(Division of Investment Management, Office of Investment Company Regulation).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee at the SEC's Public Reference Branch, 450 5th Street, NW, Washington, DC 20549 (tel. 202–942–8090).

Applicant's Representations

1. Applicant is a Delaware corporation formed in 1990 and engaged in the business of developing a national satellite broadcast system to provide digital audio radio service (''Service''). In October 1997, applicant was granted a license by the Federal Communications Commission (''FCC'') to build, launch and operate the Service.

2. To obtain the funds needed to pay for the FCC License, in 1997 applicant completed a public stock offering, a public debt offering, and a private placement of its common stock. Pending utilization in building the Service, the proceeds of the offerings were used to pay for the FCC License and invested in a money market fund, U.S. government securities, commercial paper, and a bank certificate of deposit.

3. For applicant to continue to hold the FCC License, applicant must satisfy certain progress requirements, including meeting certain deadlines for the construction and launch of satellites, and a deadline for the Service to be in full operation. Satisfying these requirements will require significant expenditures. Applicant currently expects to commence operations of the Service by the first quarter of the year 2000.

Applicant's Legal Analysis

1. Under section 3(a)(1)(C) of the Act, an issuer is an investment company if it ''is engaged or proposes to engage in the business of investing, reinvesting, owning, holding, or trading in securities, and owns or proposes to acquire investment securities having a value exceeding 40 percent of the value of such issuer's total assets (exclusive of Government securities and cash items) on an unconsolidated basis.'' Section 3(a)(2) of the Act defines ''investment securities'' to include all securities except government securities, and securities which are issued by majority-owned subsidiaries of the owner which are not investment companies, and are not relying on the exception from the definition of investment company in section 3(c)(1) or 3(c)(7) of the Act.

2. Applicant states that, pending utilization in building and operating the System, the proceeds of applicant's offerings of its stock may be held in ''investment securities'' within the meaning of section 3(a)(2) of the Act. As of June 30, 1998, approximately 44% of applicant's total assets consisted of ''investment securities.'' Applicant states, therefore, that it may come within the definition of investment company in section 3(a)(1)(C) of the Act. Applicant also states that it anticipates raising additional funds to complete the development of the System, and will place the proceeds in U.S. government securities and shares of money market funds to be drawn down as needed to complete the construction and operate the System.

3. Section 6(c) of the Act permits the SEC to exempt any person, security, or transaction from any provision of the Act, if and to the extent that the exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act.

4. Applicant requests an exemption under section 6(c) from all provisions of the Act until the earlier of one year from the date the requested order is issued or the date applicant ceases to be an investment company. Applicant believes that within this period it will have sufficient expenditures of funds on the establishment of the Service and the acquisition of non-investment assets to cure its temporary status under section 3(a)(1)(C) of the Act.

5. Applicant asserts that, as a company that was created to build and operate the Service, applicant is not the type of entity that was intended to be governed by the Act. Applicant states that, since its inception, its principal activities have been in technology development, pursuing regulatory approval for the Service, discussions with radio manufacturers and automakers, market research, design and development, development of a mobile demonstration program, contract negotiations with satellite and launch vehicle contractors, technical efforts with respect to standards and specifications, and securing adequate working capital. Applicant thus asserts that the requested relief is consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act.

Applicant's Conditions

Applicant agrees that the requested exemption will be subject to the following conditions:

1. Applicant will not purchase or otherwise acquire any securities other than shares of a money market fund and U.S. Government securities.

2. Applicant will not hold itself out as being engaged in the business of investing, reinvesting, owning, holding, or trading in securities.

3. Applicant will allocate and utilize its accumulated cash and securities for the purpose of funding its satellite radio system business.

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

Jonathan G. Katz,

Secretary.

[FR Doc. 98–29863 Filed 11–6–98; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Rel. No. IC–23517; File No. 812–11208]

John Hancock Bond Trust, et al.; Notice of Application

November 2, 1998.

AGENCY: Securities and Exchange Commission.

ACTION: Notice of application for an order pursuant to Section 11(a) of the Investment Company Act of 1940 (the ''1940 Act'').

SUMMARY OF APPLICATION: Applicants seek an order approving the terms of offers of exchange by the Funds, as defined below, and John Hancock Funds, Inc. (''JHFI'') to certain holders of variable annuity contracts (''Contracts'') issued by Variable Annuity Accounts U and V of John Hancock and Variable Annuity Account I of JHVLICO (collectively, the ''Accounts'').

APPLICANTS: John Hancock Bond Trust, John Hancock Capital Series, John Hancock Current Interest, John Hancock Investment Trust, John Hancock Investment Trust II, John Hancock Investment Trust III, John Hancock Series Trust, John Hancock Bond Fund, John Hancock Special Equities Fund, John Hancock Strategic Series, John Hancock World Fund (the ''Funds''), JHFI, John Hancock Variable Life Insurance Company (''JHVLICO'') and John Hancock Mutual Life Insurance Company (''John Hancock,'' together with JHVLICO, JHFI and the Funds, ''Applicants'')

FILING DATES: The application was filed on June 29, 1998, and amended on October 30, 1998.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Secretary of the Commission and serving Applicants with a copy of the request, personally or

by mail. Hearing requests must be received by the Commission by 5:30 p.m. on November 27, 1998, and must be accompanied by proof of service on the Applicants in the form of an affidavit, or, for lawyers, a certificate of service. Hearing requests should state the nature of the requester's interest, the reason for the request, and the issues contested. Persons may request notification of a hearing by writing to the Secretary of the Commission.

ADDRESSES: Secretary, SEC, 450 Fifth Street, NW., Washington, DC 20549. Applicants, Ronald J. Bocage, Esq., John Hancock Mutual Life Insurance Company, John Hancock Place, Boston, Massachusetts 02117.

FOR FURTHER INFORMATION CONTACT: Keith E. Carpenter, Senior Counsel, or Kevin M. Kirchoff, Branch Chief, Office of Insurance Products, Division of Investment Management, at (202) 942–0670.

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application is available for a fee from the Public Reference Branch of the Commission (tel. (202) 942–8090).

Applicants' Representations

1. Each Fund is a business trust organized under the laws of Massachusetts, is registered under the Act as an open-end management investment company and was organized by John Hancock or an affiliated company of John Hancock. Each Fund offers up to three classes of shares: ''A Shares'' (which are sold with a front-end sales load of up to 5% or alternatively, for certain purchases, a reduced deferred sales charge); ''B Shares'' (which are sold with a deferred sales load of up to 5% that declines to 0% after the sixth year); and ''C shares'' (which are sold with a reduced deferred sales charge of 1% which declines to 0% after the first year) Only A Shares will be offered in the proposed exchanges.

2. JHFI is an indirect, wholly-owned subsidiary of John Hancock. JHFI is registered with the Commission as a broker-dealer and is a member of the National Association of Securities Dealers, Inc. (''NASD''). JHFI is the principal underwriter for each of the Funds.

3. Each Fund, except for John Hancock Bond Fund and John Hancock Special Equities Fund, offers its shares by series (collectively, ''Series,'' and together with the non-series Funds, the ''Exchange Funds''). The investment manager of each of the Exchange Funds is John Hancock Advisers, Inc. (''Advisers''), an indirectly wholly-owned subsidiary of John Hancock.

4. The expense ratios of the Exchange Funds on an annual basis for their last fiscal year, including management fees, 12b–1 fees and other expenses, ranged from a low of 0.35% for John Hancock U.S. Government Cash Reserve to a high of 2.06% for John Hancock Pacific Basin Equities Fund. These expense ratios reflect the impact of Advisers' and/or JHFI's temporary agreement to limit expenses, including management fees and 12b–1 fees. Without these limitations, the expense ratios would have ranged from 1.00% for the John Hancock Strategic Income Fund to 3.03% for the John Hancock International Fund.

5. The Contracts are variable annuity contracts issued by Variable Annuity Accounts U and V of John Hancock and Variable Annuity Account I of JHVLICO. The Contracts have been purchased on behalf of pension plans (''Plans'') qualified under Section 401(k) of the Internal Revenue Code of 1986 (''Code'') and certain target-benefit pension plans (''Target Benefit Plans''), both of which are qualified under Section 401(a) of the Code to fund pension benefits payable to eligible persons (''Participants'') participating in the Plans. Under the terms of the various Plans holding the Contracts, the employer sponsoring the Plan (''Plan Sponsor'') is the Contract owner, and only the Plan Sponsor is permitted to make premium payments to fund Plan benefits (either directly or through salary deductions). Further, only the Plan Sponsor is authorized to select the investment vehicle(s), such as the Contracts, in which Plan assets are to be invested. Depending on the type of Plan involved, Plan assets held under the Contracts may or may not be allocated specifically as being for the account of individual Participants. With respect to certain 401(k) Plans, the Plan Sponsor purchases individual Contracts on behalf of Plan Participants, in which case Plan assets would be allocated specifically to the Contracts owned by the Plan on behalf of such Participants, and the Participants may be entitled to provide instructions with respect to how Plan assets held in such Contracts are to be invested among the available investment options. With respect to the remaining 401(k) Plans and all Target Benefit Plans, the Plans provide that Plan assets are not allocated specifically as being for the account of individual Participants, in which case the Contract essentially serves as an ''unallocated'' group contract holding Plan assets for the benefit of the all Plan Participants, with the Plan Sponsor investing Plan assets among the available investment options. The Contracts, however, are no longer being offered for use on such an ''unallocated'' basis. Plan sponsors holding contracts issued by the Accounts in connection with target-benefit plans where plan assets are allocated specifically as being for the account of individual participants are not eligible to participate in the exchange offer that is the subject of the application.

6. The investment options underlying the Contracts consist of a fixed account investment option that is part of John Hancock's general account, and the 23 portfolios of John Hancock Variable Series Trust I (''Trust''), a series-type mutual fund advised by John Hancock. These 23 portfolios (collectively, ''Portfolios'') have a wide range of investment objectives.

7. All but one form of the Contracts have a contingent deferred sales charge (''CDSC''). The maximum CDSC for any Contract is 8.5%, and in all cases the CDSC declines to 0% seven years after the date of the contribution to which the CDSC applies. Moreover, for Contracts that impose a CDSC, there is also a ''free corridor'' provision, which, if applicable, allows certain amounts to be withdrawn annually without a CDSC. One form of Contract imposes a maximum front-end sales charge of 8% of purchase payments made. None of the Contracts provides for any sales charges that is deducted from assets.

8. Applicants state that the Contracts have an annual maintenance charge that ranges from $10 per year to $30 per year, plus a daily asset-based administrative charge. For certain Contracts, the annual maintenance charge is waived if the account value exceeds $10,000, and John Hancock or JHVLICO may reserve the right to increase the annual maintenance charge to $50, with state approval. The asset-based administrative charge ranges from 0.25% to 0.50% (on an annual basis) of the current Contract value.

9. A mortality and expense risk charge that ranges from 0.75% to 1.15% of the assets of the issuing Account may be deducted under the Contracts.

10. There is no charge for transfers under the Contracts, but such transfers are limited to twelve per Contract year, although one form of Contract limits such transfers to four per Contract year. State premium taxes are deducted at annuitization or from payments, in accordance with applicable state laws.

11. The expense rations of the Portfolios which serve as the investment vehicle for the Accounts ranged from 0.28% to 1.55% (after expense reimbursements) on an annual basis in their last fiscal year. Applicants state

that when the Portfolio expenses are added to the maximum mortality and expense risks charge and applicable asset-based administration charges of the Contracts, the ongoing expense of the Contracts ranges from 1.81% to 3.05% (3.32% without expense reimbursement), excluding the up of $30 per year maintenance charge.

12. Applicants state that certain Plan Sponsors of Plans holding Contracts have determined to change the nature of their Plans and to replace the Contracts with Exchange Fund shares. To facilitate this change, Plans holding Contracts may wish to surrender them and reinvest the proceeds in Class A shares of the Exchange Funds. Any such surrender and reinvestment of proceeds will be at relative net asset values; i.e., immediately after the transaction, the aggregate value of the shares of the Exchange Funds acquired will be identical to the cash value of the Contract immediately prior to the transaction. No administrative fee or any other charge will be imposed for effecting this transaction. No CDSC on the Contracts to be surrendered will be imposed.

13. Applicants further state that, prior to surrendering a Contract, the Plan Sponsor will be responsible for determining, consistent with the terms of its Plan, the appropriate allocation of Plan assets among Plan Participants. The Plan Sponsor also will be responsible for obtaining instructions from each Plan Participant concerning the manner in which Plan assets attributable to that Plan Participant, as well as future contributions, are to be allocated among the available Exchange Funds. Once a Plan Sponsor decides to surrender a Contract and provides the necessary allocation instructions, such surrender and reinvestment of proceeds will take place immediately at relative net asset values. For 90 days following the surrender of the Contract by the Plan, Participants will be allowed unlimited, free transfer among the Exchange Funds available under the Plan, subject to the Exchange Funds' current exchange policies and any limitation imposed by a Plan. No Exchange Fund front-end load will be deducted, and no Exchange Fund deferred sales charges will become applicable at the time of any transfer from Exchange Fund shares that were acquired as a result of the surrender of the Contract, regardless of when any such transfers are effected. At present, this offer of exchange is expected to be made available to Plan Sponsors during the six-month period following the issuance of the order sought by the application.

14. Applicants state that one or more aspects of the above transactions may be deemed to involve one or more offers of exchange by a Fund or JHFI that requires Commission approval under Section 11 of the 1940 Act. All recipients of such offers will be provided current prospectuses for the Exchange Funds available to them. Accompanying such prospectuses may be sales literature, including a cover letter, that has been approved by the NASD. Such sales literature will highlight the differences between Contracts and shares of the Funds and the terms of the offer of exchange. Administrative details of effecting exchanges will be handled by JHFI.

15. The exchanges will be effected as direct transfers and will not have adverse tax consequences for offerees who accept the exchange offer.

Applicants' Legal Analysis

1. Section 11(a) of the 1940 Act makes it unlawful for a registered open-end investment company or principal underwriter for such a company to make or cause to be made an offer to the holder of a security of such company or of any other open-end investment company to exchange his security for a security in the same or another such company on any basis other than the relative net asset values of the respective securities to be exchanged, unless the terms of the offer have first been submitted to and approved by the Commission or are in accordance with such rules and regulations as the Commission may have prescribed in respect of such offers which are in effect at the time such offer is made.

2. Section 11(c) of the 1940 Act provides that, irrespective of the basis of exchange, subsection (a) shall be applicable to any type of offer of exchange of the securities of registered unit investment trusts for the securities of any other investment company.

3. Applicants maintain, for the reasons summarized below, that the terms of the proposed offers of exchange do not involve any of the ''switching'' (*i.e.,* offer of exchange made solely for the purpose of assessing additional selling charges) abuses that led to the adoption of Section 11 of the 1940 Act.

4. Applicants state that the exchanges will be made on the basis of relative net asset value (*i.e.,* immediately after an exchange, the cash value of the Exchange Fund shares acquired will be identical to the cash value under the Contract immediately prior to the exchange). Further, no CDSC will be applicable to Exchange Fund shares acquired as part of the exchange, and no administrative fee or sales load will be deducted at the time of the exchange. Applicants state that the exchanges will not have adverse tax consequences for offerees who accept the exchange offer because the exchanges proposed would be made as direct transfers.

5. Applicants state that, as a general matter, Exchange Funds with investment objectives comparable to most of the 23 Portfolios will be available through the exchange offer, although each Plan may not offer all Exchange Funds available pursuant to the exchange offer. Certain of the Portfolios, however, are designed to fill a specific ''niche,'' such as the Real Estate Equity Portfolio and International Balanced Portfolio, and there are no Exchange Funds comparable to these ''niche'' funds that are currently available under the Contracts. Accordingly, depending on the Exchange Funds made available by a Plan, the exchange offer will offer an opportunity to permit Plan Sponsors and Participants to duplicate generally the current investment objective selection under the Contracts by allocating plan assets held in their accounts among Exchange Funds with comparable investment objectives, or to expand those investment objectives by selecting Exchange Funds with investment objectives not available under the Contracts. Further, Applicants state that the expenses of the Exchange Funds are generally lower than the combined expenses and fees of the Contracts and the Portfolios in which the Accounts invest. Accordingly, those persons who accept the exchange offer should incur lower expenses than those incurred under the Contracts.

6. Applicants have consented to the following conditions:

(a) No redemption or administrative fee will be imposed in connection with the proposed exchanges.

(b) At the commencement of the exchange offer, and at all times thereafter, the prospectus or the statement of additional information, as appropriate, of the offering Exchange Fund will disclose that the exchange offer is subject to termination and its terms are subject to change.

(c) Whenever the exchange offer is to be terminated or its terms are to be amended materially, any holder of a security subject to that offer shall be given prominent notice of the impending termination or amendment at least 60 days prior to the date of termination or the effective date of the amendment, provided that no notice need be given if, under extraordinary circumstances, either—

(i) There is a suspension of the redemption of the exchanged security

under Section 22(e) of the Act and the rules and regulations thereunder, or

(ii) The offering Exchange Funds temporarily delays or ceases the sale of the security to be acquired because it is unable to invest amounts effectively in accordance with applicable investment objectives, policies and restrictions.

Other than in the circumstance set forth in (c)(i) and (c)(ii) above, Applicants would dispense with the 60-days notice requirement only upon obtaining further relief from the Commission authorizing them to do so.

Conclusion

For the reasons summarized above, Applicants submit that the proposed offer of exchange is consistent with the intent and purpose of Section 11 of the 1940 Act, and that none of the abuses which Section 11 was enacted to prevent will be present.

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

Jonathan G. Katz,

Secretary.

[FR Doc. 98–29971 Filed 11–6–98; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 35–26935]

Filings Under the Public Utility Holding Company Act of 1935, as Amended (''Act'')

November 2, 1998.

Notice is hereby given that the following filing(s) has/have been made with the Commission pursuant to provisions of the Act and rules promulgated under the Act. All interested persons are referred to the application(s) and/or declaration(s) for complete statements of the proposed transaction(s) and any amendment is/are available for public inspection through the Commission's Office of Public Reference.

Interested persons wishing to comment or request a hearing on the application(s) and/or declaration(s) should submit their views in writing by November 27, 1998, to the Secretary, Securities and Exchange Commission, Washington, D.C. 20549, and serve a copy on the relevant applicant(s) and/or declarants(s) at the address(es) specified below. Proof of service (by affidavit or, in case of an attorney at law, by certificate) should be filed with the request. Any request for hearing should identify specifically the issues of fact or law that are disputed. A person who so requests will be notified of any hearing, if ordered, and will receive a copy of any notice or order issued in the matter. After November 27, 1998, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

Interstate Energy Corporation, et al. (70–9317)

Interestate Energy Corporation (''IEC''), a registered holding company, Wisconsin Power & Light Company, a public utility subsidiary company of IEC (''WPL''), Alliant Services Company (''Services''), a subsidiary service company of IEC, Alliant Industries, Inc., (''Alliant'') a wholly owned subsidiary of IEC, Heartland Environmental Holding Company, RMT, Inc., Heartland Energy Group, Inc., Heartland Properties, Inc., Capital Square Financing Corporation, Cargill-Alliant LLC, all nonutility subsidiary companies of Alliant, and Wisconsin Power & Light Company, a public utility subsidiary company of IEC, located at 222 West Washington Avenue, Madison, Wisconsin 53703, Interstate Power Company (''Interstate Power''), a public utility subsidiary company of IEC, 1000 Main Street, PO Box 769, Dubuque, Iowa 53004–0789, IES Utilities Inc. (''IES Utilities''), a public utility subsidiary company of IEC, IES Transportation Inc., IEC Transfer Services Inc., IES Investments Inc., IES Investco Inc., Village Lakeshares Inc., Prairie Ridge Business Park, Iowa Land and Building Company, IES International Inc., all indirect nonutility subsidiary companies of Alliant, located at 200 First Street, SE, Cedar Rapids, Iowa 52401, Whiting Petroleum Company, an indirect nonutility subsidiary company of Alliant, Mile High Center, 1700 Broadway, Denver, Colorado 80290, and IEI Barge Services Inc. and Cedar Rapids and Iowa City Railroad Company, both indirect nonutility subsidiary companies of Alliant, located at 2330 12th Street, SW, Cedar Rapids, Iowa 52404, have filed an application-declaration under sections 6(a), 7, 9(a), 10, 12(b), 12(f), and 13(b) of the Act and rules 32, 33, 40, 43, 44, 45, 53, 54, 87(b)(1), 90, 91 and 93 under the Act.

IEC and Alliant propose through December 31, 2000, to form and fund a Utility Money Pool (''Utility Pool'') and a Nonutility Money Pool (''Nonutility Pool'') in aggregate amounts not to exceed $450 million and $600 million respectively, through the issuance and sale of commercial paper and bank borrowings.[1] IEC also proposes to finance the acquisition of foreign utility companies (''FUCOs'') and exempt wholesale generators (''EWGs'') through the issuance of commercial paper and bank borrowings in an amount not to exceed $300 million. IEC represents that borrowings allocated to finance FUCO and EWG acquisitions will not at any time exceed 50% of IEC's retained earnings. Lastly, IEC proposes through December 31, 2000 to enter into guarantee agreements (''Guarantee'') in an amount not to exceed $600 million.

The Utility Pool participants are WPL, IES Utilities, Interstate Power and Services. The aggregate principal amount of borrowings outstanding at any one time from the Utility Pool will be limited as follows: WPL, $128 million; IES Utilities, $150 million; Interstate Power, $72 million; and Services, $100 million.[2] IEC states that participants in the Utility Pool intend to use the funds for general corporate purposes including interim funding of construction programs until permanent financing can be arranged.

IEC proposes to issue commercial paper that will have a commercial rating of at least A–1 by Standard & Poor's (''S&P'') or at least P–1 by Moody's Investor Services (''Moody's''), and Alliant proposes to issue commercial paper that will have a commercial rating of at least A–2 by S&P or P–2 by Moody's. IEC proposes to issue and sell commercial paper to fund the Utility Pool and invest in and acquire EWGs and FUCOs. Alliant proposes to issue and sell commercial paper to fund the Nonutility Pool.[3]

The proceeds from the sale of the commercial paper that will be used to fund the Nonutility Pool will be added to Alliant's treasury funds in a separate nonutility account. The proceeds from the sale of commercial paper intended to fund the Utility Pool and the investment in and acquisition of FUCO's will be added to IEC's treasury funds in separate utility and FUCO investment/acquisition accounts.

IEC and Alliant propose to issue commercial paper to dealers in the form of book-entry unsecured promissory notes of varying denominations not less than $100,000. Each note will mature not more than two-hundred and seventy

[1] Rule 52 exempts Alliant's financial transactions from Commission jurisdiction, however, this information is provided for background purposes.

[2] The figure for WPL includes the maximum outstanding borrowing for South Beloit Water, Gas & Electric Company, a wholly owned subsidiary of WPL.

[3] The Nonutility Pool participants are all nonutility subsidiary companies, except Services, included in this Application-Declaration.