may be obtained from the SEC by paying the charges prescribed under its rules and regulations.

GENERAL INFORMATION ABOUT THE COMPANY

THE COMPANY AND ITS SHARES

The Company is an open-end, diversified, series, management investment company initially organized as a corporation under the laws of the State of Maryland on January 24, 1977. The Company was reorganized as a business trust under the laws of The Commonwealth of Massachusetts on August 30, 1985 and was reorganized as a Maryland corporation on May 1, 1992. Shares of common stock of the Company are redeemable at the net asset value thereof at the option of the shareholder or at the option of the Company in certain circumstances. For information concerning the methods of redemption and the rights of share ownership, investors should consult the Prospectus under the captions "General Information" and "Redemption of Shares."

The Company offers shares of one portfolio, the Cash Reserve Portfolio (referred to as the "Portfolio"). This Statement of Additional Information and the Prospectus referred to above relate solely to the Class.

As used in the Prospectus, the term "majority of the outstanding shares" of the Company, the Portfolio or a particular class means, respectively, the vote of the lesser of (i) 67% or more of the shares of the Company, the Portfolio or such class present at a meeting of the Company's shareholders, if the holders of more than 50% of the outstanding shares of the Company, the Portfolio or such class are present or represented by proxy, or (ii) more than 50% of the outstanding shares of the Company, the Portfolio or such class.

Shareholders of the Portfolio do not have cumulative voting rights, and therefore the holders of a majority of a quorum of the outstanding shares of the Portfolio voting together for election of directors may elect all of the members of the Board of Directors of the Company. In such event, the remaining holders cannot elect any members of the Board of Directors of the Company.

The Board of Directors may classify or reclassify any unissued shares of any class or classes in addition to those already authorized by setting or changing in any one or more respects, from time to time, prior to the issuance of such shares, the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications, or terms or conditions of redemption, of such shares. Any such classification or reclassification will comply with the provisions of the Investment Company Act of 1940, as amended (the "1940 Act").

The Articles of Incorporation permit the directors to issue 6,000,000,000 shares of common stock at $.001 par value. A share of the Portfolio represents an equal proportionate interest in the Portfolio with each other share of the Portfolio and is entitled to a proportionate interest in the dividends and distributions with respect to its class. Additional information concerning the rights of share ownership is set forth in the Prospectus.

The assets received by the Company for the issue or sale of shares of each class relating to a Portfolio and all income, earnings, profits, losses and proceeds therefrom, subject only to the rights of creditors, constitute the underlying assets of that Portfolio. The underlying assets of the Portfolio are segregated and are charged with the expenses with respect to the Portfolio. See "Expenses."

The Articles of Incorporation further provide that the directors will not be liable for errors of judgment or mistakes of fact or law. However, nothing in the Articles of Incorporation protects a director against any liability to which a director would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties involved in the conduct of his office. The Articles of Incorporation provide for indemnification by the Company of the directors and the officers of the Company except with respect to any matter as to which any such person did not act in good faith and in the reasonable belief that his action was in or not opposed to the best interests of the Company. Such person may not be indemnified against any liability to the Company or the Company's shareholders to which he would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office. The Articles of Incorporation also authorize the purchase of liability insurance on behalf of the Company's directors and officers.

As described in the Prospectus, the Company will not normally hold annual shareholders' meetings. A special meeting shall be held upon written request of the holders of not less than 10% of the outstanding shares of the Company. At such time as less than a majority of the directors have been elected by the shareholders, the directors then in office will call a shareholders' meeting for the election of directors. In addition, directors may be removed from office by a written consent signed by the holders of two-thirds of the outstanding shares of the Company and filed with the Company's transfer agent or by a vote of the holders of two-thirds of the outstanding shares at a meeting duly called for the purpose. Upon written request by ten or more shareholders, who have been such for at least six months and who hold shares constituting 1% of the outstanding shares, stating that such shareholders wish to communicate with the other shareholders for the purpose of obtaining the signatures necessary to demand a meeting to consider removal of a director, the

Company has undertaken to provide a list of shareholders or to disseminate appropriate materials (at the expense of the requesting shareholders).

Except as otherwise disclosed in the Prospectus and in this Statement of Additional Information, the directors shall continue to hold office and may appoint their successors.

DIRECTORS AND OFFICERS

The directors and executive officers of the Company and their principal occupations during the last five years are set forth below. Unless otherwise indicated, the address of each director and executive officer is 11 Greenway Plaza, Suite 1919, Houston, Texas 77046.

*CHARLES T. BAUER, Director and Chairman (76)

Director, Chairman and Chief Executive Officer, A I M Management Group Inc.; Chairman of the Board of Directors, A I M Advisors, Inc., A I M Capital Management, Inc., A I M Distributors, Inc., A I M Fund Services, Inc., A I M

Global Associates, Inc., A I M Global Holdings, Inc., A I M Institutional Fund Services, Inc. and Fund Management Company; and Director, AIM Global Advisors Limited, A I M Global Management Company Limited and AIM Global Venture Co.

BRUCE L. CROCKETT, Director (51)
COMSAT Corporation
6560 Rock Spring Drive
Bethesda, MD 20817

Director, President and Chief Executive Officer, COMSAT Corporation (Includes COMSAT World Systems, COMSAT Mobile Communications, COMSAT Video Enterprises and COMSAT RSI and COMSAT International Ventures). Previously, President and Chief Operating Officer, COMSAT Corporation; President, World Systems Division, COMSAT Corporation; and Chairman, Board of Governors of INTELSAT (each of the COMSAT companies listed above is an international communication, information and entertainment-distribution services company).

OWEN DALY II, Director (70)
6 Blythewood Road
Baltimore, MD 21210

Director, Cortland Trust Inc. (investment company). Formerly, Director, CF & I Steel Corp., Monumental Life Insurance Company and Monumental General Insurance Company; and Chairman of the Board of Equitable Bancorporation.

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* A director who is an "interested person" of the Company and A I M Advisors, Inc. as defined in the 1940 Act.

*CARL FRISCHLlNG, Director (58)
919 Third Avenue
New York, NY 10022

Partner, Kramer, Levin, Naftalis, Nessen, Kamin & Frankel (law firm). Formerly, Partner, Reid & Priest (law firm); and, prior thereto, Partner, Spengler Carlson Gubar Brodsky & Frischling (law firm).

**ROBERT H. GRAHAM, Director and President (48)

Director, President and Chief Operating Officer, A I M Management Group Inc.; Director and President, A I M Advisors, Inc.; Director and Executive Vice President, A I M Distributors, Inc.; Director and Senior Vice President, A I M Capital Management, Inc., A I M Fund Services, Inc., A I M Global Associates, Inc., A I M Global Holdings, Inc., AIM Global Ventures Co., A I M Institutional Fund Services, Inc. and Fund Management Company; and Senior Vice President, AIM Global Advisors Limited.

JOHN F. KROEGER, Director (70)
24875 Swan Road - Martingham
Box 464
St. Michaels, MD 21663

Trustee, Flag Investors International Fund, Inc.; and Director, Flag Investors Emerging Growth Fund, Inc., Flag Investors Telephone Income Fund, Inc., Flag Investors Equity Partners Fund, Inc., Total Return U.S. Treasury Fund, Inc., Flag Investors Intermediate Term Income Fund, Inc., Managed Municipal Fund, Inc., Flag Investors Value Builder Fund, Inc., Flag Investors Maryland Intermediate Tax-Free Income Fund, Inc., Flag Investors Real Estate Securities Fund, Inc., Alex. Brown Cash Reserve Fund, Inc. and North American Government Bond Fund, Inc. (investment companies). Formerly, Consultant, Wendell & Stockel Associates, Inc. (consulting firm).

LEWIS F. PENNOCK, Director (52)
8955 Katy Freeway, Suite 204
Houston, TX 77024

Attorney in private practice in Houston, Texas.

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* A director who is an "interested person" of the Company as defined in the 1940 Act.
** A director who is an "interested person" of the Company and A I M Advisors,

Inc. as defined in the 1940 Act.

IAN W. ROBINSON, Director (72)
183 River Drive
Tequesta, FL 33469

Formerly, Executive Vice President and Chief Financial Officer, Bell Atlantic Management Services, Inc. (provider of centralized management services to telephone companies); Executive Vice President, Bell Atlantic Corporation (parent of seven telephone companies); and Vice President and Chief Financial Officer, Bell Telephone Company of Pennsylvania and Diamond State Telephone Company.

LOUIS S. SKLAR, Director (55)
Transco Tower, 50th Floor
2800 Post Oak Blvd.
Houston, TX 77056

Executive Vice President, Development and Operations, Hines Interests Limited Partnership (real estate development).

***JOHN J. ARTHUR, Senior Vice President and Treasurer (50)

Senior Vice President and Treasurer, A I M Advisors, Inc.; Vice President and Treasurer, A I M Management Group Inc., A I M Capital Management, Inc., A I M Distributors, Inc., A I M Fund Services, Inc., A I M Institutional Funds Services, Inc. and Fund Management Company; and Vice President, AIM Global Advisors Limited, A I M Global Associates, Inc., A I M Global Holdings, Inc. and AIM Global Ventures Co..

GARY T. CRUM, Senior Vice President (47)

Director and President, A I M Capital Management, Inc.; Director and Senior Vice President, A I M Management Group Inc., A I M Advisors, Inc., A I M Global Associates, Inc., A I M Global Holdings, Inc. and AIM Global Ventures Co.; Director, A I M Distributors, Inc.; and Senior Vice President, AIM Global Advisors Limited.

***CAROL F. RELIHAN, Vice President and Assistant Secretary (40)

Vice President, General Counsel and Secretary, A I M Management Group Inc., A I M Advisors, Inc., A I M Fund Services, Inc., A I M Institutional Fund Services, Inc. and Fund Management Company; Vice President and Secretary, A I M Distributors, Inc., A I M Global Associates, Inc. and A I M Global Holdings, Inc.; Vice President and Assistant Secretary, AIM Global Advisors Limited and AIM Global Ventures Co.; and Secretary, A I M Capital Management, Inc.

DANA R. SUTTON, Vice President and Assistant Treasurer (36)

Vice President and Fund Controller, A I M Advisors, Inc.; and Assistant Vice President and Assistant Treasurer, Fund Management Company.

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*** Mr. Arthur and Ms. Relihan are married.

STUART W. COCO, Vice President (40)

Senior Vice President, A I M Capital Management, Inc.; and Vice President, A I M Advisors, Inc.

MELVILLE B. COX, Vice President (51)

Vice President, A I M Advisors, Inc., A I M Capital Management, Inc. and A I M Fund Services, Inc. and A I M Institutional Fund Services, Inc.; and Assistant Vice President, A I M Distributors, Inc. and Fund Management Company. Formerly, Vice President, Charles Schwab & Co., Inc.; Assistant Secretary, Charles Schwab Family of Funds and Schwab Investments; Chief Compliance Officer, Charles Schwab Investment Management, Inc.; and Vice President, Integrated Resources Life Insurance Co. and Capitol Life Insurance Co.

KAREN DUNN KELLEY, Vice President (35)

Director, A I M Global Management Company Limited; Senior Vice President, A I M Capital Management, Inc. and AIM Global Advisors Limited; and Vice President, A I M Advisors, Inc. and AIM Global Ventures Co.

J. ABBOTT SPRAGUE, Vice President (40)

Director and President, A I M Institutional Fund Services, Inc. and Fund Management Company; Director and Senior Vice President, A I M Advisors, Inc.; and Senior Vice President, A I M Management Group Inc.

The Company's Board of Directors has an Audit Committee, consisting of Messrs. Kroeger (Chairman), Daly, Pennock and Robinson, which is responsible for meeting with the Company's auditors to review audit procedures and results and to consider any matters arising from an audit to be brought to the attention of the directors as a whole with respect to the Company's fund accounting, its internal accounting controls, or to consider such matters as may from time to time be set forth in a charter adopted by the Board of Directors and such committee.

The Board of Directors of the Company also has an Investments Committee, consisting of Messrs. Daly (Chairman), Bauer, Crockett, Kroeger and Pennock, which is responsible for considering matters relating to investment management, or for considering such matters as may from time to time be set forth in a charter adopted by the Board of Directors.

The Company also has a Nominating and Compensation Committee, consisting of Messrs. Pennock (Chairman), Crockett, Daly, Kroeger and Sklar, which is responsible for considering and nominating individuals to stand for election as directors who are not "interested persons" of the Company (as defined by the 1940 Act) as long as the Company maintains a Distribution Plan on behalf of the Portfolio pursuant to Rule 12b-1 under the 1940 Act, or considering such matters as may from time to time be set forth in a charter adopted by the Board and such committee.

All of the Company's directors also serve as directors or trustees of some or all of the other investment companies managed or advised by A I M Advisors, Inc. ("AIM") or distributed and administered by FMC. All of the Company's executive officers hold similar offices with some or all of such investment companies.

REMUNERATION OF DIRECTORS

Each director is reimbursed for expenses incurred in connection with each meeting of the Board of Directors or any Committee attended. The directors of the Company who do not serve as officers of the Company are compensated for their services according to a fee schedule which recognizes the fact that they also serve as directors or trustees of certain other regulated investment companies managed, administered or distributed by AIM or its affiliates (the "AIM Funds"). Each such director receives a fee, allocated among the AIM Funds for which he serves as a director or trustee, which consists of an annual retainer component and a meeting fee component.

Set forth below is information regarding compensation paid or accrued during the fiscal year ended March 31, 1995 for each director of the Company:

<TABLE>
<CAPTION>

DIRECTOR	AGGREGATE COMPENSATION FROM COMPANY(1)	RETIREMENT BENEFITS ACCRUED BY ALL AIM FUNDS(2)	TOTAL COMPENSATION FROM ALL AIM FUNDS(3)
<S>	<C>	<C>	<C>
Charles T. Bauer	-0-	-0-	-0-
Bruce L. Crockett	$1,650.04	$ 3,446.35	$45,093.75
Owen Daly II	$1,655.05	$17,603.00	$45,843.75
Carl Frischling	$1,650.04	$ 9,618.55	$45,093.75
Robert H. Graham	-0-	-0-	-0-
John F. Kroeger	$1,655.05	$24,043.55	$45,843.75
Lewis F. Pennock	$1,655.05	$ 5,850.45	$45,843.75
Ian W. Robinson	$1,650.04	$13,201.65	$45,093.75
Louis S. Sklar	$1,650.04	$ 5,871.80	$45,093.75

</TABLE>

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(1) The total amount of compensation deferred by all Directors of the Company during the fiscal year ended March 31, 1995, including interest earned thereon, was $7,017.34.

(2) During the fiscal year ended March 31, 1995, the total amount of expenses

allocated to the Company in respect of such retirement benefits was $3,330.09.

(3) Messrs. Bauer, Daly, Graham, Kroeger and Pennock each serves as a Director or Trustee of a total of 11 AIM Funds. Messrs. Crockett, Frischling, Robinson and Sklar each serves as a Director or Trustee of a total of 10 AIM Funds. Data reflects compensation earned for the calendar year ended December 31, 1994.

AIM FUNDS RETIREMENT PLAN FOR ELIGIBLE DIRECTORS/TRUSTEES

Under the terms of the AIM Funds Retirement Plan for Eligible Directors/Trustees (the "Plan"), each director (who is not a employee of any of the AIM Funds, A I M Management Group Inc. or any of their affiliates) may be entitled to certain benefits upon retirement from the Board of Directors. Pursuant to the Plan, the normal retirement date is the date on which the eligible director has attained age 65 and has completed at least five years of continuous service with one or more of the AIM Funds. Each eligible director is entitled to receive an annual benefit from the AIM Funds commencing on the first day of the calendar quarter coincident with or following his date of retirement equal to 5% of such Director's compensation paid by the AIM Funds multiplied by the number of such Director's years of service (not in excess of 10 years of service) completed with respect to any of the AIM Funds. Such benefit is payable to each eligible director in quarterly installments for a period of no more than five years. If an eligible director dies after attaining the normal retirement date but before receipt of any benefits under the Plan commences, the director's surviving spouse (if any) shall receive a quarterly survivor's benefit equal to 50% of the amount payable to the deceased director, for no more than five years beginning the first day of the calendar quarter following the date of the director's death. Payments under the Plan are not secured or funded by any AIM Fund.

Set forth below is a table that shows the estimated annual benefits payable to an eligible director upon retirement assuming various compensation and years of service classifications. The estimated credited years of service as of December 31, 1994 for Messrs. Crockett, Daly, Frischling, Kroeger, Pennock, Robinson and Sklar are 7, 8, 17, 17, 13, 7 and 5 years, respectively.

<TABLE>
<CAPTION>

	Annual Compensation Paid By All AIM Funds				
		$40,000	$45,000	$50,000	$55,000
<S>	<C>	<C>	<C>	<C>	<C>
	10	$20,000	$22,500	$25,000	$27,500
Number of Years of Service with the AIM Funds	9	$18,000	$20,250	$22,500	$24,750
	8	$16,000	$18,000	$20,000	$22,000
	7	$14,000	$15,750	$17,500	$19,250
	6	$12,000	$13,500	$15,000	$16,500
	5	$10,000	$11,250	$12,500	$13,750

</TABLE>

DEFERRED COMPENSATION AGREEMENTS

Messrs. Daly, Frischling, Kroeger, Robinson and Sklar (for purposes of this paragraph only, the "deferring directors") have each executed a Deferred Compensation Agreement (collectively, the "Agreements"). Pursuant to the Agreements, the deferring directors elected to defer receipt of 100% of their compensation payable by the Company, and such amounts are placed into a deferral account. Currently, the deferring directors may select various AIM Funds in which all or part of his deferral account shall be deemed to be invested. Distributions from the deferring directors' deferral accounts will be paid in cash, in generally equal quarterly installments over a period of five years beginning on the date the deferring director's retirement benefits commence under the Plan. The Company's Board of Directors, in its sole discretion, may accelerate or extend the distribution of

such deferral accounts after the deferring director's termination of service as a director of the Company. If a deferring director dies prior to the distribution of amounts in his deferral account, the balance of the deferral account will be distributed to his designated beneficiary in a single lump sum payment as soon as practicable after such deferring director's death. The Agreements are not funded and, with respect to the payments of amounts held in the deferral accounts, the deferring directors have the status of unsecured creditors of the Company and of each other AIM Fund from which they are deferring compensation.

AIM and the Company have adopted a Code of Ethics which requires investment personnel (a) to pre-clear all personal securities transactions, (b) to file reports regarding such transactions, and (c) to refrain from personally engaging in (i) short-term trading of a security, (ii) transactions involving a security within seven days of an AIM Fund transaction involving the same security, and (iii) transactions involving securities being considered for investment by an AIM Fund. The Code also prohibits investment personnel from purchasing securities in an initial public offering. Personal trading reports are reviewed periodically by AIM, and the Board of Directors reviews annually such reports (including information on any substantial violations of the Code). Violations of the Code may result in censure, monetary penalties, suspension or termination of employment.

The Portfolio paid legal fees of $4,475 for services rendered by Reid & Priest as counsel to the Board of Directors. In September 1994, Kramer, Levin, Naftalis, Nessen, Kamin & Frankel was appointed as counsel to the Board of Directors. The Portfolio paid legal fees of $1,296 for services rendered by that firm as counsel. A member of that firm is a director of the Company and, prior to September 1994, was a member of Reid & Priest.

THE INVESTMENT ADVISOR

A I M Advisors, Inc., 11 Greenway Plaza, Suite 1919, Houston, Texas 77046-1173, serves as investment advisor to the Portfolio pursuant to an Investment Advisory Agreement dated October 18, 1993 (the "Advisory Agreement"). AIM, which was organized in 1976, is the investment advisor or manager of 37 investment company portfolios. As of July 14, 1995, the total assets advised or managed by AIM or its affiliates were approximately $34.8 billion.

AIM is a wholly-owned subsidiary of A I M Management Group Inc. ("AIM Management"), 11 Greenway Plaza, Suite 1919, Houston, Texas 77046-1173. All of the directors and certain of the officers of AIM are also executive officers of the Company and their affiliations are shown under "Directors and Officers." The address of each director and officer of AIM is 11 Greenway Plaza, Suite 1919, Houston, Texas 77046-1173.

AIM Management is a privately-held corporation. FMC is a registered broker-dealer and wholly-owned subsidiary of AIM. FMC acts as distributor of the shares of the Class.

The Advisory Agreement was last approved by the Board of Directors on May 9, 1995, and will continue in effect until June 30, 1996, and from year to year thereafter if it is specifically approved at least annually by the Company's Board of Directors and by the affirmative vote of a majority of the directors who are not parties to the Advisory Agreement or "interested persons" of any such party by votes cast in person at a meeting called for such purpose. The Company or AIM may terminate the Advisory Agreement on 60 days' written notice without penalty. The Advisory Agreement terminates automatically in the event of its "assignment," as defined in the 1940 Act.

Pursuant to the terms of the Advisory Agreement, AIM: (a) supervises and manages all aspects of the Company's operations; (b) provides the Company with certain executive, administrative and clerical services as deemed advisable by the Board of Directors; (c) provides the Company with, or obtains for the Company, adequate office space and all necessary equipment and services, including telephone services, utilities, stationery supplies and similar items for the Company's principal office; (d) arranges, but does not pay for, the periodic updating of prospectuses and statements of additional information (and supplements thereto), proxy materials, tax returns, reports to the Company's shareholders and reports to and filings with the SEC and state Blue Sky authorities; (e) provides the Company's Board of Directors on a regular basis with financial reports and analyses of the Company's operations and the operation of comparable funds; (f) obtains and evaluates pertinent information about significant developments and economic, statistical and financial data, domestic, foreign or otherwise, whether affecting the economy generally or the Company and whether concerning the individual issuers whose securities are included in the Company's Portfolio; (g) determines which issuers and securities shall be represented in the Portfolio and regularly reports thereon to the Board of Directors; (h) formulates and implements continuing programs for purchases and sales of securities for the Portfolio; and (i) takes, on behalf of the Company, all actions which appear to the Company to be necessary to carry into effect such purchase and sale programs, including the placing of orders for the purchase and sale of portfolio securities. Any investment program undertaken by AIM will at all times be subject to the policies and control of the Board of Directors. AIM shall not be liable to the Company or its shareholders for any act or omission by AIM or for any loss sustained by the Company or its shareholders, except in the case of AIM's willful misfeasance, bad faith, gross negligence or reckless disregard of duty; provided, however, that AIM may be liable for certain breaches of duty under the 1940 Act.

As compensation for its advisory services under the Advisory Agreement, AIM receives a fee from the Company with respect to the Portfolio, calculated daily and paid monthly, at the annual rate of 0.25% of the first $500 million of the Portfolio's aggregate average daily net assets, plus 0.20% of the Portfolio's aggregate average daily net assets in excess of $500 million. For the fiscal years ended March 31, 1995, 1994 and 1993, pursuant to an advisory agreement previously in effect which provided for the same level of compensation to AIM, the fees paid by the Company to AIM with respect to the Portfolio were $1,824,453, $1,525,419 and $1,799,812, respectively (after giving effect to fee waivers for the fiscal years ended March 31, 1995, 1994 and 1993 of $659,533, $802,331 and $741,740, respectively). The Private Investment Class commenced operations April 1, 1992.

In order to increase the yield to investors, AIM may, from time to time, waive or reduce its fee. The fee waivers currently in effect, if any, are shown in the Prospectus.

EXPENSES

AIM and FMC furnish, without cost to the Company, the services of the President, Secretary and one or more Vice Presidents of the Company and such other personnel as are required for the proper conduct of the Company's affairs and to carry out their obligations under the Advisory Agreement and the Distribution Agreement. AIM maintains, at its expense and without cost to the Company, a trading function in order to carry out its obligations to place orders for the purchase and sale of portfolio securities for the Company. FMC bears the expenses of printing and distributing prospectuses and statements of additional information (other than those prospectuses and statements of additional information distributed to existing shareholders) and any other

promotional or sales literature used by FMC or furnished by FMC to purchasers or dealers in connection with the public offering of the shares of the Class.

The Company pays, or causes to be paid, all other expenses of the Company, including, without limitation, the fees paid to AIM; the charges and expenses of any registrar, any custodian or depository appointed by the Company for the safekeeping of cash, portfolio securities and other property, and any transfer, dividend or accounting agent or agents; brokers' commissions in connection with portfolio securities transactions of the Company; all taxes, including securities issuance and transfer taxes, and fees payable to federal, state or other governmental agencies; the costs and expenses of engraving or printing share certificates; all costs and expenses in connection with registration and maintenance of registration with the SEC and various states and other jurisdictions (including filing fees, legal fees and disbursements of counsel); the costs and expenses of printing, including typesetting, and distributing proxy statements, reports to shareholders, prospectuses and statements of additional information of the Company and supplements thereto (except reports to shareholders and prospectuses distributed to potential shareholders of the Company which are paid for by FMC); expenses of shareholders' and directors' meetings; fees and travel expenses of directors or director members of any advisory board or committee; expenses incident to the payment of any dividend, distribution, withdrawal or redemption, whether in shares or in cash; charges and expenses of any outside pricing service; fees and expenses of legal counsel and of independent accountants; membership dues of industry associations; interest payable on borrowings; postage; insurance premiums on property or personnel (including officers and directors) of the Company; extraordinary expenses (including, but not limited to, legal claims and liabilities and litigation costs and any indemnification related thereto); and all other charges and costs of the Company's operations unless otherwise explicitly assumed by AIM or FMC.

The Company may also reimburse AIM for the costs of a principal financial officer and related personnel who may perform internal accounting functions for the Company. Such accounting functions consist primarily of regulatory, tax, shareholder and internal management reporting and calculation of the Portfolio's net asset value and the daily dividend for its two classes. The method of calculating such reimbursements must be approved annually, and the amounts paid will be reviewed periodically by the Board of Directors. For the fiscal years ended March 31, 1995, 1994 and 1993, AIM was reimbursed $78,184, $65,124 and $53,930, respectively, by the Portfolio with respect to the Institutional Cash Reserve Shares. The Private Investment Class commenced operations April 1, 1992.

AIM has agreed to reduce its fee for any fiscal year, or reimburse each Portfolio, to the extent required, so that the amount of the ordinary expenses of the Company (excluding brokerage commissions, interest, directors' fees, taxes and extraordinary expenses such as litigation costs) paid or incurred by the Company does not exceed the expense limitations applicable to each Portfolio, imposed by the securities laws or regulations of those states or jurisdictions in which the Company's shares are registered or qualified for sale. Currently, the most restrictive of such state expense limitations would require AIM to reduce its fees to the extent required so that ordinary expenses of the Company (excluding interest, taxes, brokerage commissions and extraordinary expenses) for any fiscal year do not exceed 2-1/2% of the first $30 million of the Company's average daily net assets, plus 2% of the next $70 million of the Company's average daily net assets, plus 1-1/2% of the Company's average daily net assets in excess of $100 million.

In addition, in order to increase the yield to investors, AIM may, from time to time, waive or reduce its fee while retaining the right to be reimbursed prior to year end. The fee waivers currently in effect, if any, are shown in the Prospectus.

Expenses of the Company which are not directly attributable to the operations of any class are pro-rated among the classes of the Company based upon the relative net assets of each class. Expenses of the Company which are directly attributable to a class are charged against the income available for distribution as dividends to such class.

TRANSFER AGENT AND CUSTODIAN

A I M Institutional Fund Services, Inc. ("AIFS") serves as transfer agent and dividend disbursing agent for the shares of the Class. The address of AIFS is A I M Institutional Fund Services, Inc., 11 Greenway Plaza, Suite 1919, Houston, Texas 77046-1173. The Company pays AIFS such compensation as may be agreed upon from time to time. State Street Bank and Trust Company ("State Street") acts as custodian for the Company's portfolio securities and cash. State Street receives such compensation from the Company for its services in such capacity as is agreed to from time to time by State Street and the Company. The address of State Street is 225 Franklin Street, Boston, Massachusetts 02110.

REPORTS

The Company furnishes shareholders with semi-annual reports containing information about the Company and its operations, including a schedule of investments held in the Company's Portfolios and its financial statements. The annual financial statements are audited by the Company's independent auditors. The Board of Directors has selected KPMG Peat Marwick LLP, 700 Louisiana, NationsBank Building, Houston, Texas 77002, as the independent auditors to audit the financial statements and review the tax returns of the Portfolio.

PRINCIPAL HOLDERS OF SECURITIES

The names and addresses of the holders of 5% or more of each class of the Company's shares are set forth below.

INSTITUTIONAL CASH RESERVE SHARES OF THE CASH RESERVE PORTFOLIO

To the best knowledge of the Company, the names and addresses of the holders of 5% or more of the outstanding shares of the Institutional Cash Reserve Shares as of July 14, 1995, and the amount of outstanding shares held of record by such holders are set forth below:

<TABLE>
<CAPTION>

NAME AND ADDRESS OF RECORD OWNER	PERCENT OWNED OF RECORD*
<S>	<C>
NationsBank of Texas, N.A. 1401 Elm Street	25.93%**

Dallas, TX 75202

Liberty Bank and Trust Company of Tulsa P.O. Box 25848 Oklahoma City, OK 73125	10.82%
First Interstate Bank Northwest Region P.O. Box 2971 Portland, OR 97208	10.44%
Trust Company Bank P.O. Box 105504 Atlanta, GA 30348	10.08%

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PRIVATE INVESTMENT CLASS OF THE CASH RESERVE PORTFOLIO

To the best knowledge of the Company, the names and addresses of the holders of 5% or more of the outstanding shares of the Private Investment Class as of July 14, 1995, and the amount of outstanding shares held of record by such holders are set forth below:

<TABLE>
<CAPTION>

NAME AND ADDRESS OF RECORD OWNER	PERCENT OWNED OF RECORD*
<S>	<C>
Cullen/Frost Discount Brokers P.O. Box 2358 San Antonio, TX 78299	36.70%**
The Bank of New York 440 Mamaroneck Ave. Harrison, NY 10528	33.87%**
Huntington Capital Corporation 41 South High St. Columbus, OH 43287	20.61%
Charter National Bank of Houston P.O. Box 1494 Houston, TX 77251	6.12%

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* The Company has no knowledge as to whether all or any portfolio of the shares owned of record only are also owned beneficially.

** A shareholder who holds more than 25% of the outstanding shares of a class may be presumed to be in "control" of such class of shares, as defined in the 1940 Act.

As of July 14, 1995, the directors and officers of the Company beneficially owned less than 1% of each class of shares of the Company.

SHARE PURCHASES AND REDEMPTIONS

PURCHASES AND REDEMPTIONS

A complete description of the manner by which the shares may be purchased, redeemed or exchanged appears in the Prospectus under the heading "Purchase of Shares."

The right of redemption may be suspended or the date of payment postponed when (a) trading on the New York Stock Exchange is restricted, as determined by applicable rules and regulations of the SEC, (b) the New York Stock Exchange is closed for other than customary weekend and holiday closings, (c) the SEC has by order permitted such suspension, or (d) an emergency as determined by the SEC exists making disposition of portfolio securities or the valuation of the net assets of the Company not reasonably practicable.

NET ASSET VALUE DETERMINATION

The net asset value of a share of the Portfolio is determined once daily as of the time shown in the Prospectus on each business day of the Company, as defined in the Prospectus. For the purpose of determining the price at which all shares of the Portfolio are issued and redeemed, the net asset value per share is calculated by: (a) valuing all securities and instruments of the Portfolio as set forth below; (b) adding other assets of the Portfolio, if any; (c)

deducting the liabilities of the Portfolio; (d) dividing the resulting amount by the number of shares outstanding of the Portfolio; and (e) rounding such per share net asset value to the nearest whole cent.

The debt instruments held in the Portfolio are valued on the basis of amortized cost. This method involves valuing an instrument at its cost and thereafter assuming a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the instrument. While this method provides certainty in valuation, it may result in periods during which value, as determined by amortized cost, is higher or lower than the price the Company would receive if it sold the entire portfolio.

All variable rate securities held in the Portfolio, with an unconditional demand or put feature exercisable within seven days or less shall be valued at par, which reflects the market value of such securities.

The valuation of the portfolio instruments based upon their amortized cost and the concomitant maintenance of the net asset value per share of $1.00 for the Portfolio is permitted in accordance with applicable rules and regulations of the SEC, which require the Company to adhere to certain conditions. The Portfolio is required pursuant to such rules to maintain a dollar-weighted average portfolio maturity of 90 days or less, to purchase only instruments having remaining maturities of 397 days or less, and to invest only in securities determined by the Advisor, pursuant to guidelines established by the Board of Directors, to be "Eligible Securities" and to present minimal credit risk to the Company. The Company adheres to a policy of purchasing only "First Tier" securities (as such term is defined in Rule 2a-7 under the 1940 Act), which is a higher quality standard and more restrictive than required by such rules.

Eligible Securities generally include (1) U.S. Government securities; (2) securities that (a) are rated (at the time of purchase) by two or more nationally recognized statistical rating organizations ("NRSROs") in the two highest rating categories for such securities (e.g., commercial paper rated "A-1" or "A-2" by Standard & Poor's Corporation ("S&P"), or rated "Prime-1" or "Prime-2" by Moody's Investors Service, Inc. ("Moody's")) or (b) are rated (at the time of purchase) by only one NRSRO in one of its two highest rating categories for such securities; (3) short-term obligations and long-term obligations that have remaining maturities of 397 calendar days or less, provided in each instance that such obligations have no short-term rating and are comparable in priority and security to a class of short-term obligations of the issuer that has been rated in accordance with (2)(a) or (b) above ("comparable obligations"); (4) securities that are not rated and are issued by an issuer that does not have comparable obligations rated by an NRSRO ("Unrated Securities"), provided that such securities are determined to be of comparable quality to a security satisfying (2) or (3) above; and (5) long-term obligations that have remaining maturities in excess of 397 calendar days that are subject to a demand feature or put (such as a guarantee, a letter of credit or similar credit enhancement) ("demand instrument") (a) that are unconditional (readily exercisable in the event of default), provided that the demand feature satisfies (2), (3) or (4) above, and the demand instrument or long-term obligations of the issuer satisfy (2) or (4) above for long-term debt obligations. The Board of Directors will approve or ratify any purchases by the Portfolio of securities that are rated by only one NRSRO or that are unrated securities.

The Board of Directors is required to establish procedures designed to stabilize, to the extent reasonably possible, the Portfolio's price per share at $1.00 as computed for the purpose

of sales and redemptions. Such procedures include review of the portfolio holdings by the Board of Directors, at such intervals as they may deem appropriate, to determine whether the net asset value calculated by using available market quotations or other reputable sources for the Portfolio deviates from $1.00 per share and, if so, whether such deviation may result in material dilution or is otherwise unfair to purchasers or existing holders of any class of shares of the Portfolio. In the event the Board of Directors determines that such a deviation exists for any class of shares of the Portfolio, it will take such corrective action as the Board of Directors deems necessary and appropriate, including the sale of portfolio instruments prior to maturity to realize capital gains or losses or to shorten the average portfolio maturity; the withholding of dividends; the redemption of shares in kind; or the establishment of a net asset value per share by using available market quotations.

THE DISTRIBUTION AGREEMENT

The Company has entered into a distribution agreement dated as of October 18, 1993 (the "Distribution Agreement") with FMC, a registered broker-dealer and a wholly-owned subsidiary of AIM, to act as the exclusive distributor of the shares of the Private Investment Class. The address of FMC is 11 Greenway Plaza, Suite 1919, Houston, Texas 77046-1173. See "Directors and Officers" and "The Investment Advisor" for information as to the affiliation of certain directors and officers of the Company with FMC and AIM Management.

The Distribution Agreement provides that FMC has the exclusive right to distribute shares either directly or through other broker-dealers. The Distribution Agreement also provides that, except as may otherwise be provided in a distribution plan pursuant to Rule 12b-1 adopted by the Company's Board of Directors, FMC will pay promotional expenses, including the incremental costs of printing prospectuses and statements of additional information, annual reports and other periodic reports for distribution to persons who are not shareholders of the Company and the costs of preparing and distributing any other supplemental sales literature. FMC has not undertaken to sell any specified number of shares.

The Distribution Agreement will continue in effect until June 30, 1996, and from year to year thereafter, provided that it is specifically approved at least annually by the Company's Board of Directors and the affirmative vote of the directors who are not parties to the Distribution Agreement or "interested persons" of any such party by votes cast in person at a meeting called for such purpose. The Company or FMC may terminate the Distribution Agreement on sixty days' written notice without penalty. The Distribution Agreement will terminate automatically in the event of its "assignment," as defined in the 1940 Act.

FMC may, from time to time, at its expense, pay a bonus or other consideration or incentive to dealers or banks who sell a minimum dollar amount of the shares of the class during a specific period of time. In some instances, these incentives may be offered only to certain dealers or institutions who have sold or may sell significant amounts of shares. The total amount of such additional bonus or payments or other consideration shall not exceed 0.05% of the net asset value of the shares of the class sold. Any such bonus or incentive programs will not change the price paid by investors for the purpose of shares or the amount received as proceeds from such sales. Dealers or institutions may not use sales of the shares to qualify for any incentives to the extent that such incentives may be prohibited by the laws of any jurisdiction.

DISTRIBUTION PLAN

The Company has adopted a distribution plan (the "Plan") pursuant to Rule 12b-1 under the 1940 Act with respect to the Private Investment Class. The Plan applicable to the Portfolio provides that the Private Investment Class may pay up to 0.50% per annum of the average daily net assets of the Portfolio as follows:

> (1) to FMC, as an asset-based sales charge, (2) as a service fee to certain banks ("Service Providers") who offer continuing personal shareholder services to their customers who invest in the shares of the class, and who have entered into Shareholder Service Agreements, and (3) as a service fee to certain broker-dealers and other financial institutions ("Institutions") who offer continuing personal shareholder services to their customers who invest in the shares of the class, and who have entered into Shareholder Service Agreements.

Pursuant to the Plan, the Company may enter into Shareholder Service Agreements ("Service Agreements") with selected broker-dealers, banks, other financial institutions or their affiliates. Such firms may receive from the Portfolio compensation for servicing investors as beneficial owners of shares of the Private Investment Class. These services may include among other things: (i) answering customer inquiries regarding the shares and the Portfolio; (ii) assisting customers in changing dividend options, account designations and addresses; (iii) performing sub-accounting; (iv) establishing and maintaining shareholder accounts and records; (v) processing purchase and redemption transactions; (vi) automatic investment in shares of the class of customer cash account balances; (vii) providing periodic statements showing a customer's account balance and integrating such statements with those of other transactions and balances in the customer's other accounts serviced by such firm; (viii) arranging for bank wires; and (ix) such other services as the Company may request on behalf of the shares of the class, to the extent such firms are permitted to engage in such services by applicable statute, rule or regulation.

The Plan may only be used for the purposes specified above and as stated in the Plan. Expenses may not be carried over from year to year.

The Plan requires the officers of the Company to provide the Board of Directors at least quarterly with a written report of the amounts expended pursuant to the Plan and the purposes for which such expenditures were made. The Board of Directors shall review these reports in connection with their decisions with respect to the Plan.

For the fiscal year ended March 31, 1995, $60,489 (or an amount equal to 0.25% of the average daily net assets of the Class) was paid to dealers and financial institutions pursuant to the Plan. In addition, for the fiscal year ended March 31, 1995, FMC received no compensation pursuant to the Plan.

As required by Rule 12b-1 under the 1940 Act, the Plan was most recently approved by the Board of Directors, including a majority of the directors who are not "interested persons" (as defined in the 1940 Act) of the Company and who have no direct or indirect financial interest in the operation of the Plan or in any agreements related to the Plan ("Qualified Directors") on May 9, 1995. In approving the Plan in accordance with the requirements of Rule 12b-1, the

directors considered various factors and determined that there is a reasonable likelihood that the Plan will benefit the Private Investment Class and the holders of the shares.

The Plan shall continue in effect until June 30, 1996. The Plan shall continue in effect thereafter as long as such continuance is specifically approved at least annually by the Board of Directors, including a majority of the Qualified Directors.

FMC is a wholly-owned subsidiary of AIM, a wholly-owned subsidiary of AIM Management. Charles T. Bauer, a Director and Chairman of the Company, owns shares of AIM Management and Robert H. Graham, a Director and President of the Company, also owns shares of AIM Management.

The Plan may be terminated by vote of a majority of the Qualified Directors, or by vote of a majority of the holders of the outstanding voting securities of the Private Investment Class. Any change in the Plan that would increase materially the distribution expenses paid by the Private Investment Class requires shareholder approval; otherwise, the Plan may be amended by the directors, including a majority of the Qualified Directors, by vote cast in person at a meeting called for the purpose of voting upon such amendment. As long as the Plan is in effect, the selection or nomination of the Qualified Directors is committed to the discretion of the Qualified Directors.

The Glass-Steagall Act and other applicable laws, among other things, generally prohibit federally chartered or supervised banks from engaging in the business of underwriting, selling or distributing securities, but permit banks to make shares of mutual funds available to their customers and to perform administrative and shareholder servicing functions. However, judicial or administrative decisions or interpretations of such laws, as well as changes in either federal or state statutes or regulations relating to the permissible activities of banks or their subsidiaries or affiliates, could prevent a bank from continuing to perform all or a part of its servicing activities. If a bank were prohibited from so acting, shareholder clients of such bank would be permitted to remain shareholders of the Company and alternate means for continuing the servicing of such shareholders would be sought. In such event, changes in the operation of the Company might occur and shareholders serviced by such bank might no longer be able to avail themselves of any automatic investment or other services then being provided by such bank. It is not expected that shareholders would suffer any adverse financial consequences as a result of any of these occurrences.

In addition, state securities laws on this issue may differ from the interpretations of federal law expressed herein and certain banks and financial institutions may be required to register as dealers pursuant to state law.

The Plan complies with the Rules of Fair Practice of the National Association of Securities Dealers, Inc. and provides for payment of a service fee to dealers and other financial institutions that provide continuing personal shareholder services to their customers who purchase and own shares of the Private Investment Class, in amounts of up to 0.25% of the average net assets of such class of the Portfolio attributable to the customers of such dealers or financial institutions. Payments to dealers and other financial institutions in excess of such amount and payments to FMC would be characterized as an asset-based sales charge pursuant to the amended Plan. The

Plan also imposes a cap on the total amount of sales charges, including asset-based sales charges, that may be paid by the Portfolio with respect to the class.

PERFORMANCE INFORMATION

As stated under the caption "Yield Information" in the Prospectus, yield information for the shares of the class may be obtained by calling the Company at (800) 877-7748.

Calculations of yield will take into account the total income received by the Portfolio, including taxable income, if any; however, the Company intends to invest its assets so that 100% of its annual interest income will be tax-exempt. To the extent that institutions charge fees in connection with services provided in conjunction with the Company, the yield will be lower for those beneficial owners paying such fees.

The current yields quoted for the Private Investment Class of the Portfolio will be the net average annualized yield for an identified period, usually seven consecutive calendar days. Yields for the Private Investment Class of the Portfolio will be computed by assuming that an account was established with a single share (the "Single Share Account") on the first day of the period. To arrive at the quoted yield, the net change in the value of that single Share Account for the period (which would include dividends accrued with respect to the share, and dividends declared on shares purchased with dividends accrued and paid, if any, but would not include any realized gains and losses or unrealized appreciation or depreciation) will be multiplied by 365 and then divided by the number of days in the period, with the resulting figure carried to the nearest hundredth of one percent. The Company may also furnish a quotation of effective yields for the Private Investment Class of the Portfolio that assumes the reinvestment of dividends for a 365 day year and a return for the entire year equal to the average annualized yields for the period, which will be computed by compounding the unannualized current yields for the period by adding 1 to the unannualized current yields, raising the sum to a power equal to 365 divided by the number of days in the period, and then subtracting 1 from the result.

In addition, the Company may furnish a tax equivalent yield which is the rate an investor would have to earn from a fully taxable investment in order to equal the share's yield after taxes. Tax equivalent yields are calculated by dividing the share's yield by one minus the stated federal or combined federal and state tax rate (if only a portion of the share's yield was tax-exempt, only that portion is adjusted in the calculation).

For the seven-day period ended March 31, 1995, the current and effective yield for the Class were 3.61% and 3.67%, respectively. Assuming a tax rate of 36% these yields for the Class on a tax-equivalent basis were 5.64% and 5.73%, respectively.

INVESTMENT PROGRAM AND RESTRICTIONS

INVESTMENT PROGRAM

Information concerning the Portfolio's investment objective and fundamental and operating policies is set forth in the Prospectus. The principal features of the Portfolio's investment program and the primary risks associated with that investment program are also discussed in the Prospectus. There can be no assurance that the Portfolio will achieve its objective. The values of the securities in which the Portfolio invests fluctuate based upon interest rates, the financial stability of the issuer and market factors. The following is a more detailed description of the portfolio instruments eligible for purchase by the Portfolio, which augments the summary of the Portfolio's investment program which appears under the heading "Investment Program" in the Prospectus.

As set forth in the Prospectus, the Portfolio will limit its purchases of Municipal Securities (as hereinafter defined) to "First Tier" securities, as such term is defined from time to time in Rule 2a-7 under the 1940 Act.

As of the date of this Statement of Additional Information, Rule 2a-7 defines a "First Tier" security as any "Eligible Security" (as defined in Rule

2a-7 and summarized above) that:

(i) is rated (or that has been issued by an issuer that is rated with respect to a class of short-term debt obligations, or any security within that class, that is comparable in priority and security with the security) by the requisite nationally recognized statistical rating organizations ("NRSROs") in the highest rating category for short-term debt obligations (within which there may be sub-categories or gradations indicating relative standing); or

(ii) is a security described in paragraph (a)(5)(ii) of Rule 2a-7 (i.e. a security that at the time of issuance was a long-term security but that has a remaining maturity of 397 days or less) whose issuer has received from the requisite NRSROs a rating, with respect to a class of short-term debt obligations (or any security within that class) that now is comparable in priority and security with the security in the highest rating category for short-term debt obligations (within which there may be sub-categories or gradations indicating relative standing); or

(iii) is an unrated security that is of comparable quality to a security meeting the requirements of clauses (i) and (ii) above, as determined by the Company's Board of Directors.

Subsequent to its purchase by the Portfolio, an issue of Municipal Securities may cease to be a First Tier security. Subject to certain exceptions set forth in Rule 2a-7, such an event will not require the elimination of the security from the Portfolio, but AIM will consider such an event to be relevant in its determination of whether the Portfolio should continue to hold the security. To the extent that the ratings applied by an NRSRO to Municipal Securities may change as a result of changes in these rating systems, the Company will attempt to use comparable ratings as standards

for its investments in Municipal Securities in accordance with the investment policies described herein.

The Portfolio may, from time to time, invest in taxable short-term investments ("Temporary Investments") consisting of obligations of the U.S. Government, its agencies or instrumentalities, and repurchase agreements (instruments under which the seller agrees to repurchase the security at a specified time and price) relating thereto; commercial paper rated within the highest rating category by a recognized rating agency; and certificates of deposit of domestic banks with assets of $1.5 billion or more as of the date of their most recently published financial statements. The Portfolio may invest in Temporary Investments, for example, due to market conditions or pending the investment of proceeds from the sale of shares of the Portfolio or proceeds from the sale of Portfolio securities or in anticipation of redemptions. Although interest earned from such Temporary Investments will be taxable as ordinary income, the Portfolio intends to minimize taxable income through investment, when possible, on short-term tax-exempt securities, which may include shares of other investment companies whose dividends are tax-exempt. See "Investment Restrictions" for limitations on the Fund's ability to invest in repurchase agreements and in shares of other investment companies. It is a fundamental policy of the Company that the Portfolio's assets will be invested so that at least 80% of the Portfolio's income will be exempt from federal income taxes, and it is the Company's present intention (but it is not a fundamental policy) to invest the Portfolio's assets so that 100% of the Portfolio's annual interest income will be tax-exempt. Accordingly, the Portfolio may hold cash reserves pending the investment of such reserves in Municipal Securities.

MUNICIPAL SECURITIES

"Municipal Securities" include debt obligations issued to obtain funds for various public purposes, including the construction of a wide range of public facilities such as airports, bridges, highways, housing, hospitals, mass transportation, schools, streets and water and sewer works. Other public purposes for which Municipal Securities may be issued include the refunding of outstanding obligations, obtaining funds for general operating expenses and lending such funds to other public institutions and facilities. In addition, certain types of industrial development bonds are issued by or on behalf of public authorities to obtain funds to provide for the construction, equipment, repair or improvement of privately operated housing facilities, airport, mass transit, industrial, port or parking facilities, air or water pollution control facilities and certain local facilities for water supply, gas, electricity or sewage or solid waste disposal. The interest paid on such bonds may be exempt from federal income tax, although current federal tax laws place substantial limitations on the size and purpose of such issues. Such obligations are considered to be Municipal Securities provided that the interest paid thereon, in the opinion of bond counsel, qualifies as exempt from federal income tax. However, interest on Municipal Securities may give rise to a federal alternative minimum tax liability and may have other collateral federal income tax consequences. See "Dividends, Distributions and Tax Matters - Tax Matters" in this Statement of Additional Information.

The two major classifications of Municipal Securities are bonds and notes. Bonds may be further categorized as "general obligation" or "revenue" issues. General obligation bonds are secured by the issuer's pledge of its full faith, credit, and taxing power for the payment of principal and interest. Revenue bonds are payable from the revenues derived from a particular facility or class of facilities or, in some cases, from the proceeds of a special excise or other specific revenue

source, but not from the general taxing power. Tax-exempt industrial development bonds are in most cases revenue bonds and do not generally carry the pledge of the credit of the issuing municipality. Notes are short-term instruments. Most notes are general obligations of the issuing municipalities or agencies and are sold in anticipation of a bond sale, collection of taxes or receipt of other revenues. There are, of course, variations in the risks associated with Municipal Securities, both within a particular classification and between classifications. The Portfolio's assets may consist of any combination of general obligation bonds, revenue bonds, industrial revenue bonds and notes. The percentage of such Municipal Securities in the Portfolio will vary from time to time.

For the purpose of the diversification requirements applicable to the Portfolio, the identification of the issuer of Municipal Securities depends on the terms and conditions of the security. When the assets and revenues of an agency, authority, instrumentality or other political subdivision are separate from those of the government creating the subdivision and the security is backed only by the assets and revenues of the subdivision, such subdivision will be deemed to be the sole issuer. Similarly, in the case of an industrial revenue bond, if that bond is backed only by the assets and revenues of the non-governmental user, then such non-governmental user will be deemed to be the sole issuer. If, however, in either case, the creating government or some other entity guarantees a security, such a guarantee would be considered a separate security and will be treated as an issue of such government or other agency. Certain Municipal Securities may be secured by the guaranty or irrevocable letter of credit of a major banking institution, or the payment of principal and interest when due may be insured by an insurance company.

The yields on Municipal Securities are dependent on a variety of factors, including general economic and monetary conditions, money market factors, conditions of the Municipal Securities market, size of a particular offering, maturity of the obligation, and rating of the issue. The yield realized by holders of a class of a portfolio will be the yield realized by the portfolio on its investments reduced by the general expenses of the Company and those expenses attributable to such class. The market values of the Municipal Securities held by the Portfolio will be affected by changes in the yields available on similar securities. If yields increase following the purchase of a Municipal Security the market value of such Municipal Security will generally decrease. Conversely, if yields on such Municipal Security decrease, the market value of such security will generally increase.

INVESTMENT RATINGS

The following is a description of the factors underlying the tax-exempt debt ratings of Moody's, S&P, Fitch Investors Service, Inc. ("Fitch") and Duff & Phelps, Inc. ("Duff & Phelps"):

MOODY'S MUNICIPAL BOND RATINGS

Aaa

Bonds which are rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Aa

Bonds which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities.

Note: Bonds in the Aa group which Moody's believes possess the strongest investment attributes are designated by the symbol Aa1.

Note: Also, Moody's applies numerical modifiers 1, 2, and 3 in the Aa group when assigning ratings to: industrial development bonds; and bonds secured by either a letter of credit or bond insurance. The modifier 1 indicates that the security ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category.

MOODY'S DUAL RATINGS

In the case of securities with a demand feature, two ratings are assigned; one representing an evaluation of the degree of risk associated with scheduled principal and interest payments, and the other representing an evaluation of the degree of risk associated with the demand feature.

MOODY'S SHORT-TERM LOAN RATINGS

Moody's ratings for state and municipal short-term obligations will be designated Moody's Investment Grade (or MIG). Such ratings recognize the differences between short-term credit risk and long-term risk. Factors affecting the liquidity of the borrower and short-term cyclical elements are critical in short-term ratings, while other factors of major importance in bond risk, long-term secular trends for example, may be less important over the short run.

A short-term rating may also be assigned on an issue having a demand feature (i.e., a variable rate demand obligation or VRDO). Short-term ratings on issues with demand features may be differentiated by the use of the VMIG symbol to reflect such characteristics as payment upon periodic demand rather than fixed maturity dates, and payment relying on external liquidity. Additionally, the source of payment may be limited to the external liquidity with no or limited legal recourse to the issuer in the event the demand is not met.

A VMIG rating may be assigned to commercial paper programs. Such programs are characterized as having variable short-term maturities but having neither a variable rate nor demand feature.

Gradations of investment quality are indicated by rating symbols, with each symbol representing a group in which the quality characteristics are broadly the same.

MIG 1/VMIG 1

This designation denotes best quality. There is present strong protection by established cash flows, superior liquidity support or demonstrated broad based access to the market for refinancing.

MOODY'S COMMERCIAL PAPER RATINGS

Moody's commercial paper ratings are opinions of the ability of issuers to repay punctually promissory obligations not having an original maturity in excess of nine months.

Moody's employs the following two designations, each judged to be investment grade, to indicate the relative repayment capacity of rated issuers.

PRIME-1

Issuers (or related supporting institutions) rated Prime-1 (P-1) have a superior capacity for repayment of short-term promissory obligations. P-1 repayment capacity will normally be evidenced by the following characteristics: leading market positions in well-established industries; high rates of return on funds employed; conservative capitalization structures with moderate reliance on debt and ample asset protection; broad margins in earnings coverage of fixed financial charges and high internal cash generation; and well-established access to a range of financial markets and assured sources of alternate liquidity.

Note: A Moody's commercial paper rating may also be assigned as an evaluation of the demand feature of a short-term or long-term security with a put option.

S&P MUNICIPAL BOND RATINGS

A S&P municipal bond rating is a current assessment of the creditworthiness of an obligor with respect to a specific obligation. This assessment may take into consideration obligors such as guarantors, insurers, or lessees.

The ratings are based, in varying degrees, on the following considerations: likelihood of default - capacity and willingness of the obligor as to the timely payment of interest and repayment of principal in accordance with the terms of the obligation; nature of and provisions of the obligation; and protection afforded by, and relative position of, the obligation in the event of bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights.

AAA

Debt rated AAA has the highest rating assigned by S&P. Capacity to pay interest and repay principal is extremely strong.

AA

Debt rated AA has a very strong capacity to pay interest and repay principal and differs from the highest rated issues only in a small degree.

Note: Ratings within the AA and A major rating categories may be modified by the addition of a plus (+) sign or minus (-) sign to show relative standing.

S&P DUAL RATINGS

S&P assigns "dual" ratings to all debt issues that have, as part of their structure, a demand feature.

The first rating addresses the likelihood of repayment of principal and interest as due, and the second rating addresses only the demand feature. The long-term debt rating symbols are used for bonds to denote the long-term maturity and the commercial paper rating symbols for the demand feature (e.g., AAA/A-1+). With short-term demand debt, the note rating symbols are used with the commercial paper rating symbols (e.g., SP-1+/A-1+).

S&P MUNICIPAL NOTE RATINGS

A S&P note rating reflects the liquidity concerns and market access risks unique to notes. Notes due in three years or less will likely receive a note rating. Notes maturing beyond three years will most likely receive a long-term debt rating. The following criteria will be used in making that assessment: amortization schedule (the larger the final maturity relative to other maturities the more likely it will be treated as a note); and source of payment (the more dependent the issue is on the market for its refinancing, the more likely it will be treated as a note).

The highest note rating symbol is as follows:

SP-1

Category denotes very strong or strong capacity to pay principal and interest. Those issues determined to possess overwhelming safety characteristics will be given a plus (+) designation.

S&P COMMERCIAL PAPER RATINGS

S&P commercial paper rating is a current assessment of the likelihood of timely payment of debt having an original maturity of no more than 365 days.

The highest rating category is as follows:

A-1

This highest category indicates that the degree of safety regarding timely payment is strong. Those issues determined to possess extremely strong safety characteristics are denoted with a plus (+) sign designation.

FITCH BOND RATINGS

Fitch investment grade bond ratings provide a guide to investors in determining the credit risk associated with a particular security. The ratings represent Fitch's assessment of the issuer's ability to meet the obligations of a specific debt issue or class of debt in a timely manner.

The rating takes into consideration special features of the issue, its relationship to other obligations of the issuer, the current and prospective financial condition and operating performance of the issuer and any guarantor, as well as the economic and political environment that might affect the issuer's future financial strength and credit quality.

Fitch ratings do not reflect any credit enhancement that may be provided by insurance policies or financial guarantees unless otherwise indicated.

Bonds that have the same ratings are of similar but not necessarily identical credit quality since the rating categories do not fully reflect small differences in the degrees of credit risk.

Fitch ratings are not recommendations to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect of any security.

Fitch ratings are based on information obtained from issuers, other obligors, underwriters, their experts, and other sources Fitch believes to be reliable. Fitch does not audit or verify the truth or accuracy of such information. Ratings may be changed, suspended, or withdrawn as a result of changes in, or the unavailability of, information or for other reasons.

AAA

Bonds considered to be investment grade and of the highest credit quality. The obligor has an exceptionally strong ability to pay interest and repay principal, which is unlikely to be affected by reasonably foreseeable events.

AA

Bonds considered to be investment grade and of very high credit quality. The obligor's ability to pay interest and repay principal is very strong, although not quite as strong as bonds rated "AAA." Because bonds rated in the "AAA" and "AA" categories are not significantly vulnerable to foreseeable future developments, short-term debt of these issuers is generally rated "F-1."

Plus (+) Minus (-) - Plus and minus signs are used with a rating symbol to indicate the relative position of a credit within the rating category. Plus and minus signs, however, are not used in the "AAA" category.

NR - Indicates that Fitch does not rate the specific issue.

FITCH SHORT-TERM RATINGS

Fitch's short-term ratings apply to debt obligations that are payable on demand or have original maturities of generally up to three years, including commercial paper, certificates of deposit, medium-term notes, and municipal and investment notes.

The short-term rating places greater emphasis than a long-term rating on the existence of liquidity necessary to meet the issuer's obligations in a timely manner.

The highest Fitch short-term rating is as follows:

F-1

Exceptionally Strong Credit Quality. Issues assigned this rating are regarded as having the strongest degree of assurance for timely payment.

DUFF & PHELPS RATINGS

AAA

Highest Credit Quality. The risk factors are negligible, being only slightly more than for risk-free U.S. Treasury debt.

AA+, AA, AA-

High Credit Quality. Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

WHEN-ISSUED SECURITIES AND DELAYED DELIVERY TRANSACTIONS

The Portfolio may purchase Municipal Securities on a "when-issued" basis, that is, the date for delivery of and payment for the securities is not fixed at the date of purchase, but is set after the securities are issued (normally within forty-five days after the date of the transaction). The

Portfolio may purchase or sell Municipal Securities on a delayed delivery basis. The payment obligation and the interest rate that will be received on the when-issued securities are fixed at the time the buyer enters into the commitment. The Portfolio will only make commitments to purchase when-issued or delayed delivery Municipal Securities with the intention of actually acquiring such securities, but the Portfolio may sell these securities before the settlement date if it is deemed advisable. No additional when-issued or delayed delivery commitments will be made if more than 25% of the Portfolio's net assets would thereby become so committed.

If the Portfolio purchases a when-issued or delayed delivery security, the Company will direct its custodian bank to segregate cash or other high grade securities (including Temporary Investments and Municipal Securities) of the Portfolio in an amount equal to the when-issued or delayed delivery commitment. The segregated assets will be valued at market for the purpose of determining the adequacy of the segregated securities. If the market value of such securities declines, additional cash or securities will be segregated on a daily basis so that the market value

will equal the amount of the Portfolio's when-issued or delayed delivery commitments. To the extent funds are segregated, they will not be available for new investment or to meet redemptions.

Securities purchased on a when-issued or delayed delivery basis and the other securities held in the Portfolio are subject to changes in market value based upon the public's perception of the creditworthiness of the issuer and changes in the level of interest rates (which will generally result in all of those securities changing in value in the same way, i.e., experiencing appreciation when interest rates fall). Therefore, if in order to achieve higher interest income the Portfolio remains substantially fully invested at the same time that it has purchased securities on a when-issued or delayed delivery basis, there is a possibility that the Portfolio will experience greater fluctuation in the market value of its assets.

Furthermore, when the time comes for the Portfolio to meet its obligations under when-issued or delayed delivery commitments, the Portfolio will do so by use of its then available cash, by the sale of segregated securities, by the sale of other securities or, although it would not normally expect to do so, by directing the sale of the when-issued or delayed delivery securities themselves (which may have a market value greater or less than the Portfolio's payment obligation thereunder). The sale of securities to meet such obligations carries with it a greater potential for the realization of net short-term capital gains, which are not exempt from federal income taxes. The value of when-issued or delayed delivery securities on the settlement date may be more or less than the purchase price.

In a delayed delivery transaction, the Portfolio relies on the other party to complete the transaction. If the transaction is not completed, the Portfolio may miss a price or yield considered to be advantageous.

VARIABLE OR FLOATING RATE INSTRUMENTS

The Portfolio may invest in Municipal Securities which have variable or floating interest rates which are readjusted periodically. Such readjustment may be based either upon a predetermined standard, such as a bank prime rate or the U.S. Treasury bill rate, or upon prevailing market conditions. Variable or floating interest rates generally reduce changes in the market price of Municipal Securities from their original purchase price. Accordingly, as interest rates decrease or increase, the potential for capital appreciation or depreciation is less for variable or floating rate Municipal Securities than for fixed income obligations.

Many Municipal Securities with variable or floating interest rates purchased by the Portfolio are subject to payment of principal and accrued interest (usually within seven days) on the Portfolio's demand. The terms of such demand instruments require payment of principal and accrued interest from the issuer, a guarantor and/or a liquidity provider. All variable or floating rate instruments will meet the quality standards of the Portfolio. AIM will monitor the pricing, quality and liquidity of the variable or floating rate Municipal Securities held by the Portfolio.

SYNTHETIC MUNICIPAL INSTRUMENTS

The Portfolio may invest in synthetic municipal instruments the value of and return on which are derived from underlying securities. The types of synthetic municipal instruments in which the Portfolio may invest include tender option bonds and variable rate trust certificates. Both types of instruments involve the deposit into a trust or custodial account of one or more long-term tax-exempt bonds or notes ("Underlying Bonds"), and the sale of certificates evidencing interests in the trust or custodial account to investors such as the Portfolio. The trustee or custodian receives the long-term fixed rate interest payments on the Underlying Bonds, and pays certificate holders short-term floating or variable interest rates which are reset periodically. A "tender option bond" provides a certificate holder with the conditional right to sell (put) its certificate to the Sponsor or some designated third party at specified intervals and receive the par value of the certificate plus accrued interest. A "variable rate trust certificate" evidences an interest in a trust entitling the certificate holder to receive variable rate interest based on prevailing short-term interest rates and also typically providing the certificate holder with the conditional right to put its certificate at par value plus accrued interest.

Because synthetic municipal instruments involve a trust or custodial account and a third party conditional put feature, they involve complexities and potential risks that may not be present where a municipal security is owned directly. For further information regarding certain risks associated with investing in synthetic municipal instruments see the Prospectus under the caption "Investment Program--Synthetic Municipal Instruments."

PARTICIPATION INTERESTS AND MUNICIPAL LEASES

The Portfolio reserves the right to purchase participation interests from financial institutions. These participation interests give the purchaser an undivided interest in one or more underlying Municipal Securities. The Portfolio also reserves the right to invest in municipal leases and participation interests therein. Such obligations, which may take the form of a lease or an installment sales contract, are issued by state and local governments and authorities to acquire a wide variety of equipment and facilities. Interest payments on qualifying municipal leases are exempt from federal income taxes.

INVESTMENT RESTRICTIONS

The most significant investment restrictions applicable to the Portfolio's investment program are set forth in the Prospectus. Additionally, as a matter of fundamental policy which may not be changed without a vote of all classes of shareholders of the Portfolio, the Portfolio will not:

(1) purchase any industrial development bond, if, as a result of such purchase, more than 5% of the Portfolio's total assets would be invested in securities of issuers, which, together with their predecessors, have been in business for less than three years;

(2) borrow money or pledge, mortgage or hypothecate the assets of the Portfolio except for temporary or emergency purposes and then only in an amount not exceeding 10% of the value of the Portfolio's total assets, except that the Portfolio may purchase when-issued securities consistent with the Portfolio's investment objective and policies; provided that the Portfolio will repay all borrowings (other than when-issued purchases) before making additional investments;

(3) lend money or securities except to the extent that the Portfolio's investments may be considered loans;

(4) purchase or sell puts, calls, straddles, spreads or combinations thereof, except that the Portfolio may purchase Stand-by Commitments;

(5) invest in shares of any other investment company, other than in connection with the merger, consolidation, reorganization or acquisition of assets, except that the Portfolio may invest up to 10% of its assets in securities of other investment companies and then only for temporary purposes in those investment companies whose dividends are tax-exempt; provided that the Portfolio will not invest more than 5% of its assets in securities of any investment company nor purchase more than 3% of the outstanding voting stock of any investment company;

(6) invest more than 10% of the value of its total assets in illiquid securities, including repurchase agreements with remaining maturities in excess of seven days;

(7) invest in companies for the purpose of exercising control;

(8) underwrite any issue of securities, except to the extent that the purchase of securities, either directly from the issuer or from an underwriter for an issuer, and the later disposition of such securities in accordance with the Portfolio's investment program, may be deemed an underwriting;

(9) purchase or sell real estate, but this shall not prevent investments in securities secured by real estate or interests therein;

(10) sell, securities short or purchase any securities on margin, except for such short-term credits as are necessary for the clearance of transactions;

(11) purchase or retain securities of an issuer if, to the knowledge of the Company, the directors and officers of the Company, and the directors and officers of AIM, each of whom owns more than 1/2 of 1% of such securities, together own more than 5% of the securities of such issuer; or

(12) purchase or sell commodities or commodity futures contracts or interests in oil, gas or other mineral exploration or development programs.

The Company may, from time to time in order to qualify shares of the Portfolio for sale in a particular state, agree to certain investment restrictions in addition to or more stringent than those set forth above. Such restrictions are not fundamental and may be changed without the approval of shareholders.

Pursuant to an undertaking made to the Ohio Department of Commerce, Division of Securities, the Portfolio will not purchase the securities of any issuer if, as to 75% of the total assets of the Portfolio, more than 10% of the voting securities of such issuer would be held by the Portfolio at the time of purchase.

PORTFOLIO TRANSACTIONS

AIM is responsible for decisions to buy and sell securities for the Company, for selection of broker-dealers and for negotiation of commission rates. Since purchases and sales of portfolio

securities by the Company are usually principal transactions, the Portfolio incurs little or no brokerage commissions. Portfolio securities are normally purchased directly from the issuer or from a market maker for the securities. The purchase price paid to dealers serving as market makers may include a spread between the bid and asked prices. The Company may also purchase securities from underwriters at prices which include a commission paid by the issuer to the underwriter.

AIM's primary consideration in effecting a security transaction is to obtain the best net price and the most favorable executions of the order. To the extent that the execution and prices offered by more than one dealer are comparable, AIM may, in its discretion, effect transactions with dealers that furnish statistical research or other information or services which are deemed beneficial by AIM. Such research services supplement AIM's own research. Research services may include the following: statistical and background information on U.S. and foreign economies, industry groups and individual companies; forecasts and interpretations with respect to U.S. and foreign economies, money market fixed income markets, equity markets, specific industry groups and individual companies; information on federal, state, local and foreign political developments; portfolio management strategies; performance information on securities, indices and investment accounts; information concerning prices of securities; the providing of equipment used to communicate research information; the arranging of meetings with management of companies; and the providing of access to consultants who supply research information. Certain research services furnished by dealers may be useful to AIM with clients other than the Company. Similarly, any research services received by AIM through placement of portfolio transactions of other clients may be of value to AIM in fulfilling its obligations to the Company. AIM is of the opinion that the material received is beneficial in supplementing AIM's research and analysis; and therefore, such material may benefit the Company by improving the quality of AIM's investment advice. The advisory fee paid by the Portfolio is not reduced because AIM receives such services; however, because AIM must evaluate information received as a result of such services, receipt of such services does not reduce AIM's workload.

Under the 1940 Act, persons affiliated with the Company are prohibited from dealing with the Company as principal in any purchase or sale of securities unless an exemptive order allowing such transactions is obtained from the SEC. Furthermore, the 1940 Act prohibits the Company from purchasing a security being publicly underwritten by a syndicate of which persons affiliated with the Company are a member except in accordance with certain conditions. These conditions may restrict the ability of the Portfolio to purchase Municipal Securities being publicly underwritten by such a syndicate, and the Portfolio may be required to wait until the syndicate has been terminated before buying such securities. At such time, the market price of the securities may be higher or lower than the original offering price. A person affiliated with the Company may, from time to time, serve as placement agent or financial advisor to an issuer of Municipal Securities and be paid a fee by such issuer. The Portfolio may purchase such Municipal Securities directly from the issuer, provided that the purchase is reviewed by the Company's Board of Directors and a determination is made that the placement fee or other remuneration paid by the issuer to the person affiliated with the Company is fair and reasonable in relation to the fees charged by others performing similar services. During the fiscal years ended March 31, 1995, 1994 and 1993 no securities or instruments were purchased by the Portfolio from issuers who paid placement fees or other compensation to a broker affiliated with the Portfolio.

From time to time, an identical security may be sold by an AIM Fund or another investment account advised by AIM or A I M Capital Management, Inc. ("AIM Capital") and simultaneously purchased by another AIM Fund or another investment account advised by AIM or AIM Capital, when such transactions comply with applicable rules and regulations and are deemed consistent with the investment objective(s) and policies of the investment accounts advised by AIM or AIM Capital. Procedures pursuant to Rule 17a-7 under the 1940 Act regarding transactions between investment accounts advised by AIM or AIM Capital have been adopted by the Boards of Directors/Trustees of the various AIM Funds, including the Company. Although such transactions may result in custodian, tax or other related expenses, no brokerage commissions or other direct transaction costs are generated by transactions among the investment accounts advised by AIM or AIM Capital.

Provisions of the 1940 Act and rules and regulations thereunder have also been construed to prohibit the Company from purchasing securities or instruments from, or selling securities or instruments to, any holder of 5% or more of the voting securities of any investment company managed or advised by AIM. The Company has obtained an order of exemption from the SEC which permits the Company to engage in certain transactions with such 5% holder, if the Company complies with conditions and procedures designed to ensure that such transactions are executed at fair market value and present no conflicts of interest.

Some of the AIM Funds may have objectives similar to those of the Portfolio. It is possible that at times, identical securities will be acceptable for one or more of such investment companies. However, the position of each account in the securities of the same issue may vary and the length of time that each account may choose to hold its investment in the securities of the same issue may likewise vary. The timing and amount of purchase by each account will also be determined by its cash position. If the purchase or sale of securities consistent with the investment policies of the Portfolio and one or more of these accounts is considered at or about the same time, transactions in such securities will be allocated in good faith among the Portfolio and such accounts in a manner deemed equitable by AIM. AIM may combine such transactions, in accordance with applicable laws and regulations, in order to obtain the best net price and most favorable execution. Simultaneous transactions could adversely affect the ability of the Portfolio to obtain or dispose of the full amount of a security which it seeks to purchase or sell.

DIVIDENDS, DISTRIBUTIONS AND TAX MATTERS

DIVIDENDS AND DISTRIBUTIONS

Net investment income for the Portfolio is declared as a dividend to the shareholders of record of the Company on each business day of the Company. The dividend declared on any day preceding a non-business day will include the income accrued on such non-business day. Dividends will be paid monthly. Net realized capital gains, if any, are normally distributed annually. The Company may distribute realized capital gains of the Portfolio more often if deemed necessary in order to maintain the net asset value of the Portfolio at $1.00 per share. However, the Company does not expect the Portfolio to realize net long-term capital gains. Dividends and distributions are paid in cash unless the shareholder has elected to reinvest such dividends and distributions in additional full and fractional shares at the net asset value thereof.

The dividend accrued and paid for each class will consist of: (a) income for the Portfolio, the allocation of which is based upon each such class's pro rata share of the total shares outstanding which relate to the Portfolio, less (b) Company expenses accrued for the applicable dividend period attributable to the Portfolio, such as custodian fees, directors' fees, accounting and legal expenses, allocated based upon each class's pro rata share of the net assets of the Portfolio, less (c) expenses directly attributable to each class which are accrued for the applicable dividend period, such as distribution expenses, if any, transfer agent fees or registration fees which may be unique to such class. Dividends are accrued for the Private Investment Class of the Portfolio as follows: dividends are declared to shareholders of record immediately following the determination of the net asset value of the Portfolio. Accordingly, dividends accrue on the first day that a purchase order for Shares is effective, but not on the day that a redemption order is effective. Thus, if a purchase order is accepted prior to 12:00 noon Eastern Time, the shareholder will receive its pro rata share of dividends beginning with those declared on that day.

Should the Company incur or anticipate any unusual expense, loss or depreciation, which would adversely affect the net asset value per share of the Portfolio or the net income per share of a class of the Portfolio for a particular period, the Board of Directors would at that time consider whether to adhere to the present dividend policy described above or to revise it in light of then prevailing circumstances. For example, if the net asset value per share of the Portfolio were reduced, or were anticipated to be reduced, below $1.00, the Board of Directors might suspend further dividend payments on shares of the Portfolio until the net asset value returns to $1.00. Thus, such expense or loss or depreciation might result in a shareholder receiving no dividends for the period during which it held shares of the Portfolio and/or in its receiving upon redemption a price per share lower than that which it paid.

TAX MATTERS

The following is only a summary of certain additional tax considerations generally affecting the Portfolio and its shareholders that are not described in the Prospectus. No attempt is made to present a detailed explanation of the tax treatment of the Portfolio or its shareholders, and the discussion here and in the Prospectus is not intended as a substitute for careful tax planning.

QUALIFICATION AS A REGULATED INVESTMENT COMPANY

The Portfolio has elected to be taxed as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). As a regulated investment company, the Portfolio is not subject to federal income tax on the portion of its net investment income (i.e., taxable interest, dividends and other taxable ordinary income, net of expenses) and capital gain net income (i.e., the excess of capital gains over capital losses) that it distributes to shareholders, provided that it distributes at least (a) 90% of its investment company taxable income (i.e., net investment income and the excess of net short-term capital gain over net long-term capital loss) and (b) 90% of its tax-exempt income (net of allocable expenses and amortized bond premium) for the taxable year (the "Distribution Requirement"), and satisfies certain other requirements of the Code that are described below. Distributions by the Portfolio made during the taxable year or, under specified circumstances, within twelve months after the close of the taxable year, will be considered distributions of income and gains of the taxable year and can therefore satisfy the Distribution Requirement.

In addition to satisfying the Distribution Requirement, a regulated investment company must (1) derive at least 90% of its gross income from dividends, interest, certain payments with respect to securities loans, gains from the sale or other disposition of stock or securities or foreign currencies (to the extent such currency gains are directly related to the regulated investment company's principal business of investing in stock or securities) and other income (including but not limited to gains from options, futures or forward contracts) derived with respect to its business of investing in such stock, securities or currencies (the "Income Requirement"); and (2) derive less than 30% of its gross income from the sale or other disposition of stock, securities or foreign currencies (or options, futures or forward contracts thereon) held for less than three months (the "Short-Short Gain Test"). Because of the Short-Short Gain Test, the Portfolio may have to limit the sale of appreciated securities that it has held for less than three months. However, the Short-Short Gain Test will not prevent the Portfolio from disposing of investments at a loss, since the recognition of a loss before the expiration of the three-month holding period is disregarded. Interest (including original issue discount) received by the Portfolio at maturity or upon the disposition of a security held for less than three months will not be treated as gross income derived from the sale or other disposition of such security within the meaning of the Short-Short Gain Test. However, income that is attributable to realized market appreciation will be treated as gross income from the sale or other disposition of securities for this purpose.

In addition to satisfying the requirements described above, the Portfolio must satisfy an asset diversification test in order to qualify as a regulated investment company. Under this test, at the close of each quarter of the Portfolio's taxable year, at least 50% of the value of the Portfolio's assets must consist of cash and cash items, U.S. Government securities, securities of other regulated investment companies, and securities of other issuers (as to which the Portfolio has not invested more than 5% of the value of the Portfolio's total assets in securities of such issuer and as to which the Portfolio does not hold more than 10% of the outstanding voting securities of such issuer), and no more than 25% of the value of its total assets may be invested in the securities of any one issuer (other than U.S. Government securities and securities of other regulated investment companies), or in two or more issuers which the Portfolio controls and which are engaged in the same or similar trades or businesses.

If for any taxable year the Portfolio does not qualify as a regulated investment company, all of its taxable income (including its net capital gain) will be subject to tax at regular corporate rates without any deduction for distributions to shareholders, and such distributions will be taxable as ordinary dividends to the extent of the Portfolio's current and accumulated earnings and profits.

EXCISE TAX ON REGULATED INVESTMENT COMPANIES

A 4% non-deductible excise tax is imposed on a regulated investment company that fails to distribute in each calendar year an amount equal to 98% of ordinary taxable income for the calendar year and 98% of capital gain net income for the one-year period ended on October 31 of such calendar year. The balance of such income must be distributed during the next calendar year. Undistributed tax-exempt interest on Municipal Securities is not subject to the excise tax. For the foregoing purposes, a regulated investment company is treated as having distributed any amount on which it is subject to income tax for any taxable year ending in such calendar year.

The Portfolio intends to make sufficient distributions or deemed distributions of its ordinary taxable income and capital gain net income prior to the end of each calendar year to avoid liability

for the excise tax. However, investors should note that the Portfolio may in certain circumstances be required to liquidate portfolio investments to make sufficient distributions to avoid excise tax liability.

COMPANY DISTRIBUTIONS

The Portfolio intends to qualify to pay exempt-interest dividends by satisfying the requirement that at the close of each quarter of the Portfolio's taxable year at least 50% of the Portfolio's total assets consists of Municipal Securities. Distributions from the Portfolio will constitute exempt-interest dividends to the extent of the Portfolio's tax-exempt interest income (net of allocable expenses and amortized bond premium). Exempt-interest dividends distributed to shareholders of the Portfolio are excluded from gross income for federal income tax purposes. However, shareholders required to file a federal income tax return will be required to report the receipt of exempt-interest dividends on their returns. Moreover, while exempt-interest dividends are excluded from gross income for federal income tax purposes, they may be subject to alternative minimum tax ("AMT") in certain circumstances and may have other collateral tax consequences as discussed below. Distributions by the Portfolio of any investment company taxable income or of any net capital gain will be taxable to shareholders as discussed below.

AMT is imposed in addition to, but only to the extent it exceeds, the regular tax and is computed a maximum rate of 28% for noncorporate taxpayers and 20% for corporate taxpayers on the excess of the taxpayer's alternative minimum taxable income ("AMTI") over an exemption amount. In addition, under the Superfund Amendments and Reauthorization Act of 1986, a tax is imposed for taxable years beginning after 1986 and before 1996 at the rate of 0.12% on the excess of a corporate taxpayer's AMTI (determined without regard to the deduction for this tax and the AMT net operating loss deduction) over $2 million. Exempt-interest dividends derived from certain "private activity" Municipal Securities issued after August 7, 1986 will generally constitute an item of tax preference includable in AMTI for both corporate and noncorporate taxpayers. In addition, exempt-interest dividends derived from all Municipal Securities, regardless of the date of issue, must be included in adjusted current earnings, which are used in computing an additional corporate preference item (i.e., 75% of the excess of a corporate taxpayer's adjusted current earnings over its AMTI (determined without regard to this item and the AMT net operating loss deduction)) includable in AMTI.

Exempt-interest dividends must be taken into account in computing the portion, if any, of social security or railroad retirement benefits that must be included in an individual shareholder's gross income subject to federal income tax. Further, a shareholder of the Portfolio is denied a deduction for interest on indebtedness incurred or continued to purchase or carry shares of the Portfolio. Moreover, a shareholder who is (or is related to) a "substantial user" of a facility financed by industrial development bonds held by the Portfolio will likely be subject to tax on dividends paid by the Portfolio which are derived from interest on such bonds. Receipt of exempt-interest dividends may result in other collateral federal income tax consequences to certain taxpayers, including financial institutions, property and casualty insurance companies and foreign corporations engaged in a trade or business in the United States. Prospective investors should consult their own tax advisers as to such consequences.

The Portfolio anticipates distributing substantially all of its investment company taxable income, if any, for each taxable year. Such distributions will be taxable to shareholders as ordinary

income and treated as dividends for federal income tax purposes, but they will not qualify for the dividends-received deduction for corporations.

The Portfolio may either retain or distribute to shareholders its net capital gain, if any, for each taxable year. The Portfolio currently intends to distribute any such amounts. If net capital gain is distributed and designated as a capital gain dividend, it will be taxable to shareholders as long-term capital gain, regardless of the length of time the shareholder has held his shares or whether such gain was recognized by the Portfolio prior to the date on which the shareholder acquired his shares. Realized market discount on Municipal Securities purchased after April 30, 1993, will be treated as ordinary income and not as capital gain.

Distributions by the Portfolio that do not constitute ordinary income dividends, exempt-interest dividends or capital gain dividends will be treated as a return of capital to the extent of (and in reduction of) the shareholder's tax basis in his shares; any excess will be treated as gain from the sale of his shares.

Distributions by the Portfolio will be treated in the manner described above regardless of whether such distributions are paid in cash or reinvested in additional shares of the Portfolio (or of another portfolio). Shareholders electing to reinvest a distribution in additional shares will be treated as receiving a distribution in an amount equal to the net asset value of the shares acquired, determined as of the reinvestment date.

Ordinarily, shareholders are required to take distributions by the Portfolio into account in the year in which the distributions are made. However, dividends declared in October, November or December of any year and payable to shareholders of record on a specified date in such a month will be deemed to have been received by the shareholders (and made by the Portfolio) on December 31 of such calendar year if such dividends are actually paid in January of the following year. Shareholders will be advised annually as to the U.S. federal income tax consequences of distributions made (or deemed made) during the year.

The Portfolio will be required in certain cases to withhold and remit to the U.S. Treasury 31% of ordinary income dividends and capital gain dividends, if any, and the proceeds of redemption of shares, paid to any shareholder (1) who has provided either an incorrect tax identification number or no number at all, (2) who is subject to backup withholding by the Internal Revenue Service for failure to report the receipt of interest or dividend income properly, or (3) who has failed to certify to a Portfolio that it is not subject to backup withholding or that it is a corporation or other "exempt recipient."

FOREIGN SHAREHOLDERS

Taxation of a shareholder who, as to the United States, is a nonresident alien individual, foreign trust or estate, foreign corporation, or foreign partnership ("foreign shareholder"), depends on whether the income from the Portfolio is "effectively connected" with a U.S. trade or business carried on by such shareholder.

If the income from the Portfolio is not effectively connected with a U.S. trade or business carried on by a foreign shareholder, ordinary income dividends and return of capital distributions will be subject to U.S. withholding tax at the rate of 30% (or lower treaty rate) upon the gross

amount of the dividend. Such a foreign shareholder would generally be exempt from U.S. federal income tax on gains realized on the sale of shares of the Portfolio, capital gain dividends (if any) and exempt-interest dividends.

If the income from the Portfolio is effectively connected with a U.S.

trade or business carried on by a foreign shareholder, then ordinary income dividends, capital gain dividends (if any) and any gains realized upon the sale of shares of the Portfolio will be subject to U.S. federal income tax at the rates applicable to U.S. citizens or domestic corporations.

In the case of foreign noncorporate shareholders, the Portfolio may be required to withhold U.S. federal income tax at a rate of 31% on distributions (other than exempt-interest dividends) that are otherwise exempt from withholding tax (or taxable at a reduced treaty rate) unless such shareholders furnish the Portfolio with proper notification of their foreign status.

The tax consequences to a foreign shareholder entitled to claim the benefits of an applicable tax treaty may be different from those described herein. Foreign shareholders are urged to consult their own tax advisers with respect to the particular tax consequences to them of an investment in the Portfolio, including the applicability of foreign taxes.

EFFECT OF FUTURE LEGISLATION; LOCAL TAX CONSIDERATIONS

The foregoing general discussion of U.S. federal income tax consequences is based on the Code and the regulations issued thereunder as in effect on the date of this Statement of Additional Information. Future legislative or administrative changes or court decisions may significantly change the conclusions expressed herein, and any such changes or decisions may have a retroactive effect with respect to the transactions contemplated herein.

Rules of state and local taxation of ordinary income dividends, exempt-interest dividends and capital gain dividends from regulated investment companies often differ from the rules for U.S. federal income taxation described above. Shareholders are urged to consult their tax advisers as to the consequences of these and other state and local tax rules affecting investment in the Portfolio.

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders
Tax-Free Investments Co.

We have audited the accompanying statement of assets and liabilities of the Cash Reserve Portfolio (a Portfolio of Tax-Free Investments Co.), including the schedule of investments, as of March 31, 1995, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the three-year period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of March 31, 1995, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Cash Reserve Portfolio as of March 31, 1995, the results of its operations for the year then ended, the changes in its net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the three-year period then ended, in conformity with generally accepted accounting principles.

/s/ KPMG Peat Marwick LLP

KPMG Peat Marwick LLP

Houston, Texas
May 5, 1995

SCHEDULE OF INVESTMENTS
March 31, 1995

<TABLE>

<S>	<C> RATING(A) S&P	<C> MOODY'S	<C> PAR (000)	<C> VALUE
ALABAMA - 1.07%				
Birmingham (City of); General Obligation Series 1994-A Warrants 4.20% 06/01/18(b)(c)	A-1+	VMIG-1	$ 3,000	$ 3,000,000
Industrial Development Board of the City of McIntosh (CIBA-GEIGY Corp. Project); Variable Rate Series 1986 PCR 4.50% 07/01/04(b)(c)	A-1+	--	1,200	1,200,000
Marshall (County of); Special Obligation School Refunding Series 1994 Warrants 4.25% 02/01/12(b)(c)	A-1+	--	2,925	2,925,000
Medical Clinic Board of the City of Birmingham; Medical Clinic UAHSF Series 1991 RB 4.50% 12/01/26(b)(c)	A-1+	-	4,000	4,000,000
				11,125,000
ALASKA - 2.81%				
Alaska (State of) Finance Corp.; Government Purpose Series 1994 A RB 4.25% 12/01/24(b)(c)	A-1+	VMIG-1	5,000	5,000,000
Alaska Housing Finance Corp.; General Mortgage RB 4.20% Series 1991 A 06/01/26(b)	A-1+	VMIG-1	6,000	6,000,000
4.15% Series 1991 C 06/01/26(b)	A-1+	VMIG-1	18,200	18,200,000
				29,200,000

ARIZONA - 5.42%				
Apache (County of) (Tucson Electric Co.); Series 1981 B PCR 4.25% 10/01/21(b)(c)	A-1+	VMIG-1	8,000	8,000,000
Industrial Development Authority of the County of Pinal (Magma Copper Co. Project); Refunding PCR 4.55% Series 1984 12/01/09(b)(c)	A-1+	P-1	2,600	2,600,000
4.25% Series 1992 12/01/11(b)(c)	A-1+	VMIG-1	2,500	2,500,000
Maricopa County Pollution Control Corp. (Arizona Public Service Co.); PCR 4.50% Series 1994 A 05/01/29(b)(c)	A-1+	P-1	700	700,000
4.50% Series 1994 C 05/01/29(b)(c)	A-1+	P-1	5,900	5,900,000
Peoria Unified School District No. 11 of Maricopa County; School Improvement Refunding Series 1994 RB 3.75% 07/01/95(d)	AAA	Aaa	1,830	1,830,000

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<S> <C> <C> <C> <C>

	RATING(A) S&P	RATING(A) MOODY'S	PAR (000)	VALUE
Arizona - (continued)				
Pima County Industrial Development Authority (Tucson Electric Power Co.-Irvington Project); Series 1982-A IDR 4.20% 10/01/22(b)(c)	A-1+	VMIG-1	$ 6,200	$ 6,200,000
Pima County Industrial Development Authority (Tucson Electric Power Co. General Project); Series 1982 A IDR 4.20% 07/01/22(b)(c)	A-1	VMIG-1	2,000	2,000,000
Pima County Industrial Development Authority (Tucson Retirement Center Project); Refunding Series 1988 IDR 4.00% 01/01/09(b)(c)	--	VMIG-1	3,000	3,000,000
4.00% 06/15/22(b)(c)	A-1+	VMIG-1	22,100	22,100,000
Tempe Union High School District No. 213; Series 1994 TAN 4.70% 07/28/95	SP-1+	--	1,500	1,502,338
				56,332,338
ARKANSAS - 0.46%				
Arkansas Hospital Equipment Finance Authority; Equipment Lease Series 1985 RB 4.10% 12/01/05(b)(c)	A-1+	--	1,800	1,800,000
University of Arkansas Board of Trustees (UAMS Campus): Various Facility Series 1994 RB 4.20% 12/01/19(b)(c)	--	VMIG-1	3,000	3,000,000
				4,800,000
CALIFORNIA - 3.45%				
Alameda (County of); 1994-95 TRAN 4.75% 08/11/95	SP-1+	MIG-1	5,000	5,009,490
California School Cash Reserve Program Authority; Series 1994 A RAN				

4.50% 07/05/95	--	MIG-1	4,000	4,007,518
California Statewide Community Development Authority; Series 1994 A TRAN 4.50% 07/17/95(c)	SP-1+	MIG-1	6,000	6,013,558
Los Angeles County Local Educational Agencies; Series 1994-95 A TRAN 4.50% 07/06/95(c)(d)	SP-1+	MIG-1	3,000	3,004,791
Riverside (County of); Series 1994-95 TRAN 4.25% 06/30/95	SP-1+	MIG-1	2,800	2,804,326
Sacramento (City of); 1994 TRAN 4.50% 07/28/95	SP-1+	MIG-1	5,000	5,004,964
San Diego Area Local Governments; 1994 TRAN 4.50% 06/30/95	SP-1+	--	10,000	10,021,410
				35,866,057

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<S>	<C> RATING(A) S&P	<C> MOODY'S	<C> PAR (000)	<C> VALUE
COLORADO - 2.26%				
Colorado (State of); Series 1994 TRAN 4.50% 06/27/95	--	MIG-1	$ 4,000	$ 4,006,433
Colorado Health Facilities Authority (Boulder Community Hospital Project); Variable Rate Demand Hospital Series 1989 B RB 4.00% 10/01/14(b)(c)	A-1+	VMIG-1	4,795	4,795,000
Colorado Health Facilities Finance Authority (Sisters of Charity Health Facility); RB 4.05% Series 1992 A 05/15/22(b)	A-1+	VMIG-1	2,000	2,000,000
4.05% Series 1992 B 05/15/22(b)	A-1+	VMIG-1	1,000	1,000,000
Pitkin (County of) (Centennial-Aspen Project); Multifamily Housing Series 1984 RB 3.95% 04/01/07(b)(d)	--	VMIG-1	7,700	7,700,000
Regional Transportation District; Weekly Adjustable/Fixed Rate Special Passenger Fare Series 1989 A RB 4.25% 06/01/99(b)(d)	A-1+	--	4,005	4,005,000
				23,506,433
CONNECTICUT - 1.92%				
Connecticut (State of); Special Assessment Unemployment Compensation Advance Refunding Series 1993 C RB 3.85% 07/01/95(c)(e)	A-1+	VMIG-1	20,000	19,984,773
DISTRICT OF COLUMBIA - 0.37%				
District of Columbia (The American University Issue); Variable Rate Weekly Demand Series 1985 RB 4.30% 10/01/15(b)(d)	--	VMIG-1	3,800	3,800,000
DELAWARE - 0.47%				

Delaware Health Facilities Authority (Pooled Loan Program); Variable Rate Weekly Demand/Fixed Rate Series 1988 RB 4.10% 03/01/00(b)(d)	A-1+	VMIG-1	4,900	4,900,000
FLORIDA - 2.69%				
Florida Housing Finance Authority (Cypress Lake Project); Multi-Family Housing Series WW RB 4.05% 12/01/07(b)(c)	A-1	--	5,300	5,300,000
Florida Local Government Finance Authority; Governmental Unit Loan Series 1987 A RB 4.15% 09/01/16(b)(d)	-	VMIG-1	4,000	4,000,000
Hillsborough County Industrial Development Authority (Tampa Electric Co. Gannon Coal Conversion Project); Series 1992 PCR 4.55% 05/15/18(b)	A-1+	VMIG-1	1,000	1,000,000

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<S>	<C> RATING(A) S&P	<C> MOODY'S	<C> PAR (000)	<C> VALUE
Florida - (continued)				
Jacksonville (City of) Health Facility Authority (Baptist Medical Center); Hospital RB 4.45% 06/01/08(b)(d)	A-1+	VMIG-1	$ 2,900	$ 2,900,000
Orange (County of); School District Series A RAN 3.75% 04/06/95	--	MIG-1	7,940	7,939,402
Pineallas Florida Housing Authority (Foxbridge Apartments); Multifamily Mortgage Refunding Series 1993 A RB 4.05% 03/01/23(b)(c)	A-1	--	1,000	1,000,000
Putnam County Development Authority (Seminole Electric Cooperative, Inc. Project); National Rural Utilities Cooperative Finance Corp. Guaranteed Floating/Fixed Rate PCR 4.30% Pooled Series 1984H-1 03/15/14(b)(c)	A-1+	P-1	4,065	4,065,000
4.30% Pooled Series 1984H-2 03/15/14(b)(c)	A-1+	P-1	1,700	1,700,000
				27,904,402
GEORGIA - 1.79%				
College Park Business & Industrial Development Authority (Marriott Corp. Project); Adjustable Tender Series 1985 IDR 4.60% 08/01/15(b)(c)	--	P-1	2,700	2,700,000
Decatur County Bianbridge Industrial Development Authority (Kaiser Agriculture Chemical Inc. Project); Series 1985 IDR 4.05% 12/01/02(b)(c)	A-1+	--	3,500	3,500,000
DeKalb County Housing Authority (Columbia on Claremont Project); Multifamily Housing Series 1985H RB 4.05% 08/01/05(b)(c)	--	VMIG-1	1,100	1,100,000

DeKalb Private Hospital Authority (Egleston Children's Hospital at Emory University); Variable Rate Demand Series 1994 A Revenue Anticipation Certificates 4.10% 03/01/24(b)(c)	A-1+	VMIG-1	1,000	1,000,000
Development Authority of Burke County (Oglethorpe Power Corp.); Adjustable Tender Series 1994A PCR 4.10% 01/01/19(b)(d)	A-1+	VMIG-1	3,100	3,100,000
Development Authority of DeKalb County (Joyce International, Inc. Project); Monthly Floating Rate Issued 1984 IDR 4.00% 01/01/00(b)(c)	A-1	--	500	500,000
Development Authority of DeKalb County (Radiation Sterilizers, Inc. Project); Variable Rate Demand Series 1985 IDR 4.00% 03/01/05(b)(c)	A-1	--	4,600	4,600,000

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<S>	<C> RATING(A) S&P	<C> MOODY'S	<C> PAR (000)	<C> VALUE
Georgia - (continued)				
Housing Authority of Clayton County (Kimberly Forest Apartments Project); Multifamily Housing Refunding Series 1990 B RB 4.25% 01/01/21(b)(d)	A-1+	VMIG-1	$ 2,055	$ 2,055,000
				18,555,000
IDAHO - 1.88%				
Idaho (State of); Series 1994 TAN 4.50% 06/29/95	SP-1	MIG-1	1,000	1,001,596
Idaho Health Facilities Authority (Holy Cross Health System Corp.); Variable Rate Series 1995 RB 4.15% 12/01/23(b)	A-1+	VMIG-1	18,500	18,500,000
				19,501,596
ILLINOIS - 7.75%				
Burbank (City of) (Service Merchandise Co. Inc. Project); Floating Rate Monthly Demand Industrial Building Series 1984 RB 3.90% 09/15/24(b)(c)	A-1+	--	3,600	3,600,000
Chicago (City of) O'Hare International Airport (American Airlines, Inc. Project); Special Facility RB 4.55% Series 1983 C 12/01/17(b)(c)	--	P-1	400	400,000
4.55% Series 1983 D 12/01/17(b)(c)	--	P-1	1,700	1,700,000
Cook (County of) (Catholic Charities Housing Development Corp. Project); Adjustable Demand Series 1988 A-1 RB 4.20% 01/01/28(b)(c)	--	VMIG-1	1,700	1,700,000
East Peoria (City of) (Radnor/East Peoria Partnership Project); Multifamily Housing Series 1983 RB 4.375% 06/01/08(b)(c)	--	Aa3	6,690	6,690,000
Elmhurst (City of) (Joint Commission on Accreditation of Healthcare				

Organizations); Adjustable Demand Series 1988 RB 4.20% 07/01/18(b)(c)	A-1+	VMIG-1	1,275	1,275,000
Illinois (State of); Series 1994 General Obligation Certificates 4.75% 05/15/95	SP-1+	MIG-1	5,000	5,005,196
Illinois Development Finance Authority (A.E. Staley Manufacturing Co. Project); Adjustable Tender Series 1985 PCR 4.10% 12/01/05(b)(c)	--	P-1	2,000	2,000,000
Illinois Development Finance Authority (Institutional Gas Technology Project); Variable Rate Series 1993 RB 4.15% 09/01/18(b)(c)	A-1+	--	2,800	2,800,000

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<S>	<C> RATING(A) S&P	<C> MOODY'S	<C> PAR (000)	<C> VALUE
Illinois - (continued)				
Illinois Development Finance Authority (Jewish Charities Revenue Anticipation Note Program); Variable Rate Demand Series 1994-1995 B RAN 4.25% 06/30/95(b)(c)	A-1+	--	$ 7,000	$ 7,000,000
Illinois Development Finance Authority (Marriott Corp. Deerfield Project); Adjustable Tender Series 1984 IDR 4.20% 11/01/14(b)(c)	--	P-1	1,300	1,300,000
Illinois Educational Facilities Authority (Aurora University Project); Variable/Fixed Rate Refunding Series 1989 RB 4.25% 01/01/09(b)(c)	A-1+	--	800	800,000
Illinois Health Facilities Authority (Franciscan Sisters Health Care Corp. Project); Adjustable Rate Series 1985-B RB 4.10% 09/01/15(b)(c)	--	VMIG-1	900	900,000
Illinois Health Facilities Authority (Hospital Sister Services, Inc. Obligated Group Project); Unit Priced Demand Adjustable Series 1985 E RB 4.00% 12/01/14(b)(d)	A-1+	VMIG-1	3,200	3,200,000
Illinois Health Facilities Authority (South Suburban Hospital Project); Variable Rate Demand Series 1994 RB 4.20% 02/15/14(b)(c)	A-1+	--	12,500	12,500,000
Illinois State Toll Highway Authority; Toll Highway Refunding Series 1993 B RB 4.25% 01/01/10(b)(d)	A-1+	VMIG-1	18,200	18,200,000
Marseilles (City of) (Kaiser Agricultural Chemicals Inc. Project); Variable Rate Demand Series 1985 IDR 4.05% 01/01/98(b)(c)	A-1+	--	4,650	4,650,000
Northwest Suburban Municipal Joint Action Water Agency (Cook, Dupage, and Kane Counties, Illinois); Water Supply System Series 1985 RB 9.875% 05/01/95(e)(f)	--	Aaa	1,805	1,832,226
Village of Lisle (The Ponds of Pembroke Project); Multi-Family Housing 1985 Issue RB 4.10% 12/15/25(b)(c)	A-1+	--	1,300	1,300,000

Village of Northbrook (Euromarket Designs, Inc. Project); Variable Rate Demand Series 1993 IDR 4.15% 07/01/02(b)(c)	A-1+	--	3,700	3,700,000
				80,552,422

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<S>	<C> RATING(A) S&P	<C> MOODY'S	<C> PAR (000)	<C> VALUE
INDIANA - 0.12%				
Auburn (City of) (Sealed Power Corp. Project); Variable Rate Demand Economic Development Series 1985 RB 4.00% 07/01/10(b)(c)	--	VMIG-1	$ 1,200	$ 1,200,000
IOWA - 1.08%				
Chariton (City of) (Hy-Vee Food Stores, Inc. Project); Refunding Series 1984 IDR 3.90% 11/01/04(b)(c)	A-1+	--	1,162	1,162,000
Iowa (State of) School Corporations; Warrant Certificates Series 1994 A TRAN 4.25% 07/17/95(d)	SP-1+	MIG-1	10,000	10,018,355
				11,180,355
KANSAS - 0.70%				
Kansas City (City of); Temporary Notes Series 1994 GO 4.35% 07/31/95(g)	--	--	5,403	5,405,179
Lawrence (County of) Industrial Development Authority (Homestake Mining Co.); Series 1983 PCR 4.25% 04/01/03(b)(c)	A-1+	P-1	1,900	1,900,000
				7,305,179
KENTUCKY - 2.36%				
Kentucky Development Finance Authority (FHA-Baptist Hospital Southeast Inc.); Hospital Series 1985 RB 9.75% 08/01/95(e)(f)	AAA	Aaa	2,000	2,076,071
Mason County (East Kentucky Power Cooperative, Inc. Project); National Rural Utilities Cooperative Finance Corp. Guaranteed Floating/Fixed Rate PCR 4.30% Pooled Series 1984 B-1 10/15/14(b)(c)	A-1+	Aa3	12,950	12,950,000
4.30% Pooled Series 1984 B-2 10/15/14(b)(c)	A-1+	Aa3	9,450	9,450,000
				24,476,071
LOUISIANA - 2.20%				
East Baton Rouge (Parish of) (Georgia-Pacific Corp. Project); 7 & 7 Series 1984 PCR 4.05% 10/01/99(b)(c)	AA	Aa2	2,000	2,000,000
Lake Charles Harbor & Terminal District				

(Reynolds Metals Co. Project); Series 1990 IDR 4.00% 05/01/06(b)(c)	A-1+	--	9,900	9,900,000

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<S> <C> <C> <C> <C>

	RATING(A) S&P	MOODY'S	PAR (000)	VALUE
Louisiana - (continued)				
Louisiana Offshore Terminal Authority (LOOP Inc. Project); Deepwater Port Refunding RB 4.55% First Stage Series 1986 09/01/06(b)(c)	--	VMIG-1	$ 1,000	$ 1,000,000
4.05% First Stage Series 1991A 09/01/08(b)(c)	A-1+	VMIG-1	3,500	3,500,000
Louisiana Public Facilities Authority (Sisters of Charity of the Incarnate Word); SCH Health Care System Unit Priced Demand Adjustable Series 1993 RB 3.70% 04/03/95(e)	A-1+	VMIG-1	4,000	4,000,000
New Orleans Exhibition Hall Authority; Special Tax Series 1989 B Bonds 4.25% 07/01/18(b)(c)	A-1+	VMIG-1	2,500	2,500,000
				22,900,000
MAINE - 0.39%				
Maine (State of); General Obligation TAN 4.50% 06/30/95	SP-1+	MIG-1	4,000	4,007,604
MICHIGAN - 3.22%				
Detroit (City of); Limited Tax General Obligation Series 1994 B TAN 4.25% 05/01/95(c)	SP-1+	MIG-1	8,250	8,254,072
Grand Rapids (City of); Water Supply System Improvement Variable Rate Demand Series 1993 Refunding RB 4.50% 01/01/20(b)(d)	A-1+	VMIG-1	7,400	7,400,000
Jackson County Economic Development Corp. (Sealed Power Corp.); Economic Development Variable Refunding RB 4.00% 10/01/19(b)(c)	--	VMIG-1	1,000	1,000,000
Michigan State Hospital Finance Authority (Edward Sparrow Hospital); Series 1985 RB 8.75% 06/01/95(d)(e)	AAA	Aaa	3,900	4,008,224
Michigan State Hospital Finance Authority; Series 1991 RB 4.05% 12/01/11(b)(c)	--	VMIG-1	1,400	1,400,000
Michigan State Housing Development Authority; Rental Housing Series 1994 C RB 4.15% 04/01/19(b)(c)	A-1+	--	6,700	6,700,000
Michigan Strategic Fund (260 Brown St. Associates Project); Convertible Variable Rate Demand Limited Obligation Series 1985 RB 3.75% 10/01/15(b)(c)	--	VMIG-1	3,750	3,750,000
Michigan Strategic Fund (Norcor Corp. Project); IDR				

4.00% 12/01/00(b)(c)	--	P-1	1,000	1,000,000
				33,512,296

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<S>	<C> RATING(A) S&P	<C> MOODY'S	<C> PAR (000)	<C> VALUE
MINNESOTA - 0.47%				
Austin (City of) (Hy-Vee Foodstores Inc. Project); Commercial Development Series 1984 RB 3.90% 12/01/04(b)(c)	A-1+	--	$ 900	$ 900,000
Mankato (City of) (Northern States Power Co. Project); Floating Collateralized Series 1985 PCR 4.15% 03/01/11(b)	AA-	A1	2,900	2,900,000
St. Paul (City of); Capital Improvement Series A GO 3.50% 04/01/95	AA+	Aa	1,100	1,099,952
				4,899,952
MISSOURI - 3.19%				
Columbia (City of); Special Obligation Insurance Reserve Series 1988 A Bonds 4.20% 06/01/08(b)(c)	--	VMIG-1	5,700	5,700,000
Health and Educational Facilities Authority of the State of Missouri (Washington University); Health and Educational Facilities Multi Modal Interchangeable Rate Series 1989 A RB 4.50% 03/01/17(b)	A-1+	VMIG-1	5,000	5,000,000
Higher Education Facilities Authority of the State of Missouri (The Washington University Project); Educational Facilities Series 1985 B RB 4.15% 09/01/10(b)	A-1+	VMIG-1	1,200	1,200,000
Independence Industrial Development Authority (Resthaven Project); Series 1995 IDR 4.15% 02/01/25(b)(c)	A-1+	--	5,200	5,200,000
Land Clearance for Redevelopment Authority of Kansas City (East-West Bryant Limited Partnership); Series 1984 IDR 4.50% 12/01/14(b)(c)	--	Aa2	4,000	4,000,000
Missouri State Environmental Improvement & Energy Resource Authority (Associated Electric Cooperative, Inc. Project); Pooled Series 1993-M RB 4.30% 12/15/03(b)(c)	AA-	VMIG-1	3,080	3,080,000
Saint Louis County Industrial Development Authority (Bonhomme Village Apartments Association Project); Variable Rate Demand Housing Series 1985 RB 4.10% 10/01/07(b)(c)	--	VMIG-1	7,000	7,000,000
Saint Louis County Industrial Development Authority (Westport Station Project); Multifamily Housing Series 1991 A RB 4.05% 07/01/06(b)(c)	A-1	--	2,000	2,000,000
				33,180,000

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	RATING(A) S&P	RATING(A) MOODY'S	PAR (000)	VALUE
NEBRASKA - 0.12%				
Buffalo (County of) (Franciscan Healthcare Corp. - Kearny Hospital); Hospital Series 1985 Bonds 4.10% 01/01/16(b)(c)	--	VMIG-1	$ 1,200	$ 1,200,000
NEVADA - 0.54%				
Clark (County of); Adjustable Rate Airport System Series 1995 A-1 RB 4.10% 07/01/25(b)(c)	A-1+	--	5,600	5,600,000
NEW HAMPSHIRE - 0.04%				
New Hampshire Industrial Development Authority (Bangor Hydro-Electric Co. Project); Variable Rate Demand Series 1983 PCR 4.10% 01/01/09(b)(c)	A-1+	--	400	400,000
NEW JERSEY - 0.47%				
New Jersey Economic Development Authority (Trailer Marine Transport Corp. Project); Adjustable Rate Port Facility Series 1983 RB 3.85% 02/01/02(b)(c)	A-1	--	4,900	4,900,000
NEW MEXICO - 1.50%				
Albuquerque (City of); Gross Receipts Ledgers Tax Series 1991 A RB 4.15% 07/01/22(b)(c)	--	VMIG-1	8,000	8,000,000
Farm City of Farmington (Arizona Public Service); Refunding Series 1994 B PCR 4.55% 09/01/24(b)(c)	A-1+	P-1	7,600	7,600,000
				15,600,000
NEW YORK - 20.06%				
Eagle Tax Exempt Trust; Class A COP(h) 4.35% Series 1994 B 01/01/04(b)(d)	A-1c	--	22,400	22,400,000
4.35% Series 1993 E 08/01/06(b)	A-1c	--	15,000	15,000,000
4.35% Series 943802 05/01/07(b)(d)	A-1c	--	17,800	17,800,000
4.35% Series 1992 A 06/15/07(b)(d)	A-1c	--	14,500	14,500,000
4.35% Series 1993 F 08/01/07(b)	A-1c	--	20,500	20,500,000
4.35% Series 94C2102 06/01/14(b)(d)	A-1c	--	12,600	12,600,000
4.35% Series 1994 C-1 06/15/18(b)(f)	A-1c	--	18,000	18,000,000
4.35% Series 1994 C-2 06/15/18(b)(d)	A-1c	--	10,200	10,200,000
4.35% Series 950901 06/01/21(b)	A-1c	--	12,700	12,700,000
4.30% Series 943207 07/01/29(b)(d)	A-1c	--	14,200	14,200,000

<TABLE>

<S>	<C> RATING(A) S&P	<C> MOODY'S	<C> PAR (000)	<C> VALUE
New York - (continued)				
New York (City of); Variable Rate Demand GO 4.60% Series 1995 B 08/15/04(b)(d)	A-1+	VMIG-1	$ 1,800	$ 1,800,000
4.50% Series 1994-1995 B 08/15/05(b)(d)	A-1+	VMIG-1	2,500	2,500,000
4.25% Series 1995 F 02/15/16(b)(c)	A-1+	VMIG-1	19,000	19,000,000
4.55% Series D 02/01/20(b)(d)	A-1+	VMIG-1	5,600	5,600,000
4.55% Series 1992 D 02/01/21(b)(d)	A-1+	VMIG-1	800	800,000
4.55% Series D 02/01/22(b)(d)	A-1+	VMIG-1	4,700	4,700,000
4.50% Series 1994 08/15/22(b)(c)	A-1+	VMIG-1	4,400	4,400,000
New York City Housing Development Corp. (James Tower Development); Multifamily Housing Series 1994 A RB 3.95% 07/01/05(b)(c)	A-1	--	1,000	1,000,000
New York State Thruway Authority; Variable Rate Series B RB 4.60% 01/01/24(b)(c)	--	VMIG-1	10,800	10,800,000
				208,500,000
NORTH CAROLINA - 1.17%				
New Hanover County Industrial Facilities and Pollution Control Financing Authority (Gang-Nail Systems, Inc. Project); Series 1984 IDR 4.15% 12/01/99(b)(c)	--	P-1	1,000	1,000,000
North Carolina Educational Facilities Finance Agency (The Bowman Gray School of Medicine Project); Series 1990 RB 4.10% 09/01/20(b)(c)	--	VMIG-1	2,700	2,700,000
North Carolina Medical Care Commission (Moses H. Cone Memorial Hospital Project); Hospital Series 1993 RB 4.10% 10/01/23(b)	A-1+	--	3,500	3,500,000
North Carolina Medical Care Commission (North Carolina Baptist Hospital Project); Hospital Series 1992 B RB 4.10% 06/01/22(b)	A-1+	VMIG-1	1,000	1,000,000
Wake (County of) Pollution Control Financing Authority (Carolina Power and Light Co.); Series 1985 A RB 4.00% 05/01/15(b)(c)	A-1+	P-1	4,000	4,000,000
				12,200,000
OHIO - 2.49%				
Cuyahoga (County of) (S&R Playhouse Realty Co.); Adjustable Rate Demand Series 1984 IDR 4.15% 12/01/09(b)(c)	--	MIG-1	670	670,000

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<S>	<C> RATING(A) S&P	<C> MOODY'S	<C> PAR (000)	<C> VALUE
Ohio - (continued)				

Franklin (County of) (Bricker & Eckler Building Co. Project); Variable Rate Demand Series 1984 IDR 4.375% 11/01/14(b)(c)	--	P-1	$ 9,200	$ 9,200,000
Franklin (County of) (Holy Cross Health System); Variable Rate Series Hospital 1995 RB 4.15% 06/01/16(b)	A-1+	VMIG-1	15,000	15,000,000
Ohio Housing Finance Agency (Kenwood Congregate Retirement Community Project); Variable Rate Demand Multifamily Housing Series 1985 RB 4.00% 12/01/15(b)(c)	--	VMIG-1	980	980,000
				25,850,000
OREGON - 1.43%				
Hospital Facility Authority of Clackamus County (Kaiser Permanente Medical Care Program); Semiannual Tender Series 1984 RB 3.85% 04/01/95(e)	A-1+	--	1,800	1,800,000
Klamath Falls (City of) (Salt Caves Hydroelectric Project); Fixed Adjustable Rate Electric RB 3.75% Series 1986 B 05/02/95(e)(f)	SP-1+	--	4,500	4,497,420
3.75% Series E 05/02/95(e)(f)	SP-1+	--	750	749,780
Multnoma County School District #1J; TAN 3.75% 06/29/95	SP-1+	MIG-1	3,000	2,997,633
Portland (City of) (South Park Block Project); Multifamily Housing Refunding Series 1988 A RB 4.05% 12/01/11(b)(c)	A-1+	--	4,800	4,800,000
				14,844,833
PENNSYLVANIA - 3.24%				
Allegheny County Hospital Development Authority; Hospital RB 4.15% Series 1988 B 03/01/07(b)(c)	A-1	VMIG-1	2,300	2,300,000
4.15% Series 1988 D 03/01/18(b)(c)	A-1	VMIG-1	2,000	2,000,000
Allentown (City of); Series 1985 GO 8.875% 05/15/95(e)(f)	--	Aaa	1,620	1,630,244
Beaver County Industrial Development Authority (Duquesne Light Co. Project); Series Refunding 1994 PCR 4.50% 10/10/95(c)	--	VMIG-1	2,000	2,000,000
Beaver County Industrial Development Authority (Ohio Edison Co.); Series A PCR 3.45% 10/01/95(c)(e)	A-1+	P-1	1,500	1,490,727

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<S>	<C> RATING(A) S&P	<C> MOODY'S	<C> PAR (000)	<C> VALUE
Pennsylvania - (continued)				
Delaware County Industrial Development Authority (Henderson-Radnor Joint Venture Project); Limited Obligation Series 1985 RB 4.375% 04/01/15(b)(c)	--	Aa3	$ 1,000	$ 1,000,000

Delaware County Industrial Development Authority (Scott Paper Co. Project); Variable Rate Demand Solid Waste Series 1984 D RB 4.25% 12/01/18(b)(c)	A-1+	Aa2	400	400,000
Pennsylvania Higher Education Facilities Authority (Trustees of the University of Pennsylvania); Health Services Series 1994 B RB 4.20% 01/01/24(b)	A-1+	VMIG-1	2,300	2,300,000
Philadelphia (City of); TRAN 4.75% Series 1994-1995A 06/15/95(c)	SP-1+	MIG-1	2,000	2,003,367
4.75% Series D 06/15/95(c)	SP-1+	MIG-1	7,000	7,012,490
4.75% Series 1994-1995 06/30/95	SP-1	MIG-1	3,000	3,003,912
Schuylkill County Industrial Development Authority (Gilberton Power Project); Variable Rate Resource Recovery Series 1985 RB 4.25% 12/01/02(b)(c)	A-1	--	6,200	6,200,000
Wilkes-Barre (City of) Industrial Development Authority (Toys "R" Us/Penn Inc. Project); Economic Development Series 1984 RB 4.125% 07/01/14(b)(c)	--	Aa2	2,300	2,300,000
				33,640,740
SOUTH CAROLINA - 3.79%				
Charleston (County of) (Massey Coal Terminal Corp. Project); Series 1982 Industrial Refunding Series 1982 RB 4.55% 01/01/07(b)(c)	--	P-1	3,600	3,600,000
Florence (County of) (Stone Container Corp.); Variable Rate Series 1984 IDR 4.00% 02/01/07(b)(c)	A-1+	--	33,400	33,400,000
Horry (County of) (Carolina Treatment Center); Variable Rate Demand Series 1984 RB 4.05% 12/01/14(c)	--	Aa2	600	600,000
York (County of) (North Carolina Electric Membership Corp.); PCR 4.30% Pooled Series 1984 N-2 09/15/14(b)(c)	A-1+	P-1	1,800	1,800,000
				39,400,000

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<S>	<C> RATING(A) S&P	<C> MOODY'S	<C> PAR (000)	<C> VALUE
TENNESSEE - 5.51%				
Health, Educational and Housing Facility Board of Shelby County (Rhodes College); Variable Rate Demand Educational Facilities Series 1985 RB 4.05% 08/01/10(b)(c)	A-1+	--	$ 2,300	$ 2,300,000
Industrial Development Board of the City of Franklin (The Landings Project); Variable Rate Demand Multifamily Housing Series 1985 Class A RB 4.05% 12/01/06(b)(c)	A-1	--	2,000	2,000,000
Industrial Development Board of the City				

of Knoxville (Toys "R" Us Inc., Project); Series 1984 IDR 4.375% 05/01/14(b)(c)	--	Aa2	1,150	1,150,000
Industrial Development Board of the County of Bradley (Olin Corp.); Refunding Series 1993 C RB 4.80% 11/01/17(b)(c)	A-1+	--	1,800	1,800,000
Industrial Development Board of the Metropolitan Government of Nashville and Davidson County (Amberwood Ltd. Project); Multifamily Housing Refunding Series 1993 A RB 4.00% 07/01/95(c)(e)	--	VMIG-1	1,500	1,500,000
Knox County Industrial Development Authority (Center Square); Variable Rate Demand RB 3.95% 12/01/14(b)(c)	A-1+	--	5,400	5,400,000
Knox County Industrial Development Authority (Old Kingston Properties); Floating Rate Industrial Series 1984 RB 3.95% 12/01/14(b)(c)	A-1+	--	3,500	3,500,000
Knox County Industrial Development Authority (Professional Plaza); Variable Rate Demand RB 3.95% 12/01/14(b)(c)	A-1+	--	2,900	2,900,000
Knox County Industrial Development Board (Weisgarber Partners); Floating Rate Series 1984 IDR 3.95% 12/01/14(b)(c)	A-1+	--	700	700,000
Metro Nashville Airport Authority; Adjustable Rate Refunding Series 1993 RB 4.25% 07/01/19(b)(d)	A-1+	VMIG-1	12,900	12,900,000
Public Building Authority of the City of Clarksville (Tennessee Municipal Bond Fund); Adjustable Rate Pooled Financing Series 1990 RB 4.10% 07/01/13(b)(d)	A-1+	VMIG-1	1,585	1,585,000
Tennessee (State of); General Obligation Series 1994 A BAN 4.10% 05/01/96(b)	A-1+	VMIG-1	11,000	11,000,000
Tennessee Higher Educational Facilities; Variable Rate Series 1993 B BAN 4.10% 03/01/98(b)	A-1+	VMIG-1	1,400	1,400,000

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<S>	<C>	<C>	<C>	<C>
	RATING(A)		PAR	
	S&P	MOODY'S	(000)	VALUE
Tennessee - (continued)				
Tennessee State School Bond Authority; Higher Educational Facilities Series 1994 B BAN 4.10% 03/01/98(b)	A-1+	--	$ 9,150	$ 9,150,000
				57,285,000
TEXAS - 7.49%				
Austin County Industrial Development Corp. (Justin Industries); Adjustable Tender IDR 4.25% 12/01/14(b)(c)	--	P-1	2,150	2,150,000
Bexar County Health Facilities Development Corp. (Air Force Village II Project); Retirement Community Series 1985-B RB				

4.125% 03/01/12(b)(c)	A-1+	--	5,305	5,305,000
Brazos River Harbor Navigation District of Brazoria County (Hoffman-La Roche Inc. Project); Series 1985 RB				
4.25% 04/01/02(b)(c)	--	Aa2	2,750	2,750,000
Dallas (City of) School District; Series 1994 TRAN				
4.875% 08/30/95	--	MIG-1	5,000	5,015,460
Grapevine Industrial Development Corp. (Southern Air Transport Inc.-Simuflite Training Project); Variable Rate Demand Airport Improvement Refunding Series 1993 RB				
4.10% 03/01/10(b)(c)	A-1+	--	5,700	5,700,000
Harris County Health Development Corp. (The Methodist Hospital); Hospital Series 1994 RB				
4.50% 12/01/25(b)	A-1+	--	5,000	5,000,000
Harris County Health Facilities Authority (Sisters of Charity of the Incarnate Word-Houston); Unit Priced Adjustable Tax Exempt Securities Series 1985 RB				
3.75% 04/03/95	AA	VMIG-1	4,000	4,000,000
Harris County Health Facilities Development Corp. (Gulf Coast Regional Blood Center Project); Series 1992 RB				
4.40% 04/01/17(b)(c)	A-1	--	3,650	3,650,000
Harris County Health Facilities Development Corp. (St. Luke's Episcopal Hospital Project); Hospital RB				
4.50% Series 1985 D 02/15/16(b)	A-1+	--	2,250	2,250,000
4.50% Series 1992 A 02/15/21(b)	A-1+	--	14,700	14,700,000
Harris County Health Facilities Development Corp. (Texas Childrens Hospital); Hospital Series 1989 B-2 RB				
4.15% 10/01/19(b)	AA	VMIG-1	5,000	5,000,000
Harris County Industrial Development Corp. (Exxon Project); Series 1984-A PCR				
4.60% 03/01/24(b)	A-1+	Aaa	1,000	1,000,000

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<S>	<C> RATING(A) S&P	<C> MOODY'S	<C> PAR (000)	<C> VALUE
Texas - (continued)				
Harris County Industrial Development Corp. (The Lubrizol Corp. Project); Marine Terminal Refunding Series 1991 RB				
4.10% 07/01/00(b)	A-1+	P-1	$ 1,100	$ 1,100,000
Houston (City of); Variable Rate Demand Series 1992 B Certificates of Obligation				
4.15% 04/01/98(b)	A-1+	VMIG-1	600	600,000
Nueces County Health Facilities Development Corp. (Driscoll Childrens Hospital); Floating Rate Demand Hospital Series 1985 RB				
4.30% 07/01/15(b)(c)	--	VMIG-1	2,570	2,570,000
Nueces River Authority (Reynolds Metals Co. Project); Refunding Series 1985 PCR				
4.60% 12/01/99(b)(c)	--	P-1	1,300	1,300,000
Red River Authority of Texas (Southwestern Public Service Co. Project); Refunding				

Series 1991 PCR 4.00% 07/01/11(b)	A-1+	VMIG-1	3,000	3,000,000
Texas Association of School Boards (Tax Anticipation Notes Program); Series 1994 A TAN 4.75% 08/31/95(c)	--	MIG-1	8,500	8,520,460
Texas Water Development Board (State Revolving Fund); Multi-Modal Interchangable Rate Series 1992 A RB 4.50% 03/01/15(b)(c)	A-1+	--	2,100	2,100,000
Trinity River Industrial Development Authority (Radiation Sterilizers, Inc. Project); Variable Rate Demand IDR 4.00% Series 1985 A 11/01/05(b)(c)	A-1	--	500	500,000
4.00% Series 1985 B 11/01/05(b)(c)	A-1	--	1,650	1,650,000
				77,860,920
UTAH - 2.60%				
Bountiful (City of) (Bountiful Gateway Park Project); Adjustable Rate Refunding Series 1987 IDR 4.20% 12/01/97(b)(c)	A-1+	--	3,885	3,885,000
Salt Lake County Housing Authority (Sandy Retirement Center Project); Series 1988 RB 4.00% 01/01/09(b)(c)	--	VMIG-1	1,000	1,000,000
State Board of Regents of the State of Utah; Variable Rate Demand Series 1988 B RB 4.10% 11/01/00(b)(d)	A-1+	VMIG-1	5,400	5,400,000
State Board of Regents of the State of Utah (University Inn Project); Variable Rate Demand Series 1985 IDR 4.50% 12/01/15(b)(c)	--	P-1	8,935	8,935,000

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<S>	<C> RATING(A) S&P	<C> MOODY'S	<C> PAR (000)	<C> VALUE
Utah - (continued)				
Utah State Housing Finance Agency; Single Family Mortgage Variable Rate Issue 1993 D RB 4.25% 07/01/16(b)	--	VMIG-1	$ 7,800	$ 7,800,000
				27,020,000
VIRGINIA - 2.10%				
Fairfax County Redevelopment and Housing Authority (Chase Commons Project); Variable Rate Demand Series 1984 A RB 4.25% 12/01/06(b)(c)	--	VMIG-1	3,330	3,330,000
Industrial Development Authority of Fairfax County (Fairfax Hospital Systems, Inc.); Variable Rate Demand Obligation Refunding Series 1985 A RB 4.10% 10/01/16(b)	A-1+	VMIG-1	2,400	2,400,000
Peninsula Ports Authority of Virginia (Dominion Terminal Associates); Coal Terminal Refunding Series 1987 C RB 4.60% 07/01/16(b)(c)	--	P-1	3,300	3,300,000
Virginia Housing Development Authority (AHC				

Service Corp.); Variable Rate Demand Housing Series 1987 A RB 4.15% 09/01/17(b)(c)	--	P-1	7,780	7,780,000
Virginia Housing Development Authority (Commonwealth Mortgage); Series 1992 C RB 4.25% 07/12/95(e)	A-1+	VMIG-1	5,000	5,000,000
				21,810,000
WASHINGTON - 0.66%				
Industrial Development Corp. of the Port of Port Townsend (Port Townsend Paper Corp. Project); Variable Rate Refunding Series 1988 A RB 4.20% 03/01/09(b)(c)	--	VMIG-1	5,100	5,100,000
Student Loan Finance Association (Guaranteed Student Loan Program); Variable Rate Demand Second Series 1985 RB 4.00% 01/01/01(b)(c)	--	VMIG-1	1,800	1,800,000
				6,900,000
WEST VIRGINIA - 0.06%				
West Virginia Hospital Finance Authority (VHA Mid-Atlantic States, Inc. Capital Asset Financing Program); Variable Rate Demand Hospital Series 1985 A RB 4.10% 12/01/25(b)(d)	A-1	Aaa	600	600,000

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<TABLE>

<S>	<C> RATING(A) S&P	<C> MOODY'S	<C> PAR (000)	<C> VALUE
WISCONSIN - 0.92%				
Milwaukee Metropolitan Sewer District; Unlimited Tax Metro Sewer Series 1985 GO 8.80% 05/01/95	AA	Aa	$ 2,535	$ 2,544,598
Racine County Unified School District; Series 1994 TRAN 4.75% 08/23/95	SP-1+	--	7,000	7,017,215
				9,561,813
WYOMING - 1.55%				
Kemmerer (City of) (Exxon Project); Series 1984 PCR 4.55% 11/01/14(b)	A-1+	P-1	15,600	15,600,000
Lincoln (County of) (Exxon Project); Series 1984 C PCR 4.60% 11/01/14(b)	A-1+	Aaa	500	500,000
				16,100,000
TOTAL INVESTMENTS - 101.81%				1,057,962,784(i)
OTHER ASSETS LESS LIABILITIES - (1.81%)				(18,785,546)
NET ASSETS - 100.00%				$1,039,177,238

</TABLE>

<TABLE>

INVESTMENT ABBREVIATIONS:

<C>	<S>	<C>	<S>
BAN	Bond Anticipation Notes	RAN	Revenue Anticipation Notes

COP	Certificates of Participation	RB	Revenue Bonds
GO	General Obligation Bonds	TAN	Tax Anticipation Notes
IDR	Industrial Development Revenue Bonds	TRAN	Tax and Revenue Anticipation Notes
PCR	Pollution Control Revenue Bonds		

</TABLE>

NOTES TO SCHEDULE OF INVESTMENTS:

(a) Ratings assigned by Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Corporation ("S&P"). Ratings are not covered by Independent Auditors' Report.

(b) Demand security; payable upon demand by the Fund at specified time intervals no greater than thirteen months. Interest rates are redetermined periodically. Rates shown are the rates in effect on March 31, 1995.

(c) Security is secured by a letter of credit.

(d) Security is secured by bond insurance.

(e) Security has an outstanding call or mandatory put by the issuer. Par value and maturity date reflect such call or put.

(f) Security is secured by an escrow fund.

(g) Unrated security; determined by the investment advisor to be of comparable quality to the rated securities in which the Fund may invest, pursuant to guidelines of quality adopted by the Board of Directors and followed by the investment advisor.

(h) The Fund may invest in synthetic municipal instruments the value of and return on which are derived from underlying securities. The types of synthetic municipal instruments in which the Fund may invest include variable rate instruments. These instruments involve the deposit into a trust or custodial account of one or more long-term tax-exempt bonds or notes ("Underlying Bonds"), and the sale of certificates evidencing interests in the trust or custodial account to investors such as the Fund. The trustee or custodian receives the long-term fixed rate interest payments on the Underlying Bonds, and pays certificate holders short-term floating or variable interest rates which are reset periodically. A "variable rate trust certificate" evidences an interest in a trust entitling the certificate holder to receive variable rate interest based on prevailing short-term interest rates and also typically providing the certificate holder with the conditional right to put its certificate at par value plus accrued interest. Because synthetic municipal instruments involve a trust or custodial account and a third party conditional put feature, they involve complexities and potential risks that may not be present where a municipal security is owned directly.

(i) Cost for federal income tax purposes is $1,057,999,138.

See Notes to Financial Statements.

STATEMENT OF ASSETS AND LIABILITIES
March 31, 1995

<TABLE>

<S>	<C>
ASSETS:	
Investments, at value (amortized cost)	$ 1,057,962,784
Cash	98,532
Receivables for:	
Investments sold	5,574,206
Interest	8,638,051
Investment for deferred compensation plan	10,031
Other assets	71,459
Total assets	1,072,355,063
LIABILITIES:	
Payables for:	
Investments purchased	29,555,313
Dividends	3,350,160
Deferred compensation	10,031
Accrued advisory fees	141,628
Accrued directors' fees	2,417

Accrued administrative service fees	7,234
Accrued transfer agent fees	15,901
Accrued distribution fees	6,078
Accrued operating expenses	89,063
Total liabilities	33,177,825
NET ASSETS	$ 1,039,177,238
NET ASSETS:	
Institutional Shares	$ 1,009,890,739
Private Investment Class	$ 29,286,499
CAPITAL STOCK, $0.001 PAR VALUE PER SHARE:	
Institutional Shares:	
Authorized	3,000,000,000
Outstanding	1,010,228,635
Private Investment Class:	
Authorized	1,000,000,000
Outstanding	29,296,298
NET ASSET VALUE PER SHARE:	
Net asset value, offering and redemption price per share	$1.00

</TABLE>

See Notes to Financial Statements.

STATEMENT OF OPERATIONS
For the year ended March 31, 1995

<TABLE>
<CAPTION>

<S>	INSTITUTIONAL SHARES <C>	PRIVATE INVESTMENT CLASS <C>	FUND <C>
INVESTMENT INCOME:			
Interest income	$ 35,037,716	$824,460	$35,862,176
EXPENSES:			
Advisory fees	1,783,634	40,819	1,824,453
Custodian fees	158,286	7,283	165,569
Transfer agent fees	29,774	2,364	32,138
Registration and filing fees	19,314	46,725	66,039
Administrative service fees	76,484	1,700	78,184
Directors' fees	14,056	216	14,272
Distribution fees	--	60,489	60,489
Printing	21,939	42,801	64,740
Other expenses	100,865	9,326	110,191
Total expenses	2,204,352	211,723	2,416,075
Less expenses assumed by advisor	--	(100,000)	(100,000)
Net expenses	2,204,352	111,723	2,316,075
NET INVESTMENT INCOME	$ 32,833,364	$712,737	33,546,101
Net realized gain (loss) on sales of investments			(430,985)
Net unrealized appreciation of investments			33,165

Net increase in net assets resulting from operations $33,148,281

</TABLE>

See Notes to Financial Statements.

STATEMENT OF CHANGES IN NET ASSETS
For the years ended March 31, 1995 and 1994

<TABLE>
<CAPTION>

<S>	1995 <C>	1994 <C>
OPERATIONS:		
Net investment income	$ 33,546,101	$ 23,857,366
Net realized gain (loss) on sales of investments	(430,985)	(35,815)
Net unrealized appreciation (depreciation) of investments	33,165	(1,994)
Net increase in net assets resulting from operations	33,148,281	23,819,557
Distributions to shareholders from net investment income:		
Institutional Shares	(32,833,365)	(23,575,716)
Private Investment Class	(712,736)	(281,650)
Share transactions - net:		
Institutional Shares	(30,316,694)	45,804,111
Private Investment Class	12,695,756	7,008,670
Net increase (decrease) in net assets	(18,018,758)	52,774,972
NET ASSETS:		
Beginning of period	1,057,195,996	1,004,421,024
End of period	$1,039,177,238	$1,057,195,996
NET ASSETS CONSIST OF:		
Shares of beneficial interest:		
Institutional Shares	$1,010,228,635	$1,040,545,329
Private Investment Class	29,296,298	16,600,542
Undistributed net realized gain (loss) on sales of investments	(384,049)	46,936
Unrealized appreciation of investments	36,354	3,189
	$1,039,177,238	$1,057,195,996

</TABLE>

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS
March 31, 1995

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES
Tax-Free Investments Co. (the "Company") is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as a diversified, open-end management investment company. The Company is organized as a Maryland corporation consisting of one portfolio, the Cash Reserve Portfolio (the "Fund"). The Fund consists of two different classes of shares, the Institutional Cash Reserve Shares ("Institutional Shares") and the Private Investment Class.
The following is a summary of the significant accounting policies followed by

the Fund in the preparation of its financial statements.

A. Securities Valuations - The Fund uses the amortized cost method of valuing investment portfolio securities which has been determined by the Board of Directors of the Company to represent the fair value of the Fund's investments.

B. Securities Transactions and Investment Income - Securities transactions are recorded on a trade date basis. Interest income, adjusted for amortization of premiums and, when appropriate, discounts on investments, is earned from settlement date and is recorded on the accrual basis. Interest income is allocated to each class daily, based upon each class' pro rata share of the total shares of the Fund outstanding. Discounts, other than original issue, on short-term obligations are amortized to unrealized appreciation for financial reporting purposes. Realized gains and losses from securities transactions are computed on the basis of specific identification of the securities sold.

C. Dividends and Distributions to Shareholders - It is the policy of the Fund to declare daily dividends from net investment income. Such dividends are paid monthly. Distributions from net realized capital gains, if any, are declared and paid annually. Net capital gains cannot be distributed to the extent they can be offset by any capital loss carryovers of the Fund.

D. Federal Income Taxes - The Fund intends to comply with the requirements of the Internal Revenue Code necessary to qualify as a regulated investment company and, as such, will not be subject to federal income taxes on otherwise taxable income (including net realized capital gains) which is distributed to shareholders. Therefore, no provision for federal income taxes is recorded in the financial statements. The Fund has a capital loss carryforward of $97,086 (which may be carried forward to offset future taxable gains, if any) which expires, if not previously utilized, through the year 2003. The Fund cannot distribute capital gains to shareholders until the tax loss carryforwards have been utilized. In addition, the Fund intends to invest in sufficient municipal securities to allow it to qualify to pay "exempt interest dividends," as defined in the Internal Revenue Code, to shareholders.

E. Expenses - Operating expenses directly attributable to a class are charged to that class' operations. Expenses which are applicable to both classes, e.g., advisory fees, are allocated between them.

NOTE 2 - ADVISORY FEES AND OTHER TRANSACTIONS WITH AFFILIATES

The Company has entered into a master investment advisory agreement with A I M Advisors, Inc. ("AIM"). Under the terms of the master investment advisory agreement, the Fund pays an advisory fee to AIM at the annual rate of 0.25% of the first $500 million of the Fund's average daily net assets plus 0.20% of the Fund's average daily net assets in excess of $500 million. AIM will, if necessary, reduce its fees for any fiscal year to the extent required so that the amount of ordinary expenses of each class (excluding interest, taxes, brokerage commissions and extraordinary expenses) paid or incurred by each class for such fiscal year does not exceed the applicable expense limitations imposed by securities regulations in any state or jurisdiction in which the Company's shares are qualified for sale.

AIM has voluntarily agreed to reduce its fee from the Fund to the extent necessary so that the amount of ordinary expenses of the Institutional Shares (excluding interest, taxes, brokerage commissions, directors' fees, extraordinary expenses and federal registration fees) paid or incurred by the Institutional Shares does not exceed 0.20% of the Institutional Shares' average daily net assets. As a result, AIM's advisory fee on the Private Investment Class is reduced in the same proportion as the Institutional Shares. For the year ended March 31, 1995, AIM reduced its fees from the Fund by $659,533. AIM also assumed expenses of $100,000 on the Private Investment Class during the same period.

The Company has entered into a master distribution agreement with Fund Management Company ("FMC") for the distribution of shares of the Institutional Shares and the Private Investment Class. The Company has also adopted a distribution plan (the "Plan") pursuant to Rule 12b-1 under the 1940 Act with respect to the Private Investment Class. The Plan provides that the Private Investment Class may pay up to a 0.50% maximum annual rate of the Private Investment Class' average daily net assets. Of this amount, the Fund may pay an asset-based sales charge to FMC and the Fund may pay a service fee of 0.25% of the average daily net assets of the Private Investment Class to selected broker-dealers and other financial institutions who offer continuing personal shareholder services to their customers who purchase and own shares of the Private Investment Class. Any amounts not paid as a service fee under such Plan would constitute an asset-based sales charge. The Plan also imposes a cap on the total amount of sales charges, including asset-based sales charges, that may be paid by the Fund with respect to the Private Investment Class. During the year ended March 31, 1995, the Private Investment Class accrued $60,489 as compensation under the Plan.

The Fund, pursuant to the Company's master investment advisory agreement with AIM, has agreed to reimburse AIM for certain costs incurred in providing accounting services to the Fund. During the year ended March 31, 1995, the Fund reimbursed AIM $78,184 for such services. Effective September 16, 1994, A I M Institutional Fund Services, Inc. ("AIFS") became a transfer agent for the Fund. Certain officers and directors of the Company are directors or officers of AIM, AIFS and FMC.

The Fund paid legal fees of $4,475 for services rendered by Reid & Priest as counsel to the Board of Directors. In September 1994, Kramer, Levin, Naftalis, Nessen, Kamin & Frankel was appointed as counsel to the Board of Directors. The Fund paid legal fees of $1,296 for services rendered by that firm as counsel. A member of that firm is a director of the Company and, prior to September 1994, was a member of Reid & Priest.

NOTE 3 - DIRECTORS' FEES

Directors' fees represent remuneration paid or accrued to each director who is not an "interested person" of the Company. The Company may invest directors' fees, if so elected by a director, in mutual fund shares in accordance with a deferred compensation plan.

NOTE 4 - CAPITAL STOCK

Changes in capital stock outstanding during the years ended March 31, 1995 and 1994 were as follows:

<TABLE>
<CAPTION>

	1995		1994	
	SHARES	AMOUNT	SHARES	AMOUNT
<S>	<C>	<C>	<C>	<C>
Sold:				
Institutional Shares	5,223,878,446	$ 5,223,878,446	5,038,828,273	$5,038,828,273
Private Investment Class	147,139,503	147,139,503	53,255,784	53,255,784
Issued as reinvestment of dividends:				
Institutional Shares	74,376	74,376	78,543	78,543
Private Investment Class	600,786	600,786	269,437	269,437
Redeemed:				
Institutional Shares	(5,254,269,516)	(5,254,269,516)	(4,993,102,705)	(4,993,102,705)
Private Investment Class	(135,044,533)	(135,044,533)	(46,516,551)	(46,516,551)
Net increase (decrease)	(17,620,938)	$ (17,620,938)	52,812,781	$ 52,812,781

</TABLE>

NOTE 5 - FINANCIAL HIGHLIGHTS

Shown below are the condensed financial highlights for a share of the Private Investment Class outstanding during each of the years in the three-year period ended March 31, 1995.

<TABLE>
<CAPTION>

	1995	1994	1993
<S>	<C>	<C>	<C>
Net asset value, beginning of period	$1.00	$1.00	$1.00
Income from investment operations:			
Net investment income	0.03	0.02	0.02
Less distributions:			
Dividends from net investment income	(0.03)	(0.02)	(0.02)
Net asset value, end of period	$1.00	$1.00	$1.00
Total return	2.80%	2.07%	2.43%
Ratios/supplemental data:			

Net assets, end of period (000s omitted)	$29,286	$16,601	$9,593
Ratio of expenses to average net assets(a)	0.45%(b)	0.45%	0.45%
Ratio of net investment income to average net assets(a)	2.89%(b)	2.05%	2.22%

</TABLE>

(a) After waiver of advisory fees and expense reimbursements.

(b) Ratios are based on average net assets of $24,685,681. Ratios of expenses and net investment income to average net assets prior to waiver of advisory fees and expense reimbursements are 0.92% and 2.42%, respectively.

PART C

OTHER INFORMATION

Item 24 (a) Financial Statements

1. Institutional Cash Reserve Shares

In Part A: Financial Highlights as of March 31, 1995 (audited)

In Part B: (i) Independent Auditors' Report

(ii) Financial Statements as of March 31, 1995 (audited)

In Part C: None

2. Private Investment Class of the Cash Reserve Portfolio

In Part A: Financial Highlights as of March 31, 1995 (audited)

In Part B: (i) Independent Auditors' Report

(ii) Financial Statements as of March 31, 1995 (audited)

In Part C: None

(b) Exhibits

<TABLE>
<CAPTION>

Exhibit Number	Description
<C>	<S>
(1) (a)	Agreement and Declaration of Trust of Registrant was filed as an Exhibit to Registrant's Post-Effective Amendment No. 3 on June 28, 1985.
(b)	Amendment No. 2 to Agreement and Declaration of Trust of Registrant was filed as an Exhibit to Registrant's Post-Effective Amendment No. 7 on January 29, 1987.
(c)	Certificate of Amendment to Agreement and Declaration of Trust was filed as an Exhibit to Registrant's Post-Effective Amendment No. 16 on March 23, 1992.
(d)	Articles of Incorporation of Registrant were filed as an Exhibit to Registrant's Post-Effective Amendment No. 16 on March 23, 1992 and are hereby incorporated by reference.
(e)	Articles Supplementary of Registrant were filed as an Exhibit to Registrant's Post-Effective Amendment No. 21 on July 29, 1994 and is hereby incorporated by reference.

</TABLE>

<TABLE>
<CAPTION>

Exhibit Number	Description
(2) (a)	By-Laws of Registrant were filed as an Exhibit to Registrant's Post-Effective Amendment No. 3 on June 28, 1985.
(b)	By-Laws of Registrant were filed as an Exhibit to Registrant's Post-Effective Amendment No. 16 on March 23, 1992 and are filed herewith electronically.
(c)	First Amendment to By-Laws of Registrant is filed herewith electronically.
(d)	Second Amendment to By-Laws of Registrant is filed herewith electronically.
(3)	Certain Voting Trust Agreements - None.
(4) (a)	Specimen share certificate for Institutional Cash Reserve Shares was filed as an Exhibit to Registrant's Post-Effective Amendment No. 5 on August 29, 1986.
(b)	Specimen share certificate for Private Investment Class of the Cash Reserve Portfolio was filed as an Exhibit to Registrant's Post-Effective Amendment No. 15 on December 20, 1991.
(c)	Form of specimen share certificate for Institutional Cash Reserve Shares was filed as an Exhibit to Registrant's Post-Effective Amendment No. 16 on March 23, 1992 and is hereby incorporated by reference.
(d)	Form of specimen share certificate for Private Investment Class of the Cash Reserve Portfolio was filed as an Exhibit to Registrant's Post-Effective Amendment No. 16 on March 23, 1992 and is hereby incorporated by reference.
(5) (a)	Investment Advisory Agreement between Registrant and A I M Advisors, Inc. was filed as an Exhibit to Registrant's Post-Effective Amendment No. 4 on August 27, 1985.
(b)	Investment Advisory Agreement between A I M Advisors, Inc. and Registrant, on behalf of its Cash Reserve Portfolio was filed as an Exhibit to Registrant's Post-Effective Amendment No. 17 on July 31, 1992.
(c)	Advisory Agreement between A I M Advisors, Inc. and Registrant, on behalf of the Cash Reserve Portfolio was filed as an Exhibit to Registrant's Post-Effective Amendment No. 21 on July 29, 1994 and is hereby incorporated by reference.

</TABLE>

<TABLE>
<CAPTION>

Exhibit Number	Description
(6) (a)	Institutional Distribution Agreement between Fund Management Company and Registrant was filed as an Exhibit to Registrant's Post-Effective Amendment No. 14 on July 31, 1991.
(b)	Distribution Agreement between Fund Management Company and Registrant, on behalf of its Institutional Cash Reserve Shares, was filed as an Exhibit to Registrant's Post-Effective Amendment No. 17 on July 31, 1992.

	(c)	Distribution Agreement between Fund Management Company and Registrant, on behalf of its Private Investment Class of the Cash Reserve Portfolio, was filed as an Exhibit to Registrant's Post-Effective Amendment No. 17 on July 31, 1992.
	(d)	Master Distribution Agreement between Fund Management Company and Registrant was filed as an Exhibit to Registrant's Post-Effective Amendment No. 21 on July 29, 1994 and is hereby incorporated by reference.
(7)	(a)	AIM Funds Retirement Plan for Eligible Directors/Trustees was filed as an Exhibit to Registrant's Post-Effective Amendment No. 21 on July 29, 1994 and is hereby incorporated by reference.
	(b)	Form of Deferred Compensation Agreement was filed as an Exhibit to Registrant's Post-Effective Amendment No. 21 on July 29, 1994 and is hereby incorporated by reference.
(8)	(a)	Custodian Agreement between Registrant and Provident National Bank of Philadelphia was filed as an Exhibit to Registrant's Post-Effective Amendment No. 4 on August 27, 1985.
	(b)	Transfer and Dividend Disbursing Agent Agreement between Registrant and Provident Financial Processing Corporation was filed as an Exhibit to Registrant's Post-Effective Amendment No. 4 on August 27, 1985.
	(c)	Custodian Agreement between Registrant and State Street Bank and Trust Company was filed as an Exhibit to Registrant's Post-Effective Amendment No. 14 on July 31, 1991 and hereby incorporated by reference.
(9)	(a)	Transfer Agency Agreement between Registrant on behalf of its Institutional Shares and State Street Bank and Trust Company was filed as an Exhibit to Registrant's Post-Effective Amendment No. 14 on July 31, 1991.
	(b)	Transfer Agency Agreement and Amendment between Registrant and The Shareholder Services Group, Inc. was filed as an Exhibit to Registrant's Post-Effecting Amendment No. 19 on July 30, 1993.

</TABLE>

<TABLE>
<CAPTION>

Exhibit Number		Description
<C>		<S>
	(c)	Copy of Transfer Agency and Service Agreement between Registrant and A I M Institutional Fund Services, Inc. is filed herewith electronically.
	(d)	Copy of Amendment No. 1 to Transfer Agency and Service Agreement between Registrant and A I M Institutional Fund Services, Inc. is filed herewith electronically.
(10)	(a)	Opinion and Consent of Messrs. Spangler, Carlson, Gubar & Frischling was filed as an Exhibit to Registrant's Post-Effective Amendment No. 4 on August 27, 1985.
	(b)	Opinion of Ballard Spahr Andrews & Ingersoll was filed as an exhibit to Registrant's 24f-2 Notice for fiscal year ended March 31, 1995.
(11)	(a)	Consent of Ballard Spahr Andrews & Ingersoll is filed herewith electronically.
	(b)	Consent of KPMG Peat Marwick LLP is filed herewith electronically.
(12)		Other Financial Statements - None.
(13)		Agreement Concerning Initial Capitalization - None.
(14)		Retirement Plans - None.

(15)	(a)	Rule 12b-1 Plan on behalf of the Private Investment Class of the Cash Reserve Portfolio and related agreements were filed as an Exhibit to Registrant's Post-Effective Amendment No. 17 on July 31, 1992.
	(b)	Rule 12b-1 Plan on behalf of the Private Investment Class of the Cash Reserve Portfolio and related agreements were filed as an Exhibit to Registrant's Post-Effective Amendment No. 21 on July 29, 1994 and is hereby incorporated by reference.
(16)		Schedule of Sample Performance Quotation Calculations was filed as an Exhibit to Registrant's Post-Effective Amendment No. 21 on July 29, 1994.
(17)		Price Make-up Sheet is filed herewith electronically.
(18)		Copy of Rule 18f-3 Plan - None.
(27)		Financial Data Schedule is filed herewith electronically.

</TABLE>

Item 25. Persons Controlled by or under Common Control With Registrant

Furnish a list or diagram of all persons directly or indirectly controlled by or under common control with the Registrant and as to each such person indicate (1) If a company, the state or other sovereign power under the laws of which it is organized, and (2) the percentage of voting securities owned or other basis of control by the person, if any, immediately controlling it.

None.

Item 26. Number of Holders of Securities

State in substantially the tabular form indicated, as of a specified date within 90 days prior to the date of filing, the number of record holders of each class of securities of the Registrant.

<TABLE>
<CAPTION>

Title Class	Number of Record Holders as of July 14, 1995
<S>	<C>
Institutional Cash Reserve Shares	33
Private Investment Class	7

</TABLE>

Item 27. Indemnification

State the general effect of any contract, arrangements or statute under which any director, officer, underwriter or affiliated person of the Registrant is insured or indemnified in any manner against any liability which may be incurred in such capacity, other than insurance provided by any director, officer, affiliated person or underwriter for their own protection.

Under the terms of the Maryland General Corporation Law and the Registrant's Charter and By-Laws, the Registrant may indemnify any person who was or is a director, officer or employee of the Registrant to the maximum extent permitted by the Maryland General Corporation Law. The specific terms of such indemnification are reflected in the Registrant's Charter and By-Laws, which are incorporated herein as part of this Registration Statement. No indemnification will be provided by the Registrant to any director or officer of the Registrant for any liability to the Registrant or shareholders to which such director or officer would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of duty.

Insofar as indemnification for liability arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Investment Company Act of 1940 and is, therefore unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities

being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Investment Company Act of 1940 and will be governed by the final adjudication of such issue. Insurance coverage is provided under a joint Mutual Fund & Investment Advisory Professional and Directors & Officers Liability Policy, issued by ICI Mutual Insurance Company, with a $20,000,000 limit of liability.

Item 28. Business and Other Connections of Investment Advisor

Describe any other business, profession, vocation or employment of a substantial nature in which each investment advisor of the Registrant, and each director, officer or partner of any such investment advisor, is or has been, at any time during the past two fiscal years, engaged for his own account or in the capacity of director, officer, employee, partner, or trustee.

See Statement of Additional Information, Part B under headings "General Information about the Company - Directors and Officers", "The Investment Advisor" for information concerning A I M Advisors, Inc.

Item 29. Principal Underwriters

(a) Fund Management Company, the registrant's principal underwriter, also acts as principal underwriter, depositor or investment advisor to the following investment companies:

AIM Equity Funds, Inc. (Institutional Classes)
AIM Investment Securities Funds (Limited Maturity Treasury Portfolio - Institutional Shares)
Short-Term Investments Trust
Short-Term Investments Co.

<TABLE>
<CAPTION>
(b)

<S> Name and Principal Business Address/*/	<C> Position and Offices with Principal Underwriter	<C> Position and Offices with Registrant
Charles T. Bauer	Chairman of the Board of Directors	Chairman & Director
J. Abbott Sprague	President & Director	Vice President
Robert H. Graham	Senior Vice President & Director	President & Director
Mark D. Santero	Senior Vice President	None
Carol F. Relihan	Secretary, General Counsel & Vice President	Secretary & Vice President
John J. Arthur	Treasurer & Vice President	Senior Vice President & Treasurer
William H. Kleh	Vice President & Director	None
Mark E. McMeans	Vice President	None
Melville B. Cox	Assistant Vice President	Vice President
David E. Hessel	Assistant Vice President,	None

	Assistant Treasurer & Controller	
Jeffrey L. Horne	Assistant Vice President	None
Margaret A. Reilly	Assistant Vice President	None
Dana R. Sutton	Assistant Vice President & Assistant Treasurer	Vice President & Assistant Treasurer
Stephen I. Winer	Assistant Vice President, Assistant General Counsel & Assistant Secretary	Assistant Secretary
Nancy L. Martin	Assistant General Counsel & Assistant Secretary	Assistant Secretary
Samuel D. Sirko	Assistant General Counsel & Assistant Secretary	Assistant Secretary
Kathleen J. Pflueger	Assistant Secretary	Assistant Secretary

</TABLE>

- --------------------
/*/ 11 Greenway Plaza, Suite 1919, Houston, Texas 77046

(c) Not Applicable

Item 30. Location of Accounts and Records

With respect to each account, book or other document required to be maintained by Section 31(a) of the 1940 Act and the Rules (17 CFR 270.31a-1 to 31a-3) promulgated thereunder, furnish the name and address of each person maintaining physical possession of each such account, book or other document.

A I M Advisors, Inc., 11 Greenway Plaza, Suite 1919, Houston, Texas 77046-1173, will maintain physical possession of each such account, book or other document of the Registrant at its principal executive offices, except for those maintained by the Registrant's Custodian, State Street Bank and Trust Company, 225 Franklin Street, Boston, Massachusetts 02110, and the Registrant's Transfer Agent and Dividend Paying Agent, A I M Institutional Fund Services, Inc., 11 Greenway Plaza, Suite 1919, Houston, Texas 77046-1173.

Item 31. Management Services

Furnish a summary of the substantive provisions of any management related service contract not discussed in Part I of this Form (because the contract was not believed to be material to a purchaser of securities of the Registrant) under which services are provided to the Registrant, indicating the parties to the contract, the total dollars paid and by whom for the last three fiscal years.

None.

Item 32. Undertakings

None.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933 and the Investment Company Act of 1940, the Registrant certifies that it meets all of the requirements for effectiveness of this Registration Statement pursuant to Rule 485(b) under the Securities Act of 1933 and has duly caused this Amendment to its Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Houston, Texas on the 28th day of July, 1995.

REGISTRANT: TAX-FREE INVESTMENTS CO.

By: /s/ Robert H. Graham

Robert H. Graham, President

Pursuant to the requirements of the Securities Act of 1933, this Amendment to the Registration Statement has been signed below by the following persons in the capacities and on the dates indicated:

<TABLE>
<CAPTION>

SIGNATURES	TITLE	DATE
/s/ Charles T. Bauer (Charles T. Bauer)	Chairman & Director	July 28, 1995
/s/ Robert H. Graham (Robert H. Graham)	Director & President (Principal Executive Officer)	July 28, 1995
/s/ B. L. Crockett (Bruce L. Crockett)	Director	July 28, 1995
/s/ Owen Daly II (Owen Daly II)	Director	July 28, 1995
/s/ Carl Frischling (Carl Frischling)	Director	July 28, 1995
/s/ John F. Kroeger (John F. Kroeger)	Director	July 28, 1995
/s/ Lewis F. Pennock (Lewis F. Pennock)	Director	July 28, 1995
/s/ Ian W. Robinson (Ian W. Robinson)	Director	July 28, 1995
/s/ Louis S. Sklar (Louis S. Sklar)	Director	July 28, 1995
/s/ John J. Arthur (John J. Arthur)	Senior Vice President & Treasurer (Principal Financial and Accounting Officer)	July 28, 1995

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9(c)	Transfer Agency and Service Agreement between Registrant and A I M Institutional Fund Services, Inc.	
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EXHIBIT 2(b)

TAX-FREE INVESTMENTS CO.
A MARYLAND CORPORATION

BY-LAWS

ARTICLE I
STOCKHOLDERS

Section 1. Time and Place of Meetings. Meetings of the stockholders of the Corporation need not be held except as required under the general laws of the State of Maryland, as the same may be amended from time to time. Meetings of the stockholders shall be held at places designated by the Board of Directors and set forth in the notice of the meeting.

Section 2. Annual Meetings. If a meeting of the stockholders of the Corporation is required by the Investment Company Act of 1940, as amended, to take action with respect to the election of directors, then such matter shall be submitted to the stockholders at a special meeting called for such purpose, which shall be deemed the annual meeting of stockholders for that year. In years in which no such action by stockholders is so required, no annual meeting of stockholders need be held.

Section 3. Special Meetings. Special meetings of the stockholders for any purpose or purposes may be called by the Chairman of the Board of Directors, if any, by the President or by a majority of the Board of Directors. In addition, such special meetings shall be called by the Secretary upon receipt of a request in writing, signed by stockholders entitled to cast at least 10% of all the votes entitled to be cast at the meeting, which states the purpose of the meeting and the matters proposed to be acted on at the meeting. Unless requested by stockholders entitled to cast a majority of all the votes entitled to be cast at the meeting, a special meeting need not be called to consider any matter which is substantially the same as a matter voted on at a special meeting of the stockholders held during the preceding twelve (12) months.

Section 4. Notice of Meeting of Stockholders. Written or printed notice of every meeting of stockholders, stating the time and place thereof (and the purpose of any special meeting), shall be given, not less than ten (10) days nor more than ninety (90) days before the date of the meeting, to each stockholder entitled to vote at the meeting and each other stockholder entitled to notice,

by delivering such notice personally, or leaving such notice at each stockholder's residence or usual place of business, or by mailing such notice, postage prepaid, addressed to each stockholder at such stockholder's address as it appears upon the books of the Corporation. Each person who is entitled to notice of any meeting shall be deemed to have waived notice if present at the meeting in person or by proxy, or if such person signs a waiver of notice (either before or after the meeting) which is filed with the records of stockholders meetings.

Section 5. Closing of Transfer Books, Record Dates. The Board of Directors may direct that the stock transfer books of the Corporation be closed for a stated period not exceeding twenty (20) days for the purpose of making any proper determination with respect to stockholders, including determining which stockholders are entitled to notice of and to vote at a meeting, receive a dividend or be allotted other rights. If such books are closed for the purpose of determining stockholders entitled to notice of or to vote at a meeting of stockholders, such books shall be closed for at least ten (10) days immediately preceding such meeting. In lieu of providing for the closing of the stock transfer books, the Board of Directors may set a date, not more than ninety (90) days nor less than ten (10) days preceding (a) the date of any meeting of stockholders, (b) any dividend payment date, or (c) any date for the allotment of rights, as a record date for the determination of the stockholders entitled to notice of and to vote at such meeting, or entitled to receive such dividends

or rights, as the case may be; and only stockholders of record on such date shall be entitled to notice of and to vote at such meeting, or to receive such dividends or rights, as the case may be.

Section 6. Manner of Acting; Adjournment of Meetings. A majority of all votes cast at a meeting of stockholders at which a quorum is present shall be sufficient to approve any matter which properly comes before the meeting, unless otherwise provided by applicable law, the Articles of Incorporation or these By-Laws. If at any meeting of stockholders there shall be less than a quorum present, the stockholders present at such meeting may, without further notice, adjourn the meeting from time to time (but not more than 120 days after the original record date for such meeting) until a quorum is attained, but no business shall be transacted at any such adjourned meeting, except business which might have been lawfully transacted had the meeting not been adjourned.

Section 7. Voting and Inspectors. (a) At all meetings of stockholders, every stockholder of record entitled to vote may do so either in person or by written proxy signed by such stockholder or such stockholder's duly authorized attorney-in-fact. Unless a proxy provides otherwise, such proxy shall not be valid more than eleven (11) months after its date.

(b) At any meeting of stockholders considering the election of directors, the Board of Directors prior to the convening of such meeting may, or, if the Board has not so acted, the Chairman of the meeting may, appoint two (2) inspectors of election, who shall first subscribe an oath or affirmation to execute faithfully the duties of inspectors at such election with strict impartiality and according to the best of their abilities, and shall after the election certify the result of the vote taken. No candidate for election as a director shall be appointed to act as an inspector of election.

(c) The Chairman of the meeting may cause a vote by ballot to be taken with respect to any election or matter.

Section 8. Conduct of Stockholders Meetings. The meetings of the stockholders shall be presided over by the Chairman of the Board, or if the Chairman shall not be present or if there is no Chairman, by the President, or if the President shall not be present, by a Vice-President, or if no Vice-President is present, by a chairman elected for such purpose at the meeting. The Secretary of the Corporation, if present, shall act as Secretary of such

meetings, or if the Secretary is not present, an Assistant Secretary of the Corporation shall so act, and if no Assistant Secretary is present, then the meeting shall elect a secretary for the meeting.

Section 9. Validity of Proxies and Ballots. At every meeting of the stockholders, all proxies shall be received and maintained by and all ballots shall be received and canvassed by, the secretary of the meeting, who shall decide all questions concerning the qualification of voters, the validity of proxies, and the acceptance or rejection of votes, unless inspectors of election shall have been appointed, in which case the inspectors of election shall decide all such questions.

ARTICLE II
BOARD OF DIRECTORS

Section 1. Number and Term of Office. The business and property of the Corporation shall be conducted and managed under the direction of a Board of Directors initially consisting of three (3) directors, which number may be increased or decreased as herein provided. Directors shall hold office until their respective successors have been duly elected and qualified. Directors need not be stockholders.

Section 2. Increase or Decrease in Number of Directors. The Board of Directors, by the vote of a majority of the entire Board, may increase the number of directors to a number not exceeding eight (8), and may appoint directors to fill the vacancies created by any increase in the number of directors, and such appointed directors shall hold office until their successors have been duly elected and qualify. The Board of Directors, by the vote of a majority of the entire Board, may decrease the number of directors to a number not less than three (3), but any such decrease shall not affect the term of office of any director. Vacancies occurring other than by reason of any increase in the number of directors shall be filled as provided by the Maryland General Corporation Law.

Section 3. Place of Meetings. The directors may hold their meetings and keep the books of the Corporation outside the State of Maryland, at any office or offices of the Corporation or at any other place as they may from time to time determine; and in the case of meetings, as shall be specified in the respective notices of such meetings.

Section 4. Regular Meetings. Regular meetings of the Board of Directors shall be held at such time and on such notice, if any, as the directors may from time to time determine.

Section 5. Special Meetings. Special meetings of the Board of Directors may be held from time to time upon call of the Chairman of the Board of Directors, if any, the President, or any two (2) or more of the directors, by oral, telegraphic or written notice duly given to each director not less than one (1) business day before such meeting, or if sent or mailed to each director, not less than three (3) business days before such meeting. Each director who is entitled to notice shall be deemed to have waived notice if such director is present at the meeting, or either before or after the meeting, such director signs a waiver of notice which is filed with the minutes of the meeting. Such notice or waiver of notice need not state the purpose or purposes of such meeting.

Section 6. Quorum. One third (1/3) of the directors then in office (but in no event less than two (2) directors), shall constitute a quorum of the Board of Directors for the transaction of business. If at any meeting of the Board there shall be less than a quorum present, a majority of those directors present may adjourn the meeting from time to time until a quorum shall have been attained. The act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by applicable law, the Articles of Incorporation or these By-Laws.

Section 7. Telephonic Meetings. The members of the Board of Directors, or any committee of the Board of Directors, may participate in a meeting by means of a conference telephone call or similar communications equipment if all persons participating in such meeting can simultaneously hear each other, and participation in a meeting by these means constitutes presence in person at such meeting.

Section 8. Executive Committee. The Board of Directors may appoint an Executive Committee consisting of two (2) or more directors. Between meetings of the Board of Directors, the Executive Committee, if any, shall have and may exercise any or all of the powers of the Board of Directors with respect to the management of the business and affairs of the Corporation, except (a) as otherwise provided by law and (b) the power to increase or decrease the size of, or fill vacancies on, the Board of Directors. The Executive Committee may determine its own rules of procedure, and may meet when and as the Executive Committee determines, or when directed by resolution of the Board of Directors. The presence of a majority of the Executive Committee shall constitute a quorum. The Board of Directors shall have the power at any time to change the members and powers of, to fill vacancies on, and to dissolve the Executive Committee. In the absence of any member of the Executive Committee, the members present at any meeting, whether or not they constitute a quorum, may appoint a director to act in the place of such absent member.

Section 9. Other Committees. The Board of Directors may appoint other committees which shall in each case consist of such number of directors (not less than two (2)), which shall have and may exercise such powers as the Board may from time to time determine. A majority of all members of any such committee may determine its action, and the time and place of its meetings, unless the Board of Directors shall provide otherwise. The Board of Directors shall have the power at any time to change the members and powers of, to fill vacancies on, and to dissolve any such committee. In the absence of any member of such committee, the members present at any meeting, whether or not they constitute a quorum, may appoint a director to act in the place of such absent member.

Section 10. Informal Action by Directors. Except to the extent otherwise specifically provided by applicable law, any action required or permitted to be taken at any meeting of the Board of Directors or any committee thereof, may be taken without a meeting, if a written consent to such action is signed by all members of the Board or such committee, and such consent is filed with the minutes of proceedings of the Board or such committee.

Section 11. Compensation of Directors. Directors shall be entitled to receive such compensation from the Corporation for their services as directors as the Board of Directors may from time to time determine.

ARTICLE III
OFFICERS

Section 1. Executive Officers. The initial executive officers of the Corporation shall be elected by the Board of Directors as soon as practicable after the incorporation of the Corporation. The executive officers may include a Chairman of the Board, and shall include a President, one or more Vice

Presidents (the number thereof to be determined by the Board of Directors), a Secretary and a Treasurer. The Chairman of the Board, if any, shall be selected from among the directors. The Board of Directors may also in its discretion appoint Assistant Vice Presidents, Assistant Secretaries, Assistant Treasurers, and other officers, agents and employees, who shall have such authority and perform such duties as the Board may determine. The Board of Directors may fill any vacancy which may occur in any office. Any two (2) offices, except those of President and Vice President, may be held by the same person, but no officer shall execute, acknowledge or verify any instrument on behalf of the Corporation in more than one (1) capacity, if such instrument is required by law or by these By-Laws to be executed, acknowledged or verified by two (2) or more officers.

Section 2. Term of Office. Unless otherwise specifically determined by the Board of Directors, the officers shall serve at the pleasure of the Board of Directors. If the Board of Directors in its judgment finds that the best interests of the Corporation will be served, the Board of Directors may remove any officer of the Corporation at any time with or without cause.

Section 3. President. The President shall be the chief executive officer of the Corporation and, subject to the Board of Directors, shall generally control and manage the business and affairs of the Corporation. If there is no Chairman of the Board, or if the Chairman of the Board has been appointed but is absent, the President shall, if present, preside at all meetings of the stockholders and the Board of Directors.

Section 4. Chairman of the Board. The Chairman of the Board, if any, shall preside at all meetings of the stockholders and the Board of Directors, if the Chairman of the Board is present. The Chairman of the Board shall have such other powers and duties as shall be determined by the Board of Directors, and shall undertake such other assignments as may be requested by the President.

Section 5. Other Officers. The Chairman of the Board or one or more Vice Presidents shall have and exercise such powers and duties of the President in the absence or inability to act of the President, as may be assigned to them, respectively, by the Board of Directors or, to the extent not so assigned, by the President. In the absence or inability to act of the President, the powers and duties of the President not otherwise assigned by the Board of Directors or the President shall devolve upon the Chairman of the Board, or in the Chairman's absence, the Vice Presidents in the order of their election.

Section 6. Vice Presidents. In addition to any other duties described in this Article, the Vice President(s) shall also perform such duties as from time to time may be assigned to them by the Board of Directors or President.

Section 7. Secretary. The Secretary shall have custody of the seal of the Corporation, and shall keep the minutes of the meetings of the stockholders, Board of Directors and any committees thereof, and shall issue all notices of the Corporation. The Secretary shall have charge of the stock records and such other books and papers as the Board may direct, and shall perform such other duties as may be incidental to the office or which are assigned by the Board of Directors. The Secretary shall also keep or cause to be kept a stock book, which may be maintained by means of computer systems, containing the names, alphabetically arranged, of all persons who are stockholders of the Corporation, showing their places of residence, the number and class or series of any class of shares of stock held by them, respectively, and the dates when they became the record owners thereof, and such book shall be open for inspection as prescribed by the laws of the State of Maryland.

Section 8. Treasurer. The Treasurer shall have the care and custody of the funds and securities of the Corporation and shall deposit the same in the name of the Corporation in such bank or banks or other depositories, subject to withdrawal in such manner as these By-Laws or the Board of Directors may determine. The Treasurer shall, if required by the Board of Directors, give such bond for the faithful discharge of duties in such form as the Board of Directors may require.

ARTICLE IV
CAPITAL STOCK

Section 1. Stock Certificates. Each stockholder of the Corporation shall be entitled to a certificate or certificates for the full number of shares of each class or series of stock of the Corporation owned by such stockholder, in such form as the Board of Directors may from time to time determine.

Section 2. Transfer of Shares. Shares of the Corporation shall be transferable on the books of the Corporation by the holder(s) thereof, in person or by such holder's duly authorized attorney or legal representative, upon surrender and cancellation of certificates, if any, for the same number of shares, duly endorsed or accompanied by proper instruments of assignment and

transfer, with such proof of the authenticity of the signature(s) as the Corporation or its agents may reasonably require. In the case of shares not represented by certificates, the same or similar requirements may be imposed by the Board of Directors.

Section 3. Stock Ledgers. The stock ledgers of the Corporation, containing the names and addresses of the stockholders and the number of shares held by them, respectively, shall be kept at the principal offices of the Corporation, or if the Corporation has appointed a transfer agent, at the offices of such transfer agent.

Section 4. Lost, Stolen or Destroyed Certificates. The Board of Directors may determine the conditions upon which a new stock certificate of any class or series may be issued in place of a certificate which is alleged to have been lost, stolen or destroyed. The Board of Directors may in its discretion require the owner of such certificate to give bond, with sufficient surety to the Corporation and the transfer agent, if any, to indemnify the Corporation and such transfer agent against any and all losses or claims which may arise by reason of the issuance of a replacement certificate.

ARTICLE V
CORPORATE SEAL

The Board of Directors may provide for a suitable corporate seal, in such form and bearing such inscriptions as it may determine. In lieu of fixing the Corporation's seal to a document, it is sufficient to meet the requirements of any law, rule or regulation relating to a corporate seal to place the word "(seal)" adjacent to the signature of the person authorized to sign the document on behalf of the Corporation.

ARTICLE VI
FISCAL YEAR

The fiscal year of the Corporation shall be determined by the Board of Directors.

ARTICLE VII
INDEMNIFICATION

Section 1. Indemnification of Directors and Officers. The Corporation shall indemnify its directors to the fullest extent that indemnification of directors is permitted by the Maryland General Corporation Law. The Corporation shall indemnify its officers to the same extent as its directors and to such further extent as is consistent with law. The Corporation shall indemnify its directors and officers who while serving as directors or officers also serve at the request of the Corporation as a director, officer, partner, trustee, employee, agent or fiduciary of another corporation, partnership, joint venture, trust, other enterprise or employee benefit plan to the fullest extent consistent with law. The indemnification and other rights provided for by this Article shall continue as to a person who has ceased to be a director or officer, and shall inure to the benefit of the heirs, executors and administrators of such a person. This Article shall not protect any such person against any liability to the Corporation or any stockholder thereof to which such person would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office ("disabling conduct").

Section 2. Advances. Any current or former director or officer of the Corporation seeking indemnification within the scope of this Article shall be entitled to advances from the Corporation for payment of the reasonable expenses incurred in connection with the matter as to which indemnification is sought, in the manner and to the fullest extent permissible under the Maryland General Corporation Law. The person seeking indemnification shall provide to the Corporation a written affirmation of his or her good faith belief that the standard of conduct necessary for indemnification by the Corporation has been met and a written undertaking to repay any such advance if it should ultimately be determined that the requisite standard of conduct has not been met. In addition, at least one of the following conditions must be satisfied: (a) the person seeking indemnification shall provide security in form and amount acceptable to the Corporation for the foregoing undertaking, (b) the Corporation shall be insured against losses arising by reason of the advance, or (c) a majority of a quorum of directors of the Corporation who are neither "interested persons," as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended, nor parties to the proceeding ("disinterested non-party directors"), or independent legal counsel in a written opinion, shall have determined, based on a review of facts readily available to the Corporation at the time the advance is proposed to be made, that there is reason to believe that the person seeking indemnification will ultimately be found to be entitled to indemnification.

Section 3. Procedure. At the request of any person claiming indemnification under this Article, the Board of Directors shall determine, or cause to be determined, in a manner consistent with the Maryland General Corporation Law, whether the standards required by this Article have been met. Indemnification shall be made only following: (a) a final decision on the merits by a court or other body before whom the proceeding was brought that the person to be indemnified was not liable by reason of disabling conduct, or (b) in the absence of such a decision, a reasonable determination, based upon a review of the facts, that the person to be indemnified was not liable by reason of disabling conduct by, (i) the vote of a majority of a quorum of disinterested non-party directors, or (ii) an independent legal counsel in a written opinion.

Section 4. Indemnification of Employees and Agents. Employees and agents who are not officers or directors of the Corporation may be indemnified, and reasonable expenses may be advanced to such employees or agents, as may be provided by action of the Board of Directors or by contract, subject to any limitations imposed by the Investment Company Act of 1940, as amended.

Section 5. Other Rights. The Board of Directors may make further provision consistent with law for indemnification and advancement of expenses to directors, officers, employees and agents by resolution, agreement or otherwise. The indemnification provided for by this Article shall not be deemed exclusive of any other right, with respect to indemnification or otherwise, to which those seeking indemnification may be entitled under any insurance, other agreement, resolution of stockholders or disinterested directors, or otherwise.

Section 6. Subsequent Changes to Law. References in this Article are to the Maryland General Corporation Law and to the Investment Company Act of 1940 as from time to time amended. No amendment of these By-Laws shall affect any right of any person under this Article based on any event, omission or proceeding occurring prior to such amendment.

ARTICLE VIII
AMENDMENT OF BY-LAWS

These By-Laws may be altered, amended or repealed by the Board of Directors.

EXHIBIT 2(c)

FIRST AMENDMENT TO THE BY-LAWS OF
TAX-FREE INVESTMENTS CO.
(A MARYLAND CORPORATION)

ADOPTED MAY 10, 1994

NOW THEREFORE BE IT RESOLVED, that Section 2 of Article II of the By-Laws of Tax-Free Investments Co. be deleted in its entirety and replaced with the following:

"Section 2. Increase or Decrease in Number of Directors. The Board of Directors, by the vote of a majority of the entire Board, may increase the number of directors to a number not exceeding fifteen (15), and may appoint directors to fill the vacancies created by any increase in the number of directors, and such appointed directors shall hold office until their successors have been duly elected and qualify. The Board of Directors, by the vote of a majority of the entire Board, may decrease the number of directors to a number not less than three (3) or the number of stockholders, whichever is less, but any such decrease shall not affect the term of office of any director. Vacancies occurring other than by reason of any increase in the number of directors shall be filled as provided by the Maryland General Corporation Law;"

EXHIBIT 2(d)

TAX-FREE INVESTMENTS CO.

SECOND AMENDMENT, DATED MARCH 14, 1995,

TO BY-LAWS

Article I, Section 7(a) of the By-Laws of Tax-Free Investments Co. is hereby amended to read in full as follows:

> "At all meetings of the stockholders, every stockholder of record entitled to vote thereat shall be entitled to vote at such meeting either in person or by written proxy signed by the stockholder or by his duly authorized attorney in fact. A stockholder may duly authorize such attorney in fact through written, electronic, telephonic, computerized, facsimile, telecommunication, telex or oral communication or by any other form of communication. Unless a proxy provides otherwise, such proxy is not valid more than eleven months after its date."

EXHIBIT 9(c)

TRANSFER AGENCY AND SERVICE AGREEMENT

BETWEEN

TAX-FREE INVESTMENTS CO.

AND

A I M INSTITUTIONAL FUND SERVICES, INC.

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TRANSFER AGENCY AND SERVICE AGREEMENT

AGREEMENT made as of the 16th day of September, 1994, by and between TAX-FREE INVESTMENTS CO., a Maryland corporation having its principal office and place of business at 11 Greenway Plaza, Suite 1919, Houston, Texas 77046 (the "Fund"), and A I M Institutional Fund Services, Inc., a Delaware corporation having its principal office and place of business at 11 Greenway Plaza, Suite 1919, Houston, Texas 77046 (the "Transfer Agent").

WHEREAS, the Transfer Agent is registered as such with the Securities and Exchange Commission (the "SEC"); and

WHEREAS, the Fund is authorized to issue shares in separate series and classes, with each such series representing interests in a separate portfolio of securities and other assets and each such class having different distribution arrangements; and

WHEREAS, the Fund on behalf of each class of each of the portfolios thereof (the "Portfolios") desires to appoint the Transfer Agent as its transfer agent, and agent in connection with certain other activities, with respect to the Portfolios, and the Transfer Agent desires to accept such appointment;

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties hereto agree as follows:

ARTICLE I
TERMS OF APPOINTMENT; DUTIES OF THE TRANSFER AGENT

1.01 Subject to the terms and conditions set forth in this Agreement, the Fund hereby employs and appoints the Transfer Agent to act as, and the Transfer Agent agrees to act as, its transfer agent for the authorized and issued shares of common stock of the Fund representing interests in each class of each of the respective Portfolios ("Shares"), dividend disbursing agent, and agent in connection with any accumulation or similar plans provided to shareholders of each of the Portfolios (the "Shareholders"), including without limitation any periodic investment plan or periodic withdrawal program, as provided in the currently effective prospectus and statement of additional information (the "Prospectus") of the Fund on behalf of the Portfolios.

1.02 The Transfer Agent agrees that it will perform the following services:

(a) The Transfer Agent shall, in accordance with procedures established from time to time by agreement between the Fund on behalf of each of the Portfolios, as applicable, and the Transfer Agent:

(i) receive for acceptance, orders for the purchase of Shares, and promptly deliver payment and appropriate documentation thereof to the Custodian of the Fund authorized pursuant to the Charter of the Fund (the "Custodian");

(ii) pursuant to purchase orders, issue the appropriate number of Shares and hold such Shares in the appropriate Shareholder account;

(iii) receive for acceptance redemption requests and redemption directions and deliver the appropriate documentation thereof to the Custodian;

(iv) at the appropriate time as and when it receives monies paid to it by the Custodian with respect to any redemption, pay over or cause to be paid over in the appropriate manner such monies as instructed by the Fund;

(v) effect transfers of Shares by the registered owners thereof upon receipt of appropriate instructions;

(vi) prepare and transmit payments for dividends and distributions declared by the Fund on behalf of the Shares;

(vii) maintain records of account for and advise the Fund and its Shareholders as to the foregoing; and

(viii) record the issuance of Shares of the Fund and maintain pursuant to SEC Rule 17Ad-10(e) a record of the total number of Shares which are authorized, based upon data provided to it by the Fund, and issued and outstanding.

The Transfer Agent shall also provide the Fund on a regular basis with the total number of Shares which are authorized and issued and outstanding but shall have no obligation, when recording the issuance of Shares, to monitor the issuance of such Shares or to take cognizance of any laws relating to the issue or sale of such Shares, which function shall be the sole responsibility of the Fund.

(b) In addition to the services set forth in the above paragraph (a), the Transfer Agent shall: (i) perform the customary services of a transfer agent, including but not limited to: maintaining all Shareholder accounts, mailing Shareholder reports and prospectuses to current Shareholders, preparing and mailing confirmation forms and statements of accounts to Shareholders for all purchases and redemptions of Shares and other confirmable transactions in Shareholder accounts, preparing and mailing activity statements for Shareholders, and providing Shareholder account information.

(c) Procedures as to who shall provide certain of these services in Article

1 may be established from time to time by agreement between the Fund on behalf of each Portfolio and the Transfer Agent. The Transfer Agent may at times perform only a portion of these services and the Fund or its agent may perform these services on the Fund's behalf.

ARTICLE 2
FEES AND EXPENSES

2.01 For performance by the Transfer Agent pursuant to this Agreement, the Fund agrees on behalf of each of the Portfolios to pay the Transfer Agent such fees as may be agreed upon from time to time in a written agreement between the Fund and the Transfer Agent.

2.02 In addition to the fee paid under Section 2.01 above, the Fund agrees to reimburse the Transfer Agent for such out-of-pocket expenses or advances incurred by the Transfer Agent as may be agreed upon from time to time in a written agreement between the Fund and the Transfer Agent.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES OF THE TRANSFER AGENT

The Transfer Agent represents and warrants to the Fund that:

3.01 It is a corporation duly organized and existing and in good standing under the laws of the state of Delaware.

3.02 It is duly qualified to carry on its business in Delaware and in Texas.

3.03 It is empowered under applicable laws and by its Charter and By-Laws to enter into and perform this Agreement.

3.04 All requisite corporate proceedings have been taken to authorize it to enter into and perform this Agreement.

3.05 It has and will continue to have access to the necessary facilities, equipment and personnel to perform its duties and obligations under this Agreement.

3.06 It is registered as a Transfer Agent as required by the federal securities laws.

3.07 This Agreement is a legal, valid and binding obligation to it.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES OF THE FUND

The Fund represents and warrants to the Transfer Agent that:

4.01 It is a business corporation duly organized and existing and in good standing under the laws of Maryland.

4.02 It is empowered under applicable laws and by its Charter and By-Laws to enter into and perform this Agreement.

4.03 All proceedings required by said Charter and By-Laws have been taken to authorize it to enter into and perform this Agreement.

4.04 It is an open-end, management investment company registered under the Investment Company Act of 1940, as amended.

4.05 A registration statement under the Securities Act of 1933, as amended, on behalf of each of the Portfolios is currently effective and will remain effective, with respect to all Shares of the Fund being offered for sale.

ARTICLE 5
INDEMNIFICATION

5.01 The Transfer Agent shall not be responsible for, and the Fund shall on behalf of the applicable Portfolio, indemnify and hold the Transfer Agent harmless from and against, any and all losses, damages, costs, charges, counsel fees, payments, expenses and liability arising out of or attributable to:

(a) all actions of the Transfer Agent or its agents or subcontractors required to be taken pursuant to this Agreement, provided that such actions are taken in good faith and without negligence or willful misconduct;

(b) the Fund's lack of good faith, negligence or willful misconduct which arise out of the breach of any representation or warranty of the Fund hereunder;

(c) the reliance on or use by the Transfer Agent or its agents or subcontractors of information, records and documents or services which (i) are received or relied upon by the Transfer Agent or its agents or subcontractors and/or furnished to it or performed by on behalf of the Fund, and (ii) have been prepared, maintained and/or performed by the Fund or any other person or firm on behalf of the Fund; provided such actions are taken in good faith and without negligence or willful misconduct;

(d) the reliance on, or the carrying out by the Transfer Agent or its agents or subcontractors of any instructions or requests of the Fund on behalf of the applicable Portfolio; provided such actions are taken in good faith and without negligence or willful misconduct; or

(e) the offer or sale of Shares in violation of any requirement under the federal securities laws or regulations or the securities laws or regulations of any state that such Shares be registered in such state or in violation of any stop order or other determination or ruling by any federal agency or any state with respect to the offer or sale of such Shares in such state.

5.02 The Transfer Agent shall indemnify and hold the Fund harmless from and against any and all losses, damages, costs, charges, counsel fees, payments, expenses and liability arising out of or attributable to any action or failure or omission to act by the Transfer Agent as result of the Transfer Agent's lack of good faith, negligence or willful misconduct.

5.03 At any time the Transfer Agent may apply to any officer of the Fund for instructions, and may consult with legal counsel with respect to any matter arising in connection with the services to be performed by the Transfer Agent under this Agreement, and the Transfer Agent and its agents or subcontractors shall not be liable to and shall be indemnified by the Fund on behalf of the applicable Portfolio for any action taken or omitted by it in reliance upon such instructions or upon the opinion of such counsel. The Transfer Agent shall be protected and indemnified in acting upon any paper or document furnished by or on behalf of the Fund, reasonably believed to be genuine and to have been signed by the proper person or persons, or upon any instruction, information, data, records or documents provided to the Transfer Agent or its agents or subcontractors by machine readable input, telex, CRT data entry or other similar means authorized by the Fund, and shall not be held to have notice of any change of authority of any person, until receipt of written notice thereof from the Fund.

5.04 In the event either party is unable to perform its obligations under the terms of this Agreement because of acts of God, strikes, equipment or transmission failure or damage reasonably beyond its control, or other causes reasonably beyond its control, such party shall not be liable for damages to the other for any damages resulting from such failure to perform or otherwise from such causes.

5.05 Neither party to this Agreement shall be liable to the other party for consequential damages under any provision of this Agreement or for any consequential damages arising out of any act or failure to act hereunder.

5.06 In order that the indemnification provisions contained in this Article 5 shall apply, upon the assertion of a claim for which either party may be required to indemnify the other, the party seeking indemnification shall promptly notify the other party of such assertion, and shall keep the other party advised with respect to all developments concerning such claim. The party who may be required to indemnify shall have the option to participate with the party seeking indemnification in the defense of such claim. The party seeking indemnification shall in no case confess any claim or make any compromise in any case in which the other party may be required to indemnify it except with the other party's prior written consent.

ARTICLE 6
COVENANTS OF THE FUND AND THE TRANSFER AGENT

6.01 The Fund shall, upon request, on behalf of each of the Portfolios promptly furnish to the Transfer Agent the following:

(a) a certified copy of the resolution of the Board of Directors of the Fund authorizing the appointment of the Transfer Agent and the execution and delivery of this Agreement; and

(b) a copy of the Charter and By-Laws of the Fund and all amendments thereto.

6.02 The Transfer Agent shall keep records relating to the services to be performed hereunder, in the form and manner as it may deem advisable. To the extent required by Section 31 of the Investment Company Act of 1940, as amended, and the Rules thereunder, the Transfer Agent agrees that all such records prepared or maintained by the Transfer Agent relating to the services to be performed by the Transfer Agent hereunder are the property of the Fund and will be preserved, maintained and made available in accordance with such Section and Rules, and will be surrendered promptly to the Fund on and in accordance with its request.

6.03 The Transfer Agent and the Fund agree that all books, records, information and data pertaining to the business of the other party which are exchanged or received pursuant to the negotiation or the carrying out of this Agreement shall remain confidential, and shall not be voluntarily disclosed to any other person, except as may be required by law.

6.04 In case of any requests or demands for the inspection of the Shareholder records of the Fund, the Transfer Agent will endeavor to notify the Fund and to secure instructions from an authorized officer of the Fund as to such inspection. The Transfer Agent reserves the right, however, to exhibit the Shareholder records to any person whenever it is advised by its counsel that it may be held liable for the failure to exhibit the Shareholder records to such person.

ARTICLE 7
TERMINATION OF AGREEMENT

7.01 This Agreement may be terminated by either party upon sixty (60) days written notice to the other.

7.02 Should the Fund exercise its right to terminate this Agreement, all out-of-pocket expenses associated with the movement of records and material will be borne by the Fund on behalf of the applicable Portfolio(s). Additionally, the Transfer Agent reserves the right to charge for any other reasonable expenses associated with such termination and/or a charge equivalent to the average of three (3) months' fees.

ARTICLE 8
ADDITIONAL FUNDS

8.01 In the event that the Fund establishes one or more series of Shares in addition to the Portfolios with respect to which it desires to have the Transfer Agent render services as transfer agent under the terms hereof, it shall so notify the Transfer Agent in writing, and if the Transfer Agent agrees in writing to provide such services, such series of Shares shall become a Portfolio hereunder.

ARTICLE 9
ASSIGNMENT

9.01 Except as provided in Section 9.03 below, neither this Agreement nor any rights or obligations hereunder may be assigned by either party without the written consent of the other party.

9.02 This Agreement shall inure to the benefit of and be binding upon the parties and their respective permitted successors and assigns.

9.03 The Transfer Agent may, without further consent on the part of the Fund, subcontract for the performance hereof with any entity which is duly registered as a transfer agent pursuant to Section 17A(c)(1) of the Securities Exchange Act of 1934 as amended ("Section 17A(c)(1)"); provided, however, that the Transfer Agent shall be as fully responsible to the Fund for the acts and omissions of any subcontractor as it is for its own acts and omissions.

ARTICLE 10
AMENDMENT

10.01 This Agreement may be amended or modified by a written agreement executed by both parties and authorized or approved by a resolution of the Board of Directors of the Fund.

ARTICLE 11
TEXAS LAW TO APPLY

11.01 This Agreement shall be construed and the provisions thereof interpreted under and in accordance with the laws of the State of Texas.

ARTICLE 12
MERGER OF AGREEMENT

12.01 This Agreement constitutes the entire agreement between the parties hereto and supersedes any prior agreement with respect to the subject matter hereof whether oral or written.

ARTICLE 13
COUNTERPARTS

13.01 This Agreement may be executed by the parties hereto on any number of counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in their names and on their behalf by and through their duly authorized officers, as of the day and year first above written.

TAX-FREE INVESTMENTS CO.

By: /s/ Robert H. Graham

President

ATTEST:

/s/ Stephen I. Winer
- --------------------------------------
Assistant Secretary

A I M INSTITUTIONAL FUND SERVICES, INC.

By: /s/ J. Abbott Sprague

President

ATTEST:

/s/ Stephen I. Winer
- -------------------------------------
Assistant Secretary

EXHIBIT 9(d)

AMENDMENT NO. 1

TRANSFER AGENCY AND SERVICE AGREEMENT

The Transfer Agency and Service Agreement (the "Agreement"), dated September 16, 1994, by and between Tax-Free Investments Co., a Maryland corporation and A I M Institutional Fund Services, Inc., a Delaware corporation, is hereby amended as follows (terms used herein but not otherwise defined herein have the meaning ascribed them in the Agreement):

1) Section 2.01 of the Agreement is hereby deleted in its entirety and replaced with the following: "For performance by the Transfer Agent pursuant to this Agreement, the Fund agrees on behalf of each of the Portfolios to pay the Transfer Agent an annual fee in the amount of .007% of average daily net assets, payable monthly. Such fee may be changed from time to time subject to mutual written agreements between the Fund and the Transfer Agent."

2) Section 2.02 of the Agreement is hereby deleted in its entirety and replaced with the following: "The Fund agrees on behalf of each of the Portfolios to pay all fees following the mailing of a billing notice."

All other terms and provisions of the Agreement not amended herein shall remain in full force and effect.

Dated: July 1, 1995

TAX-FREE INVESTMENTS CO.

Attest: /s/ Stephen I. Winer

Assistant Secretary

By: /s/ Robert H. Graham

Robert H. Graham
President

(SEAL)

A I M INSTITUTIONAL FUND SERVICES, INC.

Attest: /s/ Stephen I. Winer

Assistant Secretary

By: /s/ J. Abbott Sprague

J. Abbott Sprague
President

(SEAL)

EXHIBIT 11(a)

CONSENT OF COUNSEL

TAX-FREE INVESTMENTS CO.

We hereby consent to the use of our name and to the references to our firm under the captions "General Information - Legal Matters" in the Prospectus and "General Information about the Company - Legal Counsel" in the Statement of Additional Information, which are included in Post-Effective Amendment No. 22 to the Registration Statement under the Securities Act of 1933 and Amendment No. 23 under the Investment Company Act of 1940 (No. 2-58286) on Form N-1A of Tax-Free Investments Co.

/s/ Ballard Spahr Andrews & Ingersoll

Philadelphia, Pennsylvania
July 21, 1995

EXHIBIT 11(b)

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
Tax-Free Investments Co.

We consent to the use of our reports on the Cash Reserve Portfolio (a Portfolio of Tax-Free Investments Co.) dated May 5, 1995 included herein and to the references to our firm under the heading "Financial Highlights" in the Prospectus and "Audit Reports" in the Statement of Additional Information.

/s/ KPMG Peat Marwick LLP
KPMG Peat Marwick LLP

Houston, Texas
July 21, 1995

EXHIBIT 17

TAX-FREE INVESTMENTS CO.

SPECIMEN PRICE MAKE-UP SHEET
(AUDITED)

March 31, 1995

Fund	Value of Registrant's Portfolio securities, other assets and liabilities	Outstanding Securities	Total Offering Price Per Share
Cash Reserve Portfolio			
Private Investment Class	29,286,499	29,296,298	1.00
Institutional Cash Reserve Shares	1,009,890,739	1,010,228,635	1.00

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