Morgan Lewis

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December 30, 2016

1:15

BY HAND

Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: SEC File Nos. 812-14446 & 812-14447

Dear Mr. Fields:

We represent the mutual funds that are series of American Funds Insurance Series ("AFIS" or the "Funds") with respect to its opposition of the applications filed by Hartford Life Insurance Company, et al. (collectively, "Applicants"), on April 21, 2015 and amended on May 25, 2016 and August 31, 2016, SEC file nos. 812-14446 and 812-14447 (the "Applications").

The Applications would permit an unprecedented substitution of the Applicants' investment judgment for the individual investment judgment decisions made by the purchasers (contractholders) of several hundred thousand variable annuity contracts, without providing any opportunity to those who purchased these contracts to exercise their own investment judgment. The substitutions proposed by the Applications also would precipitously terminate the ongoing relationship between the contractholders and investment providers like the Funds, without any consideration of the rights of these contractholders. The Commission should not facilitate such an unprecedented substitution.

We believe that the SEC should not issue the requested orders and allow the Applicants to follow the vastly simpler and customary method by which new insurance dedicated funds are developed and marketed to variable annuity contractholders; that is to say, by establishing and marketing the funds as an additional

investment choice for contractholders. This established method requires no government intrusion or action and is uncontroversial. It also allows the contractholders the freedom to choose for themselves the value and fit of the Applicants' proposed funds for their individual circumstances.

On behalf of AFIS we hereby request a hearing on the Applications.[1]

I. Reasons for Granting the Hearing Request

The Applicants request a Commission Order approving the substitution of certain securities pursuant to Section 26(c) of the Investment Company Act of 1940 ("1940 Act") and an order pursuant to Section 17(b) exempting the Applicants from section 17(a) to the extent necessary to permit them to engage in certain affiliated transactions otherwise prohibited by Section 17(a) of the 1940 Act. The Applicants seek to replace actively-managed third party funds selected by variable annuity contractholders in the exercise of their investment judgment with quantitative, index-type funds selected by the Applicants and created and managed by Hartford Investment Management Company ("HIMCO"), an affiliate of Hartford Life, from which HIMCO will earn advisory fees. It should be noted that both HIMCO and Hartford Life are subsidiaries of Hartford Financial Services Group Inc. AFIS is a family of mutual funds that are offered as underlying investments to variable annuity contracts. A number of Funds have been offered as underlying investments for numerous Hartford Life contracts affected by the proposed substitutions, representing approximately $7.3 billion in Fund shares. We believe that based on public filings, hundreds of thousands of variable annuity contracts will be affected by the substitutions, amounting to about $16.1 billion in fund shares. If the Applications are granted, the affected Funds and their remaining shareholders will suffer harm, including higher fees due to the loss of advantageous advisory fee breakpoints.

The Funds believe the Applicants' substitution request is neither necessary nor appropriate, is not in the public interest, is not consistent with the protection of investors,

[1] The Applications would, if approved without a hearing by the Commission (or by its Staff pursuant to delegated authority), abrogate existing and valuable arms-length contracts, without affording the Funds, or their investors (adversely affected contractholders) that affirmatively chose to invest in the Funds, due process of law. Hartford Life contractholders own approximately $7.3 billion in the Funds, and the Applications would affect 5% to 14% of each affected Fund's assets, as of November 30, 2016. Under the Fifth Amendment to the U.S. Constitution, the Administrative Procedure Act, and the Investment Company Act of 1940, the Funds would be demonstrably and materially harmed by the proposed government action embodied in the Applications, and therefore have ample standing to contest these Applications and to request a hearing on them. *See* discussion at p. 10, *infra.*

and is not consistent with the purposes fairly intended by the policy and provisions of the 1940 Act. These involuntary substitutions would materially decrease the value of the contracts investors originally purchased. Not only would contractholders be deprived of the Funds and other funds they originally chose, but many contractholders also purchased investment guarantees based on the performance of these actively-managed funds. The replacement funds offer contractholders less upside, thereby devaluing the guarantees and depriving contractholders of the potential upside they actively sought and for which they paid.

The Funds believe the driving force for these fund substitutions is not the protection of contractholders – the only legitimate basis for substitution applications – but rather is impelled by Hartford Life's desire to sell its variable annuity business, which is in run-off (meaning no more contracts are being sold or issued and Hartford Life is actively looking to eliminate the contracts from its books). Hartford Life has amended its Applications several times, but has not adequately addressed the issues we raise here, and therefore a hearing is necessary to demonstrate that the substitutions are entirely inconsistent with the protection of investors.[2] Hartford Life's desire to run-off and/or sell this variable contract business is not speculation on our part, but actual fact.[3] These substitutions are calculated to facilitate this move by making

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[2] We have attempted to gain some insight into the Commission staff's ("Staff") support for the Applications by making a Freedom of Information Act ("FOIA") request for documents relating to the discussions between the Staff and Hartford Life, the existence of which was disclosed in the Applications themselves when the Applications were first filed on April 21, 2015. The original FOIA request, made on September 9, 2015, was apparently lost. On February 17, 2016 the FOIA Office acknowledged receiving the second iteration of our request. Since then, we have received emails from the FOIA Office on July 15, August 4, August 30, September 23, November 1, and December 21, 2016, stating that the FOIA Office was "still waiting feedback from the SEC program office" and projecting various response dates. To date no documents have been produced. The FOIA Office's latest email, dated December 21, projects a response "by the third week of January."

We request that these communications be produced as soon as possible as they may be directly relevant to issues that should be considered in a hearing. We cannot fairly contest these issues without access to the materials relevant to these discussions, and months of inaction on our request is both a violation of Commission procedure and a denial of due process.

[3] *See* Katherine Chiglinsky and Matthew Monks, "Hartford Said to Enlist JPMorgan to Sell Annuity Runoff Business," BLOOMBERG (Sept. 21, 2016), *available at* https://www.bloomberg.com/news/articles/2016-09-21/hartford-said-to-enlist-jpmorgan-to-sell-annuity-runoff-business; David Bull and Adam McNestrie, "The Hartford explores sale of $4.7bn VA unit," THE INSURANCE INSIDER (Sept. 21, 2016), *available at* http://www.insuranceinsider.com/the-hartford-explores-sale-of-4.7bn-va-unit; Press Release, The Hartford, The Hartford Announces Expanded Hedging Program That Effectively Eliminates Currency And Equity Market Risks On Japan Variable Annuity Block (Apr. 11, 2013), *available at* https://newsroom.thehartford.com/releases/the-hartford-announces-expanded-hedging-program-that-effectively-eliminates-currency-and-equity-market-risks-on-japan-variable-annuity-block. *See also* The

(i) the variable contracts less attractive to contractholders, hoping for a more accelerated rate of contract surrenders; and

(ii) this line of business more 'hedgeable' and therefore more attractive to a potential buyer.

Hartford Life sold investment guarantees that are advantageous to contractholders that purchased them, but now Hartford Life wants to renege on the deal it struck and not stand behind the original guarantees it issued. Standing behind the bargain you make is at the very core of investment agreements such as these variable contracts. And, even if that were not true, attempting to use government action to abrogate valid current contracts is not something to which Hartford Life is entitled. Hartford Life is conflicted with respect to the Applications, because it stands to increase its fee revenue if it succeeds in obtaining the Commission's approvals to employ HIMCO to act as the investment adviser to the proposed replacement funds.

David Grim, the Director of the Division of Investment Management has called attention to variable insurance contract buyout offers, which present issues similar to those in a fund substitution. In 2015 and 2016 speeches before the ALI CLE 2016 Conference on Life Insurance Products, Mr. Grim noted that the Commission Staff believes that these offers should remain under a spotlight given the ongoing concern that they might not be beneficial for all, or even most, contract owners.[4] He also noted that it is difficult to quantify the value of a living benefit and, thus, difficult to compare contracts in the exchange offer, or to assess any offer for a buyout of one's contract. In his remarks at the 2016 conference, Mr. Grim drew the attendants' direction to the SEC investor bulletin titled "Variable Annuities – Should you Accept a Buyout Offer" issued by the SEC's Office of Investor Education and Advocacy in July of this year.[5] The bulletin explained

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Hartford Financial Services Group, Inc., INVESTOR PRESENTATION at 5 and 21, *available at* https://ir.thehartford.com/~/media/Files/T/Thehartford-IR/reports-and-presentations/hig-101-november-2016.pdf (Nov. 2016).

[4] D. Grim, *"Remarks to the ALI CLE 2016 Conference on Life Insurance Products,"* Washington, DC (Nov. 4, 2016), *available at* https://www.sec.gov/news/speech/grim-remarks-ali-cle-2016-conference-life-insurance-products.html; David W. Grim, *"Remarks to the ALI CLE 2015 Conference on Life Insurance Company Products,"* Washington, DC (Nov. 2, 2015), *available at* https://www.sec.gov/news/speech/remarks-ali-cle-2015-conf-life-insurance-company-products-grim.html.

[5] SEC's Office of Investor Education and Advocacy, "Investor Bulletin: Variable Annuities–Should You Accept a Buyout Offer?" (July 14, 2016), *available at* https://www.sec.gov/oiea/investor-alerts-bulletins/ib_buyvarannuities.html.

many of the pros and cons associated with insurance company buyouts of variable insurance contracts. It warns investors that insurance companies may make buyout offers because it is in their own best interest to do so and that the insurance company does not make a buyout offer solely based on a determination that it is in the contractholder's best interest. The bulletin also makes it clear that these buyout offers are optional and the contractholder is not obligated to accept the offer.

It is clear to us that the concept of buyout offers of variable insurance contracts with guaranteed benefits by their insurance company issuers has come under a higher level of scrutiny at the Commission. We believe that the proposed fund substitutions are analogous to these buyout offers, but in many ways are more detrimental to contractholders. First, they are mandatory; contractholders have no choice as in a buyout offer, and therefore the substitutions are coercive. Second, unlike in a buyout offer, Hartford Life is not offering any consideration or premium to account value in exchange for contractholders giving up the funds they had chosen. For these reasons, the substitutions should be scrutinized even more critically than a buyout offer. Much like a buyout offer, Hartford Life intends to use the proposed substitutions to limit its exposure under the existing guaranteed benefits to which it committed. It is hard to see how these substitutions, given the Commission Staff's concerns noted above, would be in the public interest. Accordingly, it is hard to see how these proposed substitutions would meet the standard for granting exemptive relief required under the Investment Company Act.

As Mr. Grim noted, it is difficult to quantify the value of a living benefit and, thus, difficult to assess any offer for a buyout of one's contract. It is clear to us that a contractholder would have the same difficulty assessing the impact of the proposed substitution on his/her contract benefits. Hartford Life is asking the Commission to approve the Applications, thereby allowing Hartford Life to impose its own judgment in place of the investment decision originally made by each contractholder. Hartford Life's sole purpose in proposing these substitutions is not to benefit its contractholders but to be able to implement its own strategic business plan. We do not see how the Commission can make a determination that these proposed substitutions are suitable for, and in the best interest of, all contractholders.

II. FACTUAL ISSUES

The Funds[6] request a hearing on these Applications to determine:

[6] A question has been raised by the Staff as to whether the sharing of expenses by the Funds and Capital Research and Management Company ("CRMC") related to this hearing request (or the analysis of the Applications) involves a joint arrangement within the meaning of Rule 17d-1 under the 1940 Act. We represent the Funds in this matter, and Kalorama Legal Services ("Kalorama') represents CRMC. Without

A. Whether the Applications Provide an Adequate Basis for the Commission and Interested Parties to Assess the Effect of the Proposed Substitutions on Contractholders' Guarantees.

Many Hartford Life contractholders purchased their variable contracts with valuable investment guarantees in the form of living income guarantees and death benefits. These guarantees were priced based on the actively managed mutual funds available to the contractholder at the time of purchase.

A contractholder's guarantee is considerably more valuable to such contractholder (and conversely more expensive for the insurer) when the contractholder has access to actively managed funds and the freedom to seek multiple investment managers with different investment styles. This is because actively-managed funds have more potential "upside" than quantitative, index-type funds – they seek to beat the market, not just match it, and pay guaranteed returns in excess of the highest value of the underlying funds. Contractholders paid a premium to purchase and maintain the guarantee above and beyond what they paid for their contracts.

The proposed substitutions essentially rewrite each of these guarantees to a much less valuable and inexpensive guarantee covering primarily passively managed, proprietary funds without compensation to the contractholder. Contractholders will not realize the full benefit of the bargain they had with Hartford Life when their guarantees were originally purchased. Further, given the value of the guarantee to the contractholder, it is highly unlikely that a contractholder would be able to purchase a similar guarantee from another insurer at a similar price, or at all.

We do not believe that the Applicants have provided the Commission and its Staff with sufficient information to enable an adequate assessment of the effect of the proposed substitution on contractholders' guarantees has been adequately assessed. At a hearing, we intend to present expert testimony about the financial harm that contractholders will suffer if the relief is granted, harm that is inconsistent with the protection of investors. While the Funds did not issue the guarantees, the Funds' concern is for their shareholders who purchased a "package" consisting of a variable annuity contract and mutual fund shares –

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conceding the need to do so, CRMC has agreed to cover all costs of the Funds in connection with this hearing request and any subsequent hearing, including the costs of Morgan Lewis. CRMC is also paying all of its costs, including the costs of its counsel, Kalorama.

including Fund shares – and at least for the present, these contractholders are our shareholders.

One need look no further than the Applications themselves for evidence that the proposed substitutions will likely have a negative impact on the guarantees purchased by contractholders. The initial Applications contained the condition commonly found in other substitution applications, which states in relevant part that "the Substitution will not adversely affect any riders under the Contracts." However, presumably upon realizing that they could not meet this condition, the Applicants revised the condition in their first amended and restated Applications, moving away from an assurance to contractholders that their guarantees will not be altered. The revised condition stated that "The Substitution will not result in the loss of any Contract guarantees because, to the extent that an Existing Portfolio is a permissible investment option under a rider, its corresponding Replacement Portfolio is a permissible investment option under the rider." In their second amended and restated Applications, the Applicants removed the entire condition. The evolution of this condition and its significance to contractholders and AFIS need to be developed at a hearing.[7]

B. Whether the Applications Permit the Commission Adequately to Assess the Differing Degrees of Impact the Proposed Substitutions would have on Contractholders' Existing Guarantees.

The Applications state that, for each substitution of a current fund, between 56 and 67 different variable annuity contracts will be affected, each type having thousands of investors. Because the numerous contracts listed in the Applications have materially different guarantees, we believe that the Commission, before it could approve the individual substitutions, must assess the differing degrees of impact on each type of guarantee in order to determine whether the proposed substitutions are consistent with the protection of investors as required by Section 26(c) of the 1940 Act. We do not believe that the Staff has been able to perform this rigorous analysis, and given the conclusory statements in the Applications, neither have we. Instead, the Applicants intend for all to rely solely on their assertions. But the standards of the 1940 Act do not permit the Commission to base an approval of the proposed substitution – were the Commission otherwise disposed to grant the Applications – without a careful and complete examination of the underlying predicates for the Applicants' assertions. Moreover, given that these are individual and group deferred annuity contracts, the consequences of such substitutions to

[7] An important advantage of a hearing would be to enable the Staff, the Commissioners, and all interested parties, to question the Applicants about the meaning (and evolution) of the language contained in the proposals.

the retirement plans of thousands of contractholders must also be examined, but the Staff and the Commission – not to mention interested parties – are prevented from doing so given the absence of any factual analysis in the Applications.

C. Whether the Applications Provide a Sufficient Basis for Determining whether the Proposed Replacement Funds Are Similar to the Current Funds.

Many of the proposed replacement funds are quantitative, index-type funds, some of which have yet to begin operation. In contrast, the Funds are actively managed funds with a long track record of consistently superior performance. Hartford Life asserts that it is acting in the best interest of contractholders by forcing a conversion of freely-chosen funds with brand new, unproven funds from which HIMCO will now earn substantial fees. At the very time it is seeking to sell its variable annuity business, Hartford Life seeks the SEC's permission to increase its revenues (investment advisory fees) and decrease its costs (guarantees).

Many of the proposed replacement funds have objectives and strategies that are not sufficiently similar to those of the funds the Applicants are proposing to replace. A hearing would enable interested parties to demonstrate that in many cases Hartford Life is trying to fit a square peg into a round hole by, for example, replacing three distinct Funds with a single Hartford-advised fund. These three Funds Hartford Life proposes to replace have different objectives, strategies, and portfolios securities, and it is inconceivable that one could look at each of these funds individually and conclude that they all are substantially similar to the same fund.

The proposed replacement funds have been registered for well over a year and still have not attracted a single investment dollar, including any seed money from Hartford Life, and as a result do not have any investment operations. Due to this lack of track record Hartford Life in many instances compares the results of the Funds to a composite. This comparison is not appropriate and does not give an investor the information he/she would need to make an investment decision. Many of the composites provided are made up of few accounts with very small balances or contain non-fund accounts, thwarting comparability. Only two of the composites presented as comparisons to Funds have assets in excess of $1 billion. Some of the accounts in the composites are not subject to the diversification requirements, tax restrictions and investment limitations imposed by the 1940 Act or Subchapter M of the Internal Revenue Code. Consequently, the composite's performance may have been less favorable had its component accounts been registered investment companies. It is difficult to see how these comparisons could justify a finding that the proposed replacement funds are similar to the current funds, but it is one of great factual significance that should be analyzed more fully at a hearing.

These changes in investment strategy, from mature, high-performing funds to newly formed funds and from active to passive management, and the significant differences in the objectives and strategies of each of the funds, amount to a material change in investment decision for the Fund shareholders. Hartford Life is asking the Commission to impose Hartford Life's plan to replace our investors' chosen investment with a completely different investment, in essence substituting the Applicants' judgment for that of the investors. This is not consistent with the purposes fairly intended by the policy and provisions of the 1940 Act. Moreover, this unilateral substitution appears to be a breach of Hartford Life's fiduciary duty to its contract owners, and if the Commission grants Hartford Life's request, the Commission will be facilitating – and putting its stamp of approval on – this apparent breach.

III. Legal Issues

A. Whether the Proposed Applications Would Compel the Commission to Adopt an Unprecedented and Inconsistent Application of Section 26(c) of the 1940 Act.

Over a number of years, insurance companies have received exemptive relief for fund substitutions. But here Hartford Life is being treated more favorably than other applicants – with no evidentiary record that might provide an apparent basis for doing so. For example, earlier this year the Staff, under delegated authority, issued a fund substitution to Principal Life Insurance Company.[8] The *Principal* order has two conditions specifically aimed at protecting contractholders that the Applications do not. First, Principal represented that the substitutions would have no adverse impact on existing guarantees, and second, it represented that for three years from the substitution date, neither it nor its affiliates would receive any direct or indirect benefits from the replacement funds. The first condition noted above appears in the vast majority of the orders cited as precedent in the Applications and the second appears in many as well. At a minimum, a hearing would enable the Staff, Commissioners and interested parties to explore the absence of these two conditions in the Applications, and the reasons for those omissions.

Contractholders who selected the Funds and purchased a guarantee will be harmed when their funds are replaced, because their guarantees will now be worth less and they will have overpaid for them. As earlier noted, HIMCO will receive advisory fees from the replacement funds. The two missing conditions would prevent contractholders from being harmed and eliminate Hartford Life's conflict of interest. We do not know why Hartford

[8] *See* Investment Company Act Release Nos. 32030 (Mar. 17, 2016) (notice) and 32067 (Apr. 8, 2016) (order).

Life was allowed to omit these key conditions, and we surmise that Hartford Life could not make these representations if asked to do so. But the omission of these two conditions is clearly not consistent with the protection of investors. Because the Staff's delegated authority to issue notices on exemptive applications only extends to matters that "do not present significant issues that have not been previously settled by the Commission or [do not] raise questions of fact or policy indicating that the public interest or the interest of investors warrants that the Commission consider the matter," issuing a notice without these two conditions that typically accompany such substitution applications clearly raises issues not previously settled by the Commission.[9]

B. Whether the Proposed Substitutions are Consistent with the Policy and Provisions of the 1940 Act.

In addition, there is no basis to find that the proposed substitutions are consistent with the policy and provisions of the 1940 Act outlined in Section 1(b) of the 1940 Act. Section 1(b) states, in relevant part, that "the national public interest and the interests of investors are adversely affected – ... (2) when investment companies are organized, operated and managed... in the interests of directors, officers, investment advisers, depositors, or other affiliated persons thereof,... rather than in the interest of all classes of such companies' security holders,... or (6) when investment companies are reorganized, become inactive, or change the character of their business, or when the control or management thereof is transferred, without the consent of their security holders." The proposed substitutions are designed to benefit Hartford Life in its planned exit from the variable annuity business, to the disadvantage of contractholders, and change the character of contractholders' investments without their consent, in clear violation of the policies reflected in the 1940 Act.

Because at one time substitutions were permitted merely upon notice to contractholders, in 1966 the SEC recommended that Congress, among other things, amend Section 26 to give shareholders a voice in fund substitutions:

"Accordingly, the Commission recommends that section 26 be amended to require that proposed substitutions may not occur without Commission approval. Not only would there be Commission scrutiny, but interested shareholders would also have an opportunity to state their views about the proposed substitution. Before issuing an order approving the substitution, the Commission would be required to find that the substitution is necessary or

[9] 17 C.F.R. § 200.30-5(a)(1).

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."[10]

The 1940 Act was subsequently amended in 1970 to add this provision and afford interested parties an opportunity to challenge substitution applications through the hearing process. The proposed substitutions are precisely the sort of action for which a hearing would be appropriate, as there are factual and policy issues that have not been developed in the Applications.

C. Whether the Benefits of Actively-Managed Funds and Guarantees Dwarf the Modest Cost Savings Proposed by Hartford Life.

Historically, a large part of the Staff's review of fund substitution applications has focused on whether contractholders would enjoy cost savings.[11] Hartford Life asserts that the fund substitutions will result in lower fund fees for contractholders. For most of the proposed substitutions the lower expense ratio is the result of a distribution (Rule 12b-1) fee that is five basis points (0.05%) lower than the current fee, and not the result of higher management fees charged by the Funds. In fact, expenses for the Funds are among the lowest in the industry.

The Funds have offered to create a share class with a 12b-1 fee that is five basis points lower than the current fee, or alternatively exchange contractholders into an existing share class of the Funds that has no 12b-1 fee. The latter approach would result in Fund fees *lower* than the replacement fund fees. The Funds have repeatedly sought to negotiate with Hartford Life and avoid a hearing. Hartford Life has not accepted any of the Funds' offers, demonstrating that their concern is not for contractholders but for their own bottom line.

[10] Securities and Exchange Commission, Public Policy Implications of Investment Company Growth (1966) at 337 (emphasis added).

[11] *See* S. Roth, S. Krawczyk, and D. Goldstein, "Reorganizing Insurance Company Separate Accounts Under Federal Securities Laws," 46 Bus. Law. 537 (Feb. 1991), text at n.142.

IV. THE FUNDS ARE INTERESTED PERSONS ENTITLED TO REQUEST A HEARING

To be an interested person entitled to request a hearing on an application under the 1940 Act, a requestor must state an ownership or other direct interest in the applicants at issue or demonstrate that it is likely to be harmed by the granting of the application.[12]

If the Applications are granted, the Funds will suffer a specific and material harm. Hartford Life contractholders own approximately $7.3 billion in Fund shares, and the substitutions would affect 5% to 14% of each Fund's assets, as of November 30, 2016. These Funds and their remaining shareholders will lose the benefit of advisory fee breakpoints due to the effect of the proposed substitutions on their assets, resulting in higher fees. Therefore, the Funds are likely to be harmed by the granting of the Applications.

Rule 0-5(c) under the 1940 Act provides that the Commission will order a hearing when it appears that a hearing is "necessary or appropriate in the public interest or for the protection of investors, (1) upon the request of an interested person or (2) upon its own motion."[13] The Funds further assert that they have raised material issues of fact and policy in this request that would warrant a hearing and that their request raises issues of public interest and investor protection relevant to the Applications,[14] some of which the Commission has not previously considered.[15] Further, granting this hearing request would not interfere with the Commission's "orderly conduct of business," as a hearing would further develop the issues presented by the Applications as well as clarify the appropriate standard for review of substitution applications.[16]

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[12] *See* The Chase Manhattan Bank, N.A. and Chemical Bank, Investment Company Act Release No. 23186 (May 14, 1998) (order); Potomac Capital Investment Corp., Investment Company Act Release No. 17238 (Nov. 28, 1989) (order); Shearson Loeb Rhoades Inc., Investment Company Act Release Nos. 11834 and 11835 (June 26, 1981) (orders).

[13] 17 C.F.R. § 270.05(c)(2009).

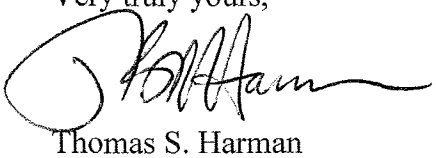
[14] *See, e.g.,* Pantepec International, Inc., Investment Company Act Release No. 17908 (Dec. 20, 1990).

[15] *See* Vanguard Index Funds *et al.*, Investment Company Act Release No. 24789 (Dec. 12, 2000).

[16] Section 555(b) of the Administrative Procedure Act, 5 U.S.C. § 555(b), states in part, "[s]o far as the orderly conduct of public business permits, an interested person may appear before an agency or its responsible employees for the presentation, adjustment, or determination of an issue, request, or controversy in a proceeding, whether interlocutory, summary, or otherwise, or in connection with an agency function." As the language of that Act suggests, an "interested person" has a right to appear before an agency but the participation is qualified by the "orderly conduct of business." As discussed above, the Funds are likely to be

Please find enclosed proof of service upon the Applicants in the form of an affidavit.

Very truly yours,



Thomas S. Harman

cc: The Honorable Mary Jo White
The Honorable Michael S. Piwowar
The Honorable Kara M. Stein
David W. Grim, Director, Division of Investment Management
Michael J. Downer, Senior Vice President, Senior Counsel and Secretary, Capital Research and Management Company
Stephen T. Joyce, Senior Vice President, American Funds Distributors, Inc.
Paul F. Roye, Senior Vice President and Senior Counsel, Capital Research and Management Company
Michael J. Triessl, Senior Vice President and Senior Counsel, Capital Research and Management Company

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harmed by the granting of the Applications, and have alleged issues of fact or law relevant to the Applications.