Applicants' Conditions

Applicants agree as conditions to the issuance of the exemptive order requested by the application that:

1. The New Agreement will have substantially the same terms and conditions as the subadvisory agreement most recently approved by the Fund's shareholders, except for the commencement and termination dates.

2. Fees earned by the Subadviser under the New Agreement during the Interim Period will be maintained in an interest-bearing escrow account with an unaffiliated financial institution. The escrow agent will release those fees (including any interest earned on those fees): (i) to the Subadviser upon approval of the New Agreement by the Fund's shareholders; or (ii) to the Fund, if the Interim Period has ended and the Fund's shareholders have not approved the New Agreement.

3. The Fund will promptly schedule a meeting of its shareholders to vote on approval of the New Agreement, which will be held within the Interim Period (but in no event later than March 22, 1999).

4. The Adviser and/or one or more of its affiliates or subsidiaries or the Subadviser, but not the Fund, will pay the cost of preparing and filing the application. The Adviser and/or one or more of its affiliates or subsidiaries, but not the Fund, will pay the costs relating to the solicitation of shareholder approval of the New Agreement.

5. The Subadviser will take all appropriate actions to ensure that the scope and quality of subadvisory and other services provided to the Fund during the Interim Period under the New Agreement will be at least equivalent, in the judgment of the Board, including a majority of the Independent Trustees, to the scope and quality of services provided under the subadvisory agreement most recently approved by the Fund's shareholders. In the event of any material change in personnel providing services pursuant to the New Agreement during the Interim Period, the Subadviser will apprise and consult the Board to assure that the Board, including a majority of the Independent Trustees, is satisfied that the services provided by the Subadviser will not be diminished in scope or quality.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99–2932 Filed 2–5–99; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 23673; 812–11406]

Horace Mann Mutual Funds et al.; Notice of Application

February 1, 1999.

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

ACTION: Notice of an application under section 6(c) of the Investment Company Act of 1940 (the ''Act'') for an exemption from section 15(a) of the Act and rule 18f–2 under the Act, as well as from certain disclosure requirements.

SUMMARY OF THE APPLICATION: Applicants, Horace Mann Mutual Funds (the ''Company'') and Wilshire Associates Incorporated (the ''Adviser''), request an order that would (a) permit applicants to enter into and materially amend subadvisory agreements without shareholder approval and (b) grant relief from certain disclosure requirements.

FILING DATE: The application was filed on November 18, 1998. Applicants have agreed to file an amendment to the application during the notice period, the substance of which is reflected in this notice.

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 Commission's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on February 24, 1999, and should be accompanied by proof of service on applicants in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the Commission's Secretary.

ADDRESSES: Secretary, Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicants, c/o Christine A. Scheel, Esq., Vedder, Price, Kaufman & Kammholz, 222 North LaSalle Street, Chicago, Illinois 60601–1003.

FOR FURTHER INFORMATION CONTACT: Emerson S. Davis, Sr., Senior Counsel, at (202) 942–0714, or George J. Zornada, Branch Chief, at (202) 942–0564 (Division of Investment Management, Office of Investment Company Regulation).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee from the Commission's Public Reference Branch, 450 Fifth Street, N.W., Washington, D.C. 20549 (telephone (202) 942–8090).

Applicant's Representations

1. The Company, a Delaware business trust, is registered under the Act as an open-end management investment company. The Company is currently comprised of seven series (each a ''Fund'' and collectively, the ''Funds''), each of which has its own investment objective, policies and restrictions.[1] The shares of the Funds serve as funding vehicles for variable annuity contracts offered through separate accounts of the Horace Mann Life Insurance Company (''Horace Mann Life''). Horace Mann Life is a wholly-owned indirect subsidiary of Horace Mann Educators Corporation. The Adviser, a California corporation, will serve as investment adviser to the Funds beginning on March 1, 1999.[2] The Adviser is registered under the Investment Advisers Act of 1940 (''Advisers Act'').

2. The Adviser will serve as investment adviser to the Company pursuant to an investment advisory agreement between the Company and the Adviser that was approved by the Board of Trustees of the Company (''Board''), including a majority of the Trustees who are not ''interested persons,'' as defined in section 2(a)(19) of the 1940 Act (''Independent Trustees''), and the shareholders of the Funds (''Investment Advisory Agreement''). Under the Investment Advisory Agreement, the Adviser has overall general supervisory responsibility for the investment program of the Funds and, subject to the general supervision of the Board, has authority to select and contract with one or more subadvisers (each a ''Portfolio Manager'' and collectively, ''Portfolio Managers'') to provide one or more Funds with portfolio management services. Each Portfolio Manager will be an investment adviser registered under the Advisers Act and will perform services pursuant to a written agreement with the Adviser (the ''Sub-Advisory

[1] Applicants also request relief with respect to future series of the Company and all future registered open-end management investment companies that are (a) advised by the Adviser or any entity controlling, controlled by, or under common control with the Adviser, and (b) operate in substantially the same manner as the Funds and comply with the terms and conditions contained in the application (''Future Funds''). The Company is the only existing investment company that currently intends to rely on the order.

[2] The Funds currently are advised by Horace Mann Investors, Inc., an investment adviser registered under the Investment Advisers Act of 1940.

Agreement''). Portfolio managers' fees will be paid by the Adviser out of its fees from the Funds at rates negotiated with the Portfolio Managers by the Adviser.

3. Applicants represent that the Adviser has over 25 years of experience in the selection and supervision of investment managers for investment programs. These programs include insurance company assets, mutual funds, non-registered institutional funds, and pension funds. The Adviser primarily advises its clients regarding customized asset allocation/multi-manager structures and facilitates the implementation of such structures and the selection of various investment management organizations. Through the use of its state-of-the-art proprietary performance analytics system, the Adviser monitors managers and investment performance. The Adviser will employ its expertise to evaluate and select Portfolio Managers that have shown the ability to effectuate the Adviser's investment policies and add the most value to shareholders of the Funds. The Adviser will select those Portfolio Managers that have distinguished themselves through successful performance in the market sectors in which the respective Funds invest. The Adviser will review, monitor and report to the Board regarding the performance and procedures of the Portfolio Managers and, subject to Board oversight, take responsibility for selecting and terminating Portfolio Managers.

4. Applicants request relief to permit the Adviser to enter into and amend Sub-Advisory Agreements without shareholder approval. The requested relief will not extend to a Portfolio Manager that is an affiliated person, as defined in section 2(a)(3) of the Act, of the Company or the Adviser, other than by reason of serving as a Portfolio Manager to one or more of the Funds (an ''Affiliated Portfolio Manager'').

5. Applicants also request an exemption from the various disclosure provisions described below that may require each Fund to disclose fees paid by the Adviser to the Portfolio Managers. The Company will disclose for each Fund (both as a dollar amount and as a percentage of a Fund's net assets): (i) the aggregate fees paid to the Adviser and Affiliated Portfolio Managers; and (ii) aggregate fees paid to Portfolio Managers other than Affiliated Portfolio Managers (''Aggregate Fee Disclosure''). For any Fund that employs an Affiliated Portfolio Manager, the Fund will provide separate disclosure of any fees paid to the Affiliated Portfolio Manager.

Applicants' Legal Analysis

1. Section 15(a) of the Act provides, in relevant part, that it is unlawful for any person to act as an investment adviser to a registered investment company except pursuant to a written contract that has been approved by the vote of the company's outstanding voting securities. Rule 18f–2 under the Act provides that each series or class of stock in a series company affected by a matter must approve such matter if the Act requires shareholder approval.

2. Forum N–1A is the registration statement used by open-end investment companies. Items 3, 6(a)(1)(ii), and 15(a)(3) of Form N–1A require disclosure of the method and amount of the investment adviser's compensation.

3. Form N–14 is the registration form for business combinations involving open-end investment companies. Item 3 of Form N–14 requires the inclusion of a ''table showing the current fees for the registrant and the company being acquired and pro forma fees, if different, for the registrant after giving effect to the transaction.''

4. Rule 20a–1 under the Act requires proxies solicited with respect to an investment company to comply with Schedule 14A under the Securities Exchange Act of 1934 (the ''Exchange Act''). Item 22(a)(3)(iv) of Schedule 14A requires a proxy statement for a shareholder meeting at which a new fee will be established or an existing fee increased to include a table of the current and pro forma fees. Items 22(c)(1)(ii), 22(c)(1)(iii), 22(c)(8), and 22c(c)(9), taken together, require a proxy statement for a shareholder meeting at which the advisory contract will be voted upon to include the ''rate of compensation of the investment adviser,'' the ''aggregate amount of the investment adviser's fee,'' a description of the ''terms of the contract to be acted upon,'' and, if a change in the advisory fee is proposed, the existing and proposed fees and the difference between the two fees.

5. Form N–SAR is the semi-annual report filed with the Commission by registered investment companies. Item 48 of Form N–SAR requires investment companies to disclose the rate schedule for fees paid to their investment advisers, including the Portfolio Managers.

6. Regulation S–X sets forth the requirements for financial statements required to be included as part of investment company registration statements and shareholder reports filed with the Commission. Sections 6–07(2)(a), (b) and (c) of Regulation S–X require that investment companies include in their financial statements information about investment advisory fees.

7. Section 6(c) of the Act provides that the Commission may exempt any person, security, or transaction or any class or classes of persons, securities, or transactions from any provision of the Act, or from any rule thereunder, if such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policies and provisions of the Act. Applicants believe that their requested relief meets this standard for the reasons discussed below.

8. Applicants assert that the Funds' investors will rely on the Adviser to select one or more Portfolio Managers best suited to achieve a Fund's investment objectives. Therefore, applicants assert that, from the perspective of the investor, the role of the Portfolio Managers is comparable to that of individual portfolio managers employed by other investment advisory firms. Applicants note that the Investment Advisory Agreement will remain subject to section 15(a) of the Act and rule 18f–2 under the Act.

9. Applicants further assert that some Portfolio Managers use a ''posted'' rate schedule to set their fees. Applicants believe that some organizations may be unwilling to serve as Portfolio Managers at any fee other than their ''posted'' fee rates, unless the rates negotiated for the Funds are not publicly disclosed. Applicants believe that requiring disclosure of Portfolio Manager's fees may deprive the Adviser of its bargaining power while producing no benefit to shareholders, since the total advisory fee they pay would not be affected.

Applicants' Conditions

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

1. Before an existing Fund may rely on the order requested in the application, the operation of the Fund in the manner described in the application will be approved by a majority of the outstanding voting securities (or, if the Fund serves as a funding medium for any sub-account of a registered separate account, pursuant to voting instructions provided by the unitholders of the sub-account), as defined in the Act, or, in the case of a Future Fund whose public shareholders purchased shares on the basis of a prospectus containing the disclosure contemplated by condition 2 below, by the sole initial shareholder(s) before offering shares of that Future Fund to

the public (or the variable contract owners through a separate account).

2. The Company will disclose in its prospectus the existence, substance and effect of any order granted pursuant to the application. In addition, each Fund relying on the requested order will hold itself out to the public as employing the management structure described in the application. The prospectus will prominently disclose that the Adviser has ultimate responsibility (subject to oversight by the Board) to oversee the Portfolio Managers and recommend their hiring, termination, and replacement.

3. Within 90 days of the hiring of any new Portfolio Manager, shareholders (or, if the Fund serves as a funding medium for any sub-account of a registered separate account, the unitholders of the sub-account) will be furnished all information about the new Portfolio Manager of Sub-Advisory Agreement that would be included in a proxy statement, except as modified to permit Aggregate Fee Disclosure. This information will include Aggregate Fee Disclosure and any change in such disclosure caused by the addition of a new Portfolio Manager. The Adviser will meet this condition by providing these sharehodlers with an information statement meeting the requirements of Regulation 14C, Schedule 14C, and Item 22 of Schedule 14A under the Exchange Act, except as modified to permit Aggregate Fee Disclosure.

4. The Adviser will not enter into a Sub-Advisory Agreement with an Affiliated Portfolio Manager without that Sub-Advisory Agreement, including the compensation to be paid thereunder, being approved by the Fund's shareholders (or if the Fund serves as a funding medium for any sub-account of a registered separate account, pursuant to voting instructions provided by the unitholder of the sub-account.

5. At all times, a majority of the Board will be Independent Trustees, and the nomination of new or additional Independent Trustees will be at the discretion of the then-existing Independent Trustees.

6. When a Portfolio Manager change is proposed for a Fund with an Affiliated Portfolio Manager, the Board, including a majority of the Independent Trustees, will make a separate finding, reflected in the Board minutes, that the change is in the best interests of the Fund and its shareholders, (or, if the Fund serves as a funding medium for any sub-account of a registered separate account, in the best interests of the Fund and the unitholders of any sub-account) and does not involve a conflict of interest from which the Adviser or the Affiliated Portfolio Manager derives an inappropriate advantage.

7. The Adviser will provide the Board, no less frequently than quarterly, will information about the Adviser's profitability on a per Fund basis. This information will reflect the impact on profitability of the hiring or termination of any Portfolio Manager during the applicable quarter.

8. Whenever a Portfolio Manager is hired or terminated, the Adviser will provide the Board with information showing the expected impact on the Adviser's profitability.

9. The Adviser will provide general management services to the Company and the Funds, including overall supervisory responsibility for the general management and investment of each Fund, and, subject to review and approval by the Board will (i) set each Fund's overall investment strategies; (ii) evaluate, select and recommend Portfolio Managers to manage all or a part of a Fund's assets; (iii) when appropriate, allocate and reallocate a Fund's assets among multiple Portfolio Managers; (iv) monitor and evaluate the investment performance of Portfolio Managers; and (v) implement procedures reasonably designed to ensure that the Portfolio Managers comply with the relevant Fund's investment objective, policies, and restrictions.

10. No director, trustee or officer of the Company or the Adviser will own directly or indirectly (other than through a pooled investment vehicle that is not controlled by such person) any interest in any Portfolio Manager except for (i) ownership of interests in the Adviser or any entity that controls, is controlled by, or is under common control with the Adviser; or (ii) ownership of less than 1% of the outstanding securities of any class of equity or debt of a publicly-traded company that is either a Portfolio Manager or an entity that controls, is controlled by, or is under common control with a Portfolio Manager.

11. The Company will disclose in its registration statement the Aggregate Fee Disclosure.

12. Independent counsel knowledgeable about the Act and the duties of Independent Trustees will be engaged to represent the Independent Trustees of the Company. The selection of such counsel will remain within the discretion of the Independent Trustees.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99–2893 Filed 2–5–99; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 35–26970]

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

January 29, 1999.

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 applications(s) and/or declaration(s) for complete statements of the proposed transaction(s) summarized below. The application(s) and/or declaration(s) and any amendments 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 February 22, 1999, to the Secretary, Securities and Exchange Commission, Washington, DC 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 received a copy of any notice or order issued in the matter. After February 22, 1999, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

Ameren Corporation

[70–9423]

Ameren Corporation (''Ameren''), a registered holding company, Union Electric Company (''UE''), an electric and gas public utility subsidiary of Ameren, and Ameren Services Company (''Ameren Services''), a service company subsidiary of Ameren, all located at 1901 Chouteau Avenue, St. Louis, Missouri 63103, and Central Illinois Public Service Company (''CIPS''), and electric and gas public utility subsidiary of Ameren, located at 607 East Adams,