

opportunity for a hearing regarding the renewal application was the subject of the aforementioned **Federal Register** notice (72 FR 46680). Matters related to participation in any hearing are outside the scope of matters to be discussed at this public meeting.

At the conclusion of the scoping process, the NRC will prepare a concise summary of the determination and conclusions reached, including the significant issues identified, and will send a copy of the summary to each participant in the scoping process. The summary will also be available for inspection in ADAMS at <http://adamswebsearch.nrc.gov/dologin.htm>. The staff will then prepare and issue for comment the draft supplement to the GEIS, which will be the subject of a separate notice and separate public meeting. Copies will be available for public inspection at the Burke County Library, and one copy per request will be provided free of charge. After receipt and consideration of the comments, the NRC will prepare a final supplement to the GEIS, which will also be available for public inspection.

Information about the proposed action, the supplement to the GEIS, and the scoping process may be obtained from Mr. Leous at the aforementioned telephone number or e-mail address.

Dated at Rockville, Maryland, this 21st day of August 2007.

For the Nuclear Regulatory Commission.

**Rani Franovich,**

*Branch Chief, Environmental Branch B,  
Division of License Renewal, Office of Nuclear  
Reactor Regulation.*

[FR Doc. E7-16995 Filed 8-27-07; 8:45 am]

**BILLING CODE 7590-01-P**

## NUCLEAR REGULATORY COMMISSION

### Sunshine Act Meeting

**DATES:** Weeks of August 27, September 3, 10, 17, 24, October 1, 2007.

**PLACE:** Commissioners' Conference Room, 11555 Rockville Pike, Rockville, Maryland.

**STATUS:** Public and Closed.

### Matters to be Considered

*Week of August 27, 2007*

Thursday, August 30, 2007

9 a.m. Affirmation Session (Public Meeting) (Tentative).

- a. *Final Rule:* 10 CFR parts 30, 31, 32, and 150—Exemptions from Licensing, General Licenses, and Distribution of Byproduct. *Material:* Licensing and Reporting

Requirements (RIN 3150-AH41) (Tentative).

- b. Pacific Gas and Electric Co. (Diablo Canyon ISFSI), Docket No. 72-26-ISFSI, San Luis Obispo Mothers for Peace's Contentions and Request for Hearing Regarding Diablo Canyon Environmental Assessment Supplement (Tentative).
- c. Southern Nuclear Operating Co. (Early Site Permit for Vogtle ESP Site—Certified Question Regarding Conduct of Mandatory Hearing (Tentative).

*Week of September 3, 2007—Tentative*

Tuesday, September 4, 2007

2:30 p.m. Briefing on Radioactive Materials Security and Licensing (Public Meeting) (Contact: Robert Lewis, 301-415-8722).

*Week of September 10, 2007—Tentative*

There are no meetings scheduled for the Week of September 10, 2007.

*Week of September 17, 2007—Tentative*

There are no meetings scheduled for the Week of September 17, 2007.

*Week of September 24, 2007—Tentative*

There are no meetings scheduled for the Week of September 24, 2007.

*Week of October 1, 2007—Tentative*

Tuesday, October 2, 2007

9:30 a.m. Periodic Briefing on Security Issues (Closed—Ex. 1 & 3).

Wednesday, October 3, 2007

2 p.m. Briefing on NRC's International Programs, Performance, and Plans (Public Meeting) (Contact: Karen Henderson, 301-415-0202).

The schedule for Commission meetings is subject to change on short notice. To verify the status of meetings call (recording)—(301) 415-1291.

Contact person for more information: Michelle Schroll, (301) 415-1662.

The NRC Commission Meeting Schedule can be found on the Internet at: [www.nrc.gov/about-nrc/policy-making/schedule.html](http://www.nrc.gov/about-nrc/policy-making/schedule.html).

The NRC provides reasonable accommodation to individuals with disabilities where appropriate. If you need a reasonable accommodation to participate in these public meetings, or need this meeting notice or the transcript or other information from the public meetings in another format (e.g., braille, large print), please notify the NRC's Disability Program Coordinator, Rohn Brown, at 301-492-2279, TDD: 301-415-2100, or by e-mail at [REB3@nrc.gov](mailto:REB3@nrc.gov). Determinations on requests for reasonable accommodation will be made on a case-by-case basis.

This notice is distributed by mail to several hundred subscribers; if you no longer wish to receive it, or would like to be added to the distribution, please contact the Office of the Secretary, Washington, DC 20555 (301-415-1969). In addition, distribution of this meeting notice over the Internet system is available. If you are interested in receiving this Commission meeting schedule electronically, please send an electronic message to [dkw@nrc.gov](mailto:dkw@nrc.gov).

Dated: August 23, 2007.

**R. Michelle Schroll,**

*Office of the Secretary.*

[FR Doc. 07-4237 Filed 8-24-07; 10:29 am]

**BILLING CODE 7590-01-M**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. IC-27933; File No. 812-13267]

### Hartford Life Insurance Company, et al.; Notice of Application

August 22, 2007.

**AGENCY:** U.S. Securities and Exchange Commission (the "Commission").

**ACTION:** Notice of application for an order under the Investment Company Act of 1940, as amended (the "Act").

**APPLICANTS:** Hartford Life Insurance Company ("Hartford Life"), Hartford Life Insurance Company Separate Account DC-I ("Account DC-I"), Hartford Life Insurance Company Separate Account Two ("Account Two"), Hartford Life Insurance Company Separate Account Eleven ("Account Eleven") (together with Account DC-I and Account Two, the "Registered Accounts"), and Hartford Securities Distribution Company, Inc. ("HSD").

**SUMMARY:** Applicants request an order of the Commission pursuant to section 11(a) of the Act approving the terms of the proposed offers of exchange described in this application.

Applicants propose to make the following exchange offers: (1) Group variable annuity contracts issued by Hartford Life offering interests in Account Eleven (the "New Contracts") for certain group variable annuity contracts issued by Hartford Life (the "Modified Old Contracts") offering interests in both Account DC-I and Account Two as well as certain other separate accounts not registered as investment companies under the Act; (2) interests in Account DC-I and Account Two, as originally offered to contract owners, ("Original Old Contracts") for interests in the

Unregistered DC Accounts under Modified Old Contracts; (3) New Contracts for certain group variable annuity contracts issued by Hartford Life ("457 Contracts") offering interests in Hartford Life Insurance Company Separate Account 457 ("Account 457"); and (4) Original Old Contracts offering interests in Account DC-I and Account Two for 457 Contracts offering interests in Account 457.

**DATES:** The application was filed on March 2, 2006, and amended on August 21, 2007.

**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 September 17, 2007, and should 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 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, Securities and Exchange Commission, 100 F Street, NE., Washington, DC 20549-1090. Applicants, 200 Hopmeadow Street, Simsbury, Connecticut 06089; copies to David S. Goldstein, Sutherland Asbill & Brennan LLP, 1275 Pennsylvania Avenue, NW., Washington, DC 20004-2415.

**FOR FURTHER INFORMATION CONTACT:** Michael L. Kosoff, Staff Attorney, at (202) 551-6754, or Harry Eisenstein, Branch Chief, at (202) 551-6795, Office of Insurance Products, Division of Investment Management.

**SUPPLEMENTARY INFORMATION:** The following is a summary of the Application. The complete Application is available for a fee from the SEC's Public Reference Branch, 100 F Street, NE., Washington, DC 20549 ((202) 551-8090).

#### Applicants' Representations

1. Hartford Life is a stock life insurance company originally incorporated under the laws of the Commonwealth of Massachusetts on June 5, 1902, and subsequently re-domiciled to the state of Connecticut. Hartford Life is engaged in the business of writing individual and group life insurance and annuity contracts in the District of Columbia and all States. As

of December 31, 2006, Hartford Life had assets of approximately \$214 billion. For purposes of the Act, Hartford Life is the depositor and sponsor of Account DC-I, Account Two and Account Eleven, as those terms have been interpreted by the Commission with respect to variable annuity separate accounts registered under the Act as unit investment trusts.

2. Hartford Life established Account DC-I on or about March 31, 1988, Account Two on June 2, 1986 and Account Eleven on December 1, 2000, as segregated asset accounts under Connecticut law. Under Connecticut law, the assets of Account DC-I and Account Two, including assets attributable to the Original Old Contracts and the Modified Old Contracts, are owned by Hartford Life, but are held separately from all other assets of Hartford Life for the benefit of the owners of, and the persons entitled to payment under, variable annuity contracts issued by Hartford Life through Account DC-I and Account Two, including the Original Old Contracts and Modified Old Contracts. Likewise, the assets of Account Eleven, including assets attributable to the New Contracts, are owned by Hartford Life, but are held separately from all other assets of Hartford Life for the benefit of the owners of, and the persons entitled to payment under variable annuity contracts issued by Hartford Life through Account Eleven, including the New Contracts. Consequently, assets in each Account are not chargeable with liabilities arising out of any other business that Hartford Life may conduct. Income, gains and losses, realized and unrealized, from the assets of each Account are credited to or charged against that Account without regard to the income, gains or losses arising out of any other business that Hartford Life may conduct. Each Registered Account is a "separate account" as defined by Rule 0-1(e) under the Act, and is registered with the Commission as a unit investment trust.

3. The assets of Account DC-I and Account Two support Original Old Contracts as well as Modified Old Contracts. Hartford Life issued the Original Old Contracts to, among other parties, (a) Sponsors of non-qualified deferred compensation plans established by certain tax-exempt organizations ("tax-exempt plan sponsors") pursuant to section 457(b) and section 457(e)(1)(B) of the Internal Revenue Code of 1986, as amended (the "IRC"), as well as (b) trustees of trusts created to hold assets for non-qualified deferred compensation plans established by state and municipal

governments, or instrumentalities thereof, pursuant to section 457(b) and section 457(e)(1)(A) of the IRC ("government plan trustees"). Interests in Account DC-I and Account Two offered through Original Old Contracts have been registered under the Securities Act of 1933 (the "1933 Act") on Form N-4.<sup>1</sup>

4. The New Contracts will be issued through Account Eleven. Hartford Life currently issues other group variable annuity contracts similar to the New Contracts through Account Eleven to a variety of applicants including tax-exempt plan sponsors, government plan trustees, retirement plans qualified under sections 401(a) and 403(a) of the IRC, and annuity purchase plans adopted by public school systems and certain tax-exempt organizations pursuant to section 403(b) of the IRC. Interests in Account Eleven offered through such group variable annuity contracts have been registered under the 1933 Act on Form N-4.<sup>2</sup> Likewise, interests in Account Eleven to be issued through the New Contracts will be registered under the 1933 Act on a Form N-4 registration statement to be filed shortly with the Commission.

5. HSD is a Connecticut corporation registered with the Commission as a broker-dealer under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority, Inc. HSD is the principal underwriter for the Original Old Contracts, Modified Old Contracts, 457 Contracts and New Contracts and for other Hartford Life variable annuity contracts. HSD is an affiliated person of Hartford Life.

6. Hartford Life established Separate Account DC-III, Separate Account DC-IV, Separate Account DC-V and Separate Account DC-VI, as segregated asset accounts under Connecticut law ("Unregistered DC Accounts"). Each of the Unregistered DC Accounts is divided into several sub-accounts. Hartford Life added endorsements to the Original Old Contracts to make available to owners of such contracts one or more sub-accounts of the Unregistered DC Accounts as investment options. The Modified Old Contracts are those Original Old Contracts issued to tax-exempt plan sponsors to which the endorsements were added.

7. Under Connecticut law, the assets of each Unregistered DC Account attributable to Modified Old Contracts are owned by Hartford Life, but are held separately from all other assets of

<sup>1</sup> See 1933 Act File Nos. 33-19944, 33-19946, 33-19947 and 33-19949.

<sup>2</sup> See 1933 Act File No. 333-72042.

Hartford Life for the benefit of the owners of, and the persons entitled to payment under the Modified Old Contracts. Consequently, such assets in each Unregistered DC Account are not chargeable with liabilities arising out of any other business that Hartford Life may conduct. Income, gains and losses, realized and unrealized, from the assets of each Unregistered DC Account are credited to or charged against that Account without regard to the income, gains or losses arising out of any other business that Hartford Life may conduct. Hartford Life has not registered any Unregistered DC Account as an investment company under the Act in reliance upon the exclusion from the definition of investment company found in section 3(c)(11) of the Act.

8. Hartford Life established Account 457 on December 1, 1998, as a segregated asset account under Connecticut law. Under Connecticut law, the assets of Account 457, including assets attributable to the 457 Contracts, are owned by Hartford Life, but are held separately from all other assets of Hartford Life for the benefit of the owners of, and the persons entitled to payment under variable annuity contracts issued by Hartford Life through Account 457, including the 457 Contracts. Consequently, such assets in Account 457 are not chargeable with liabilities arising out of any other business that Hartford Life may conduct. Income, gains and losses, realized and unrealized, from the assets

of Account 457 are credited to or charged against the separate account without regard to the income, gains or losses arising out of any other business that Hartford Life may conduct. Hartford Life has not registered Account 457 as an investment company under the Act in reliance upon the exclusion from the definition of investment company found in section 3(c)(11) of the Act.

9. Hartford Life has not registered interests in the Unregistered DC Accounts offered through Modified Old Contracts as securities under the 1933 Act in reliance upon the exemption from registration found in section 3(a)(2) of the 1933 Act. Likewise, Hartford life has not registered interests in Account 457 offered through the 457 Contracts as securities under the 1933 Act.

**Description of the Contracts**

10. During the accumulation period, the Original Old Contracts, Modified Old Contracts, 457 Contracts, and New Contracts (together, the "Contracts") each provides for the allocation of purchase payments and transfer of Contract values between and among various sub-accounts of the separate account through which each is issued. Each sub-account invests in shares of a particular open-end management investment company (a "mutual fund") which serves as an investment option under the Contract. The Contracts also offer a "fixed" interest investment option supported by Hartford Life's general account. During the annuity

payment period, the Contracts all provide a variety of settlement or annuity payment options on a variable basis, fixed basis, or both. Owners of Contracts may withdraw some or all of their Contract's value at any time during the accumulation period or apply such values to the "purchase" of a settlement or annuity payment option. The Contracts incorporate many other features, including "death benefits" payable upon the death of a plan participant (or beneficiary) and certain fees and charges.

11. The Original Old Contracts, Modified Old Contracts and New Contracts do not impose any fees or charges in connection with purchase payments. The tables below describe the fees and charges deducted from separate account assets on an ongoing basis during both the accumulation and annuity payment periods, and the fees and charges payable by a Contract owner upon the withdrawal or surrender of Contract value during the accumulation period. The tables also indicate the annual rate of interest guaranteed for the "fixed" option under each Contract and identify the number of sub-accounts available as investment options under the Contract, along with the minimum and maximum total annual operating expenses for the mutual funds in which such sub-accounts invest as of December 31, 2006. The letter designation in the left-hand column represents different Contract variations.

**ORIGINAL OLD CONTRACTS**  
[Account DC-I and Account Two]

Type of contract	Number of mutual funds	M&E risk and administrative charge (payout period) (% of average daily sub-account assets)	M&E risk and administrative charge (pay-in period) (% of average daily sub-account assets)	Minimum guaranteed annual interest rate	CDSC (% of amount surrendered)	Minimum total annual portfolio expenses (% of average daily net asset value)	Maximum total annual portfolio expenses (% of average daily net asset value)
A .....	10	1.25	0.75 to 0.90	4	N/A .....	0.34	0.91
B .....	10	1.25	0.75 to 0.90	4	N/A .....	0.34	0.91
C .....	10	1.25	0.75 to 0.90	4	N/A .....	0.34	0.91
D .....	10	1.25	0.75 to 0.90	4	N/A .....	0.34	0.91
E .....	10	1.25	0.75 to 0.90	4	N/A .....	0.34	0.91
F .....	10	1.25	0.75 to 0.90	4	N/A .....	0.34	0.91
G .....	10	1.25	0.75 to 0.90	4	N/A .....	0.34	0.91
H .....	10	1.25	0.75 to 0.90	4	N/A .....	0.34	0.91
I .....	10	1.25	0.75 to 0.90	4	N/A .....	0.34	0.91
J .....	10	1.25	0.75 to 0.90	4	N/A .....	0.34	0.91
K .....	10	1.25	0.75 to 0.90	4	N/A .....	0.34	0.91
L .....	10	1.25	0.75 to 0.90	4	N/A .....	0.34	0.91
M .....	10	1.25	0.75 to 0.90	4	12 YR .....	0.34	0.91
N .....	10	1.25	0.75 to 0.90	4	12 YR .....	0.34	0.91
O .....	10	1.25	0.75 to 0.90	3	7 YR .....	0.34	0.91
P .....	10	1.25	0.75 to 0.90	4	7 YR .....	0.34	0.91
Q .....	10	1.25	0.75 to 0.90	4	N/A .....	0.34	0.91

**MODIFIED OLD CONTRACTS**  
[Account DC-I, Account Two and Unregistered DC Accounts]

Type of contract	Number of mutual funds	M&E risk and administrative charge (payout period) (% of average daily sub-account assets)	M&E risk and administrative charge (pay-in period) (% of average daily sub-account assets)	Minimum guaranteed annual interest rate	CDSC (% of amount surrendered)	Minimum total annual portfolio expenses (% of average daily net asset value)	Maximum total annual portfolio expenses (% of average daily net asset value)
A .....	23	1.25	0.75 to 0.90	4	N/A .....	0.34	1.73
B .....	24	1.25	0.75 to 0.90	4	N/A .....	0.34	1.73
C .....	24	1.25	0.75 to 0.90	4	N/A .....	0.34	1.73
D .....	24	1.25	0.75 to 0.90	4	N/A .....	0.34	1.73
E .....	25	1.25	0.75 to 0.90	4	N/A .....	0.34	1.73
F .....	25	1.25	0.75 to 0.90	4	N/A .....	0.34	1.73
G .....	25	1.25	0.75 to 0.90	4	N/A .....	0.34	1.73
H .....	25	1.25	0.75 to 0.90	4	N/A .....	0.34	1.73
I .....	26	1.25	0.75 to 0.90	4	N/A .....	0.34	1.73
J .....	26	1.25	0.75 to 0.90	4	N/A .....	0.34	1.73
K .....	26	1.25	0.75 to 0.90	4	N/A .....	0.34	1.73
L .....	27	1.25	0.75 to 0.90	4	N/A .....	0.34	1.73
M .....	23	1.25	0.75 to 0.90	4	12 YR .....	0.34	1.73
N .....	26	1.25	0.75 to 0.90	4	12 YR .....	0.34	1.73
O .....	23	1.25	0.75 to 0.90	3	7 YR .....	0.34	1.73
P .....	23	1.25	0.75 to 0.90	4	7 YR .....	0.34	1.73
Q .....	24	1.25	0.75 to 0.90	4	N/A .....	0.34	1.73

**NEW CONTRACTS**

[Account Eleven]

Type of contract	Number of mutual funds	M&E risk and administrative charge (payout period) (% of average daily sub-account assets)	M&E risk and administrative charge (pay-in period) (% of average daily sub-account assets)	Minimum guaranteed annual interest rate	CDSC (% of amount surrendered)	Minimum total annual portfolio expenses (% of average daily net asset value)	Maximum total annual portfolio expenses (% of average daily net asset value)
New Contract .....	48	0.70	0.70 .....	4	N/A .....	0.34	1.49

12. Hartford Life does not assess a CDSC under Modified Old Contracts A, B, C, D, E, F, G, H, I, J, K, L and Q and corresponding Original Old Contracts A, B, C, D, E, F, G, H, I, J, K, L and Q. Under Modified Old Contracts M, N, O and P and corresponding Original Old Contracts M, N, O and P, a contingent deferred sales charge ("CDSC") may be assessed against the amount withdrawn or surrendered by a Contract owner. However, those who will be moved to the Original Old Contracts or from the Modified Old Contracts will not be subject to a CDSC.

13. As the tables indicate, the mortality and expense risk and administrative charge during the accumulation period under the New Contracts is less than that imposed under the Original Old Contracts and the Modified Old Contracts. The mortality and expense risk and administrative charge during the annuity payment period under the New

Contracts is substantially less than that imposed under the Original Old Contracts and the Modified Old Contracts.

14. Hartford Life may deduct a charge corresponding to any applicable state or municipal premium taxes under each Contract. Hartford Life may deduct the charge for premium taxes at the time of payment of such taxes to the appropriate taxing authority, surrender of the Contract, upon payment of a death benefit or upon the commencement of annuity payments to a participant (or beneficiary).

15. Under the Original Old Contracts and the Modified Old Contracts, Hartford Life reserves the right to deduct a \$5 fee for each transfer of Contract value between or among sub-accounts in a Contract year. Under New Contracts, Hartford Life reserves the right to deduct a \$5 fee for each transfer in excess of twelve transfers of Contract value within a participant account by a

participant between or among the sub-accounts in any participant account year. Currently, the Company does not assess a transfer fee under any Contract.

16. The sub-accounts of Account Eleven offered by the New Contracts invest in all of the mutual funds in which the sub-accounts of Account DC-I and Account Two offered by the Original Old Contracts and the Modified Old Contracts invest, and many of the mutual funds (or variable insurance fund counterpart) in which sub-accounts of the Unregistered DC Accounts offered by the Modified Old Contracts invest. In most cases, where a particular mutual fund available under a Modified Old Contract (or its variable insurance fund counterpart) is not available as an investment option under the New Contract, a mutual fund with substantially identical or closely comparable investment objectives and principal strategies would be available under the New Contract. In all but four

cases, these alternative mutual funds had the same or lower total expenses during their most recent fiscal year. Notwithstanding this, for each sub-account available under the New Contract that has a counterpart under an Original Old Contract or a Modified Old Contract, the annual mortality and expense risk and administrative charge when combined with the annual expense ratio of the mutual in which such sub-account invests, is less under the New Contract than under either the

Original Old Contract or the Modified Old Contract.

17. The Original Old Contracts, 457 Contracts and New Contracts do not impose any fees or charges in connection with purchase payments. The tables below describe the fees and charges deducted from separate account assets on an ongoing basis during both the accumulation and annuity payment periods, and the fees and charges payable by a Contract owner upon the withdrawal or surrender of Contract value during the accumulation period.

The tables also indicate the annual rate of interest guaranteed for the “fixed” option under each Contract and identify the number of sub-accounts available as investment options under the Contract, along with the minimum and maximum total annual operating expenses for the mutual funds in which such sub-accounts invest as of December 31, 2006. The letter designation in the left-hand column represents different Contract variations, with type A corresponding to type U and type B corresponding to type V, etc.

457 CONTRACTS

[Account 457]

Type of contract	Number of mutual funds	M&E risk and administrative charge (payout period) (% of average daily sub-account assets)	M&E risk and administrative charge (pay-in period) (% of average daily sub-account assets)	Minimum guaranteed annual interest rate	CDSC (% of amount surrendered)	Minimum total annual portfolio expenses (% of average daily net asset value)	Maximum total annual portfolio expenses (% of average daily net asset value)
A .....	27	1.25	0.75 to 0.90	4	N/A .....	0.34	1.73
B .....	24	1.25	0.75 to 0.90	4	12 YR .....	0.34	1.73
C .....	47	1.25	0.75 to 0.90	4	12 YR .....	0.34	1.73
D .....	47	1.25	0.75 to 0.90	4	7 YR .....	0.34	1.73
E .....	51	1.25	0.45 .....	4	N/A .....	0.34	1.73
F .....	47	1.25	0.75 to 0.90	4	N/A .....	0.34	1.73

ORIGINAL OLD CONTRACTS

[Account DC-I and Account Two]

Type of contract	Number of mutual funds	M&E risk and administrative charge (payout period) (% of average daily sub-account assets)	M&E risk and administrative charge (pay-in period) (% of average daily sub-account assets)	Minimum guaranteed annual interest rate	CDSC (% of amount surrendered)	Minimum total annual portfolio expenses (% of average daily net asset value)	Maximum total annual portfolio expenses (% of average daily net asset value)
U .....	10	1.25	0.75 to 0.90	4	N/A .....	0.34	0.91
V .....	10	1.25	0.75 to 0.90	4	12 YR .....	0.34	0.91
W .....	10	1.25	0.75 to 0.90	4	12 YR .....	0.34	0.91
X .....	10	1.25	0.75 to 0.90	4	7 YR .....	0.34	0.91
Y .....	10	1.25	0.45 .....	4	N/A .....	0.34	0.91
Z .....	10	1.25	0.75 to 0.90	4	N/A .....	0.34	0.91

NEW CONTRACTS

[Account Eleven]

Type of contract	Number of mutual funds	M&E risk and administrative charge (payout period) (% of average daily sub-account assets)	M&E risk and administrative charge (pay-in period) (% of average daily sub-account assets)	Minimum guaranteed annual interest rate	CDSC (% of amount surrendered)	Minimum total annual portfolio expenses (% of average daily net asset value)	Maximum total annual portfolio expenses (% of average daily net asset value)
New Contract .....	48	0.70	0.70 .....	4	N/A .....	0.34	1.49

18. Hartford Life does not assess a CDSC under Original Old Contracts U,

Y and Z and 457 Contracts A, E and F. Likewise, Hartford Life does not assess

a CDSC under the New Contract. Under the Original Old Contracts V, W and X,

and the 457 Contracts B, C and D, a CDSC may be assessed against the amount withdrawn or surrendered by a Contract owner. However, those who will be moved to the Original Old Contracts or from the Modified Old Contracts will not be subject to a CDSC.

19. As the tables indicate, with two exceptions, the mortality and expense risk and administrative charge during the accumulation period under the New Contracts is less than that imposed under the Original Old Contracts and the 457 Contracts. The mortality and expense risk and administrative charge during the annuity payment period under the New Contracts is substantially less than that imposed under the Original Old Contracts and the 457 Contracts.

20. Hartford Life may deduct a charge corresponding to any applicable state or municipal premium taxes under each Contract. Hartford Life may deduct the charge for premium taxes at the time of payment of such taxes to the appropriate taxing authority, surrender of the Contract, upon payment of a death benefit or upon the commencement of annuity payments to a participant (or beneficiary).

21. Under the Original Old Contracts and the 457 Contracts, Hartford Life reserves the right to deduct a \$5 fee for each transfer Contract value between or among sub-accounts in a Contract year. Under New Contracts, Hartford Life reserves the right to deduct a \$5 fee for each transfer in excess of twelve transfers of Contract value within a participant account by a participant between or among the sub-accounts in any participant account year. Currently, the Company does not assess a transfer fee under any Contract.

22. The sub-accounts of Account Eleven offered by the New Contracts invest in all but a few of the mutual funds (or variable insurance fund counterparts) in which the sub-accounts of Account 457 invest. In most cases, where a particular mutual fund available under a 457 Contract (or its variable insurance fund counterpart) is not available as an investment option under the New Contract, a mutual fund with substantially identical or closely comparable investment objectives and principal strategies would be available under the New Contract. In all but five cases, these alternative mutual funds had the same or lower total expenses during their most recent fiscal year. In all but four cases, these alternative mutual funds have the same investment adviser as the fund they would "replace." Notwithstanding this, with two exceptions, for each sub-account available under the New Contract that

has a counterpart under an Original Old Contract or a 457 Contract, the annual mortality and expense risk and administrative charge when combined with the annual expense ratio of the mutual fund in which such sub-account invests, is less under the New Contract than under either the Original Old Contract or the 457 Contract.

23. As explained in more detail immediately below, this Application relates to Modified Old Contracts and 457 Contracts sold to tax-exempt plan sponsors. In each case, a tax-exempt plan sponsor purchased a Contract to fund its obligations to participants in a non-qualified deferred compensation plan established by it pursuant to IRC sections 457(b) and 457(e)(1)(B).<sup>3</sup> Also, in each case, the plan participants are employees, past employees, or beneficiaries of employees or past employees of the tax-exempt plan sponsor.

24. Taken together, IRC sections 457(b) and 457(e)(1)(B) permit a tax-exempt employer to enter into an agreement with one or more of its employees pursuant to which compensation otherwise payable to the employee is withheld by the employer and paid to the employee at a future time. By this mechanism, the employee defers receipt of the compensation for federal income tax purposes until such time as the employer actually pays the compensation to the employee. Typically, deferred compensation agreements between tax-exempt employers and their employees provide for the employer to pay the deferred amount plus interest at a specified rate to the employee at specific date in the future or, subject to certain limitations, within a specified period time after the employee requests payment. In lieu of paying interest on the deferred amount, the agreement may call for payment of the deferred amount plus or minus the performance of a specified measure, such as a securities index or a mutual fund. Under sections 457(b) and 457(e)(1)(B), the employer is fully responsible for making the payments required by the deferred compensation agreement. In this regard, the deferred compensation agreements are, in effect, promissory notes issued by the employer, and the employees to whom

<sup>3</sup> In contrast, issuers may rely on section 3(a)(2) of the 1933 Act in connection with the offer and sale of unregistered securities to government plan trustees, because non-qualified deferred compensation plans established by state and municipal governments, or instrumentalities thereof, pursuant to IRC sections 457(b) and 457(e)(1)(A) come within the definition of a "governmental plan" in section 3(a)(2)(C) of the 1933 Act. See *Mass Mutual Life Insurance Company, et al.*, (Aug. 10, 1998).

the deferred compensation is owed are general creditors of the employer. Employees having deferred compensation agreements with a tax-exempt employer are not preferred creditors of the employer and have no security interest in the deferred amounts held by the employer.

25. Tax-exempt plan sponsors are not required to invest the compensation deferred by their employees pursuant to deferred compensation agreements. They are free to bear the risk that they will not have sufficient assets to make payment of the deferred amounts plus earnings (or minus losses) owed to employees under the deferred compensation agreements. Many tax-exempt employers, however, choose to invest the deferred amounts in a manner that will ensure that they can make payment under deferred compensation agreements which they have entered into. The Original Old Contracts, Modified Old Contracts and the 457 Contracts were designed as investment vehicles for this purpose and the tax-exempt plan sponsors use their Original Old Contract, Modified Old Contract or 457 Contract to fund their obligations to their employees (or employees' beneficiaries) or to past employees (or beneficiaries of past employees) under the sponsors' non-qualified deferred compensation plans.

26. Consistent with the foregoing, the Modified Old Contracts and the 457 Contracts provide the owner with all the rights and privileges of ownership and do not reserve any such rights and privileges to the employees with whom the employer has deferred compensation agreements (*i.e.*, the participants in the non-qualified deferred compensation plan).

27. During the period from the early 1980s through April 2001, Hartford Life issued the Original Old Contracts to both tax-exempt plan sponsors and government plan trustees. Beginning in May 1992, Hartford Life began offering endorsements to the Original Old Contracts to make available to owners of such Contracts sub-accounts of one or more of the Unregistered DC Accounts as investment options. At that time and thereafter, Hartford Life intended only to issue the Unregistered DC Account endorsements to Original Old Contracts held by government plan trustees and not to Contracts held by tax-exempt plan sponsors. Unfortunately, Hartford Life inadvertently issued endorsements offering the sub-accounts of one or more of the Unregistered DC Accounts as investment options to certain tax-exempt plan sponsors in connection with their Original Old Contracts. In most cases, tax-exempt plan sponsors

holding Modified Old Contracts have (usually pursuant to participant instructions) invested some or all of their tax-exempt plan's assets in one or more sub-accounts of the Unregistered DC Accounts. As of the date of this Application, seventy-one Modified Old Contracts held by tax-exempt plan sponsors have Contract value allocated to sub-accounts of one or more of the Unregistered DC Accounts.

28. Unfortunately, issuers, such as insurance companies and their separate accounts, may not rely on the exemption from registration provisions of the 1933 Act when offering and selling securities to tax-exempt plan sponsors as funding vehicles for such sponsors' non-qualified deferred compensation plans established pursuant to IRC sections 457(b) and 457(e)(1)(B). As a result, through the seventy-one Modified Old Contracts, Separate Account DC-III, Separate Account DC-IV, Separate Account DC-V and Separate Account DC-VI issued interests to the tax-exempt plan sponsors holding such Contracts that should have been registered under the 1933 Act, but were not.

29. In addition, from the time Hartford Life invested the first purchase payment under a Modified Original Contract held by a tax-exempt plan sponsor in an Unregistered DC Account, that Account has failed to meet the requirements for relying on section 3(c)(11) of the Act. This is because reliance on section 3(c)(11) requires, among other things, that the assets of the separate account be derived solely from:

- Contributions from pension and profit sharing plans meeting the requirements of IRC section 401, or the requirements for the deduction of the employer's contribution under IRC section 404(a)(2);
  - Contributions under government plans in connection with which interests, participations, or securities are exempted from the registration provisions of the 1933 Act by section 3(a)(2)(C) thereof; and
  - Advances made by the insurance company in connection with the operation of the separate account.
- Some of each Unregistered DC Account's assets were derived from contributions from tax-exempt plans rather than the specified pension and profit-sharing plans or government plans. As a result, each of the Unregistered DC Accounts should have been registered as an investment company under the Act, but was not.
30. Applicant's state that in order to restore the ability of the Unregistered

DC Accounts to rely on section 3(c)(11) of the Act, as well as to mitigate any potential liability under the 1933 Act and the Act, Hartford Life proposes to remove from each Unregistered DC Account all assets attributable to purchase payments under Modified Old Contracts held by tax-exempt plan sponsors via the rescission offer described below.

31. From August 11, 2001 through November 15, 2003, Hartford Life inadvertently issued fourteen 457 Contracts to tax-exempt plan sponsors that owned Original Old Contracts or Modified Old Contracts. The 457 Contracts were new contracts and not endorsements to either an Original Old Contract or a Modified Old Contract. During the period that Hartford Life issued the 457 Contracts, it was undergoing a conversion from one electronic data processing system used to administer its group variable annuity contracts business to a new and better system. Among other things, the conversion involved the replacement of most Original Old Contracts and Modified Old Contracts held by government plan trustees with 457 Contracts. The replacement of Original Old Contracts and Modified Old Contracts with 457 Contracts entailed the transfer of Contract value from sub-accounts of Account DC-I, Account Two, and one or more of the Unregistered DC Accounts, to corresponding sub-accounts of Account 457. The replacement of Original Old Contracts and Modified Old Contracts with the 457 Contracts also entailed the investment of subsequent purchase payments in sub-accounts of Account 457 rather than sub-accounts of Account DC-I, Account Two, and one or more of the Unregistered DC Accounts.

32. Hartford Life did not intend to permit, in connection with the system conversion, tax-exempt plan sponsors to replace their Original Old Contracts or Modified Old Contracts with 457 Contracts. Nevertheless, during the period when approximately 1,000 government plan trustees replaced their Old Original Contracts and Modified Old Contracts with 457 Contracts, fourteen tax-exempt plan sponsors did likewise. As in the case of interests in the Unregistered DC Accounts made available to tax-exempt plan sponsors under Modified Old Contracts, Account 457 issued interests to tax-exempt plan sponsors through 457 Contracts that should have been registered as securities under the 1933 Act but were not. Similarly, from the time Hartford Life invested the first purchase payment under a 457 Contract held by a tax-exempt plan sponsor in Account 457,

that Account has failed to meet the requirements for relying on section 3(c)(11) of the Act. As a result, Account 457 should have been registered as an investment company under the Act, but was not.

33. Applicants believe that in order to restore the ability of Account 457 to rely on section 3(c)(11) of the Act, as well as to mitigate any potential liability under the 1933 Act and the Act, Hartford Life proposes to remove from the Account 457 all assets attributable to purchase payments under the 457 Contracts held by tax-exempt plan sponsors via the rescission offer described below.

#### Proposed Rescission Offers

34. Hartford Life believes that it must take all action reasonably practicable to mitigate or reverse any adverse consequences to tax-exempt plan sponsors and their participants arising from investment in the Unregistered DC Accounts under Modified Old Contracts. Therefore, Hartford Life proposes to offer each affected tax-exempt plan sponsor the opportunity to (1) Exchange its Modified Old Contract for a New Contract, or (2) surrender the endorsement attached to the Modified Old Contracts and either (a) exchange its interests in the Unregistered DC Accounts for interests in Account DC-I and/or Account Two by transferring all contract value from the sub-accounts of the Unregistered DC Accounts to the sub-accounts of Account DC-I and/or Account Two, or (b) exchange its interests in the Unregistered DC Accounts for interests in Account DC-I and/or Account two by accepting a new contract value equal to the contract value as of a stated reinstatement date plus interest invested in Account DC-I and/or Account two, as described below. The second option would have the effect, more or less, of "restoring" the Original Old Contract. Alternatively, each tax-exempt plan sponsor may elect to surrender its Modified Old Contract. Expressed in more detail, the options are:

- To exchange their Modified Old Contract for a New Contract ("Option 1");
- To transfer contract values under their Modified Old Contract that are invested in Separate Account DC-III, Separate Account DC-IV, Separate Account DC-V and Separate Account DC-VI to corresponding or sponsor-designated investment options under their Modified Old Contract in Account DC-I and/or Account Two or, if it would result in a greater contract value, to "reinstated" all contract values as they were under their Original Old Contract at the time contract values were first

invested in Separate Account DC-III, Separate Account DC-IV, Separate Account DC-V or Separate Account DC-VI (the "Option 2 reinstatement date") and crediting such contract values with interest for the period from the Option 2 reinstatement date until the date a plan sponsor elects Option 2 at an annual rate of 3%, as described below ("Option 2"); or

- To surrender their Modified Old Contract for its full contract value without the imposition of any surrender or withdrawal charges ("Option 3").

If a sponsor does not elect one of the foregoing options, Hartford Life would consider Option 1 as the default option.

35. Hartford Life would credit interest under Option 2 in a manner that makes appropriate adjustments to take into account purchase payments and withdrawals made after the Option 2 reinstatement date by crediting interest each month at a rate of 0.247% (the monthly equivalent of an annual rate of 3%) on the amount equal to the total contract value under a Modified Old Contract as of the Option 2 reinstatement date, and for each subsequent month until the date on which the sponsor elects an Option:

- Plus purchase payments allocated to the contract during the prior month;
- Less withdrawals from the contract during the prior month.

Purchase payments made under the contract and withdrawals from the contract would be treated as if each occurred in the middle of the month and will be credited with interest for one-half of the month in which the transaction occurs.

36. As in the case of the Modified Old Contracts, Hartford Life believes that it must take all action reasonably practicable to mitigate or reverse any adverse consequences to tax-exempt plan sponsors and their participants arising from investment in Account 457 under the 457 Contracts. Therefore, Hartford Life proposes to offer each affected tax-exempt plan sponsor the opportunity to (1) Exchange its 457 Contract for a New Contract, (2) exchange its 457 Contract for its Original Old Contract and transfer all contract value from sub-accounts of Account 457 under its 457 Contract to sub-accounts of Account DC-I and/or Account Two, or (3) exchange its 457 Contract for its Original Old Contract with contract value equal to the contract value under the Original Old Contract at the time it was first invested in (a) an Unregistered DC Account, or (b) Account 457, plus interest, as described below. The second option would have the effect, more or less, of reinstating the

Original Old Contract. Alternatively, each tax-exempt plan sponsor may elect to surrender its 457 Contract. Expressed in more detail, the options are:

- To exchange their 457 Contract for a New Contract ("Option 1");
- To exchange their 457 Contract for (or "reinstatement") their Original Old Contract by having their 457 Contract values transferred to corresponding or sponsor-designated investment options under their Original Old Contract in Account DC-I and/or Account Two or, if it would result in a greater contract value, to "reinstatement" all contract values under their Original Old Contract by reinstating such values as they were at the time that contract values were first invested in Separate Account DC-III, Separate Account DC-IV, Separate Account DC-V, Separate Account DC-VI, or Account 457 (the "Option 2 reinstatement date") and crediting such contract values with interest for the period from the Option 2 reinstatement date until the date a plan sponsor elects Option 2 at an annual rate of 3%, as described below ("Option 2"); or
- To surrender their 457 Contract for its full contract value without the imposition of any surrender or withdrawal charges ("Option 3").

If a sponsor does not elect one of the foregoing options, Hartford Life would consider Option 1 as the default option.

37. Hartford Life would credit interest under Option 2 in a manner that makes appropriate adjustments to take into account purchase payments and withdrawals made under the 457 Contracts (or under the Modified Old Contracts and the 457 Contracts) after the Option 2 reinstatement date by crediting interest each month at a rate of 0.247% (the monthly equivalent of an annual rate of 3%) on the amount equal to the contract value as of the Option 2 reinstatement date, and for each subsequent month until the date on which the sponsor elects an Option:

- Plus purchase payments made during the prior month;
- Less withdrawals of contract value from during the prior month.

Purchase payments and withdrawals would be treated as if each occurred in the middle of the month and will be credited with interest for one-half of the month in which the transaction occurs.

38. Hartford Life proposes to make each of the above offers to essentially "rescind" the Modified Old Contracts and 457 Contracts issued to tax-exempt plan sponsors and put each tax-exempt plan sponsor and plan (including plan participants) in at least as favorable a position as each would have been had no Modified Old Contract or 457

Contract been issued. Unlike many conventional rescission offers, Hartford Life would not offer an option whereby the tax-exempt plan sponsor could elect to retain its current investment (*i.e.*, a Modified Old Contract or 457 Contract). In this regard, Hartford Life's goal is to remove from the Unregistered DC Accounts all of the assets represented by Modified Old Contracts held by tax-exempt plan sponsors and from Account 457 all of the assets represented by 457 Contracts held by tax-exempt plan sponsors. Hartford Life believes that the offers described in this Application are necessary to restore the status of each Unregistered DC Account and Account 457 as a separate account excluded from the definition of an investment company pursuant to section 3(c)(11) of the Act. Similarly, Hartford Life believes that the offers described in this Application are necessary to mitigate any potential liability to itself, the Unregistered DC Accounts and Account 457 that may arise under the 1933 Act and/or the Act as a result of the events described above.

39. Hartford Life proposes to make the exchange offers through a supplement to the prospectuses for the New Contracts to be included with such prospectuses in the Form N-4 registration statement for the New Contracts and Separate Account Eleven. Hartford Life intends to use two such supplements: One to make an exchange offer to tax-exempt plan sponsors that currently own Modified Old Contracts, and another to make an exchange offer to tax-exempt plan sponsors that own 457 Contracts (including such tax-exempt plan sponsors that previously owned Modified Old Contracts). The supplements will notify tax-exempt plan sponsors of the exchange offer being made to them and explain the terms of the offer in detail. Among other matters, each supplement will describe the following:

- The purpose of the exchange offer;
- The material terms of the exchange offer, such as the expiration date and the specifics of each option a tax-exempt sponsor may elect;
- The material differences between the Contract held by the tax-exempt plan sponsor and the New Contract or Original Old Contract, as applicable, including but not limited to, fees and charges, number of sub-accounts available under each Contract and the mutual funds in which each invests, and the minimum and maximum total annual operating expenses for such funds;
- Procedures for electing an exchange offer option; and



• The advantages and disadvantages of each of the exchange offer options.

40. Each supplement will clearly disclose the fact that Option 1 will apply in the event the tax-exempt plan sponsor fails to elect another option by the expiration date. If an election form is incomplete, Hartford Life will contact the tax-exempt plan sponsor by telephone and facsimile for instructions. Included in either the supplement or an accompanying letter will be each tax-exempt plan sponsor's Option 2 reinstatement date and Option 2 reinstatement value. Also included with the accompanying letter will be information identifying each mutual fund available under the Modified Old Contracts or the 457 Contracts that is not available under the New Contract along with an explanation that if a tax-exempt plan sponsor does not provide instructions as to reallocating contract value in sub-accounts invested in such funds, then such contract value will be allocated under the New Contract by default to a sub-account investing in a money market mutual fund. In addition, the letter will also identify each fund offered under the New Contract that is a variable insurance product "clone" of a fund available under the Modified Old Contracts or the 457 Contracts.

41. Tax-exempt plan sponsors and their plans will not incur any fees or charges in connection with any of the proposed exchange offer options. Hartford Life will bear all costs associated with administering the exchange offers. In addition, tax-exempt plan sponsors that elect an exchange offer option or have Option 1 imposed on them by default, will not thereby subject their plans to any adverse tax consequences. Hartford Life will not compensate any broker-dealer or agent in connection with the proposed exchange offers.

42. Under each Option 1, the exchange of Modified Old Contracts for New Contracts or 457 Contracts for New Contracts would occur at the relative net asset value of the Contracts with no change in aggregate contract value, the number or size of annuity payments being made under a Contract, or the amount or value of death benefits available under a Contract. Hartford Life would waive any CDSC otherwise applicable upon the exchange of a Modified Old Contract or a 457 Contract for a New Contract.

43. Upon exchange of a Modified Old Contract or 457 Contract for a New Contract, Hartford Life would transfer contract value from each sub-account under a Modified Old Contract or a 457 Contract ("old sub-account") to a sub-account under the New Contract that

invests in the same underlying mutual fund as the old sub-account ("corresponding new sub-account"). If there is no corresponding new sub-account for one or more old sub-accounts under the Modified Old Contract or 457 Contract, Hartford Life would transfer Contract value from the old sub-accounts under the Modified Old Contract or 457 Contract to sub-accounts under the New Contract upon the direction of the tax-exempt plan sponsor. If the tax-exempt plan sponsor does not provide such direction, Hartford Life would transfer contract value from old sub-accounts under the Modified Old Contract or 457 Contract to a sub-account under the New Contract that invests in a money market mutual fund.

44. Under Option 2 relating to the Modified Old Contract offers, the transfer of contract value from sub-accounts of the Unregistered DC Accounts to sub-accounts of Account DC-I and/or Account Two would occur at the relative net asset value of the Contracts with no change in aggregate contract value, the number or size of annuity payments being made under a Contract, or the amount of death benefits available under a Contract. Hartford Life also would waive any CDSC remaining under the Modified Old Contract in the future. Under Option 2 relating to the 457 Contract offers, the exchange of 457 Contracts for reinstated Original Old Contracts and the related transfer of contract value from sub-accounts of Account 457 to sub-accounts of Account DC-I and/or Account Two under Original Old Contracts would occur at the relative net asset value of the Contracts with no change in aggregate contract value, the number or size of annuity payments being made under a Contract, or the amount of death benefits available under a Contract. Hartford Life would waive any CDSC otherwise applicable upon the exchange of 457 Contracts for reinstated Original Old Contracts and the related transfer of contract value from sub-accounts of Account 457 to sub-accounts of Account DC-I and/or Account Two. Likewise, Hartford Life would waive any CDSC under the reinstated Original Old Contract that would otherwise apply in the future.

45. Under Option 2 relating to both the Modified Old Contract offers and the 457 Contract offers, Hartford Life would transfer contract value from each sub-account under a Modified Old Contract or 457 Contract to a sub-account of Account DC-I and/or Account Two that invests in the same underlying mutual fund as the sub-account from which such value was transferred. If there is no

corresponding sub-account for one or more sub-accounts under the Modified Old Contract or 457 Contract, Hartford Life would transfer contract value from the sub-accounts under the Modified Old Contract or 457 Contract to sub-accounts of Account DC-I and/or Account Two upon the direction of the tax-exempt plan sponsor. If the tax-exempt plan sponsor does not provide such direction, Hartford Life would transfer contract value from sub-accounts under the Modified Old Contract or 457 Contract to a sub-account of Account DC-I and/or Account Two that invests in a money market mutual fund.

46. Alternatively, under Option 2 relating to both the Modified Old Contract offers and the 457 Contract offers, Hartford Life would reinstate contract value under the Original Old Contract at the amount existing in sub-accounts of Account DC-I and/or Account Two immediately before the tax-exempt plan sponsor first invested contract value in one of the Unregistered DC Accounts or Account 457 and credit such contract value with interest at an annual effective rate of 3% for the period from that date until the date of the tax-exempt plan sponsor's election of Option 2. As described above, adjustments would be made to reflect subsequent purchase payments and withdrawals made since the reinstatement date. With regard to Option 2, Hartford Life would only implement the interest rate alternative if a tax-exempt plan sponsor elects Option 2 and the interest rate alternative would result in a greater reinstated contract value for the tax-exempt plan sponsor than the primary Option 2 alternative.

47. Under the interest rate alternative for Option 2, Hartford Life would waive any CDSC otherwise applicable upon the exchange of a 457 Contract for a reinstated Original Old Contract and would waive any CDSC under the reinstated Original Old Contract that would otherwise apply in the future.

48. Under Options 1 and 2, for Contracts pursuant to which Hartford Life maintains individual participant accounts, exercise of the exchange offer options would not alter the value of such accounts, the number or size of annuity payments being made in connection with such accounts, or the amount of death benefits available in connection with such accounts.

49. For the reasons set forth below, Applicants believe the proposed exchanges will benefit the tax-exempt plan sponsors and their plans. Except for: (1) The number of sub-accounts available and the particular mutual funds in which such sub-accounts

invest; and (2) small variations in the fees and charges, the Original Old Contracts, Modified Old Contracts, 457 Contracts and New Contracts are substantially the same in most material respects. In particular, all four types of Contracts offer the same surrender, withdrawal, dollar cost averaging, general account investment option, death benefit and annuity payment option features. Therefore, except as described below in connection with mutual fund investment options and fee and charge variations, the tax-exempt plan sponsors and their plans should be in at least as favorable a position after electing an exchange offer option (or defaulting into Option 1) as they were before the proposed exchange offers. Moreover, for tax-exempt plan sponsors that elect a New Contract, they and their plans should be better off than they would have been had they continued to hold their Modified Old Contract or 457 Contract.

50. The mortality and expense risk and administrative charge under the New Contracts is lower than the mortality and expense risk and administrative charges assessed under the Modified Old Contracts and, with one exception, lower than the mortality and expense risk and administrative charges assessed under the 457 Contracts.<sup>4</sup> Under Modified Old Contracts and 457 Contracts, Hartford Life assesses a mortality and expense risk charge during the accumulation period at annual rates ranging from .75% to .90% of average daily sub-account net assets. (The rate for any Modified Old Contract or 457 Contract may also be a function of reductions due either to experience rating or reductions negotiated by the tax-exempt plan sponsor with Hartford Life.) Under Modified Old Contracts and 457 Contracts, the mortality and expense risk charge during the annuity payment period is at an annual rate of 1.25% of average daily sub-account net assets. Under New Contracts, the mortality and expense risk and administrative charge is a flat annual rate of 0.70% of average daily sub-account net assets during both the accumulation period and the annuity payment period.<sup>5</sup> Reductions in the mortality and expense risk and administrative charge charges due to

experience rating and negotiated rates are available under the New Contracts on the same basis as the same are available under the Modified Old Contracts and the 457 Contracts.

51. The vast majority of underlying mutual funds available under the New Contracts have total operating expenses that are lower (in many cases, substantially lower) than the total operating expenses of the corresponding underlying mutual funds available under the Modified Old Contracts and the 457 Contracts. Most significantly, as a result of the lower mortality and expense risk and administrative charge rates under the New Contracts, for any sub-account of Account Eleven available under the New Contracts, the aggregate of such charges on an annual basis and the total annual expenses of the mutual fund in which that sub-account invests, will be less than the same aggregate for the corresponding sub-account of either Account DC-I or Account Two available under the Modified Old Contracts or the corresponding sub-account of Account 457 available under the 457 Contracts.

52. If a tax-exempt plan sponsor elects Option 1 under either the Modified Old Contract exchange offer or the 457 Contract exchange offer, it will have available as investment options for itself and participants in its plan, 48 sub-accounts offering an indirect investment in 48 mutual funds. This array of mutual funds represents the most attractive line-up of funds offered by Hartford Life to government plan trustees, tax-exempt plan sponsors and other retirement plan sponsors in its latest and most attractive group variable annuity contracts. In the event that a tax-exempt plan sponsor elects Option 2 under an offer, the sponsor and its plan (including plan participants) would be in the same position vis-a-vis available sub-account investment options as they would have been had no 457 Contracts or Modified Old Contracts been issued.

53. Under Options 1 and 2 relating to the Modified Old Contract offers, a tax-exempt plan sponsor would replace interests in one or more of the Unregistered DC Accounts that are not registered as securities under the 1933 Act with interests in Account DC-I, Account Two or Account Eleven which would be registered as securities under the 1933 Act. Likewise, under Options 1 and 2 relating to the 457 Contract offers, a tax-exempt plan sponsor would replace interests in Account 457 that are not registered as securities under the 1933 Act with interests in Account DC-I, Account Two or Account Eleven which would be registered as securities under the 1933 Act. As a result, such tax-exempt plan sponsors would, among

other things, receive prospectuses and other disclosure documents at regular intervals in a prescribed format and otherwise obtain the protections of the 1933 Act and rules and regulations thereunder. Similarly, such tax-exempt plan sponsors would be exchanging interests in one or more of the Unregistered DC Accounts or Account 457 which are not registered as investment companies under the Act, for interests in Account DC-I, Account Two or Account Eleven which are each registered as an investment company under the Act and thereby obtain for themselves and the participants in their plans the considerable protections of the Act.

### Applicants' Legal Analysis

1. Section 11(a) of the Act makes it unlawful for any registered open-end investment company, or any principal underwriter for such an investment company, to make an offer to the holder of a security of such investment company, or of any other open-end investment company, to exchange his or her 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, unless the terms of the offer have first been submitted to and approved by the Commission or are in accordance with Commission rules adopted under section 11. Section 11(c) of the Act provides the provisions of section 11(a) are applicable to any offer of exchange of the securities of a registered unit investment trust for the securities of any other investment company regardless of the basis of the exchange. As a result, the Commission must approve any such offer unless the offer satisfies an applicable rule adopted under section 11.

2. Applicants state that the primary purpose of section 11 of the Act is to prevent "switching"—the practice of inducing security holders of one investment company to exchange their securities for those of a different investment company "solely for the purpose of exacting additional selling charges." In the 1930s prior to adoption of the Act, Congress found evidence of widespread "switching" operations. The legislative history of section 11 makes it clear that the potential for harm to investors perceived in switching was its use to extract additional sales charges from those investors. Accordingly, applications under section 11(a) and orders granting those applications appropriately have focused on sales loads or sales load differentials and administrative fees to be imposed for effecting a proposed exchange and have

<sup>4</sup> The exception is the type E 457 Contract, which has a charge of 0.45% of average daily sub-account net assets. The rate for type E Contracts was the result of experience ratings or negotiation, or both. There are two type E 457 Contracts outstanding.

<sup>5</sup> However, to preserve prior experience ratings and/or negotiated rates, any New Contract issued to a holder of a type E 457 Contract will have a mortality and expense risk and administrative charge of 0.45% of average daily sub-account net assets.

ignored other fees and charges, such as the respective advisory fee charges of the exchanged and acquired securities.

3. The Applicant states that section 11(c) of the Act requires Commission approval (by order or by rule) of any exchange, regardless of its basis, involving securities issued by a unit investment trust, because Congress found investors in unit investment trusts to be particularly vulnerable to switching operations. As noted by the Commission, "In order to earn another sales commission, a [unit investment trust] sponsor would often pressure unitholders into exchanging their units for those of another of the sponsor's trusts."

4. The Commission adopted Rule 11a-2 under Section 11 of the Act in 1983. By its terms, the Rule permits certain offers of exchange of one variable annuity contract for another or interests in one registered separate account through which variable annuity contracts are issued for interests in another registered separate account. More specifically, Rule 11a-2 permits exchange offers involving variable annuity contracts provided that the only variance from a relative net asset value exchange is an administrative fee disclosed in the registration statement of the offering separate account and/or a sales load or sales load differential calculated according to methods prescribed in the rule.

5. Under Option 1 of the Modified Old Contract offers, a tax-exempt plan sponsor that exchanges a Modified Old Contract for a New Contract would effect a transfer of assets held in Account DC-I, Account Two and/or the Unregistered DC Accounts to Account Eleven. Likewise, under Option 1 of the 457 Contract offers, a tax-exempt plan sponsor that exchanges a 457 Contract for a New Contract would effect a transfer of assets from Account 457 to Account Eleven. Along with the transfer of assets to Account Eleven, such a tax-exempt plan sponsor would receive an interest in Account Eleven equal to the contract value in its New Contract.

6. Election of Option 2 of the Modified Old Contract offers by a tax-exempt plan sponsor would result in a transfer of assets representing contract value under the sponsor's Modified Old Contract from one or more of the Unregistered Accounts to Account DC-I and/or Account Two. Likewise, election of Option 2 of the 457 Contract offers by a tax-exempt plan sponsor would result in a transfer of assets representing contract value under the sponsor's 457 Contract from Account 457 to Account DC-I and/or Account Two. Along with the transfer of assets

to Account DC-I and/or Account Two, such a tax-exempt plan sponsor would receive an interest in Account DC-I and/or Account Two equal to the contract value in its New Contract.

7. Account DC-I, Account Two and Account Eleven is each registered with the Commission under the Act as a unit investment trust. Each of the Unregistered Accounts and Account 457, not currently being able to rely on the section 3(c)(11) exclusion from the definition of an investment company, are investment companies; though not registered as such under the Act. Accordingly, Hartford Life's proposed offer to exchange interests in each for interests held by the tax-exempt plan sponsors in the Unregistered Accounts or Account 457, would constitute an offer to exchange securities of a registered unit investment trust for securities of another investment company. Thus, unless the terms of each proposed offer are consistent with those permitted by a Commission rule, Applicants may only make the proposed offers pursuant to a Commission order under section 11(a) approving the terms of the offers.

8. Applicants assert that the terms of the exchange offers proposed in this application are such that the offers would not involve any of the practices section 11 of the Act was designed to prevent and are otherwise fair and equitable to the tax-exempt plan sponsors and their plans (including plan participants) because:

- Tax-exempt plan sponsors would receive full disclosure of all material aspects of the proposed exchange offers including:
  - Complete discussion of each Option available;
  - A complete discussion of their rights in connection with the offers; and
  - Prospectuses for New Contracts and Original Old Contracts;
- No charges (including any CDSC) would be imposed in connection with the proposed exchange offers and therefore the exchanges would be made on the basis of the relative net asset value;
- Tax-exempt plan sponsors and their plans (including plan participants) would not be subject to a CDSC or any other sales charge under the New Contracts or Original Old Contracts;
- In all material respects, the New Contracts would be at least as favorable, if not more favorable, to tax-exempt plan sponsors and their plans (including plan participants) as either the 457 Contracts or the Modified Old Contracts;
- Most of the mutual funds available to tax-exempt plan sponsors and their plans (including plan participants) as

investment options under Modified Old Contracts and 457 Contracts would be available under the New Contracts (or their variable insurance fund counterparts would be available), and to the extent that some funds, or their variable insurance fund counterparts, are not available under the New Contracts, alternative mutual funds with substantially the same or similar investment objectives and strategies would be available as investment options;

- Tax-exempt plan sponsors that do not elect another Option, may elect to surrender their Modified Old Contract or 457 Contract without the imposition of any surrender or withdrawal charge; and
- Based on their review of existing federal income tax laws and regulations, Applicants believe that tax-exempt plan sponsors and their plans (including plan participants) would not suffer any adverse tax consequences as a result of electing any Option in connection with the proposed exchange offers.

9. Applicants believe that the terms of the exchange offers proposed in this application meet the standards established by the Commission for exchange offers to holders of group variable annuity contracts issued through separate accounts registered as unit investment trusts under the Act. The conditions of Rule 11a-2 reflect these standards and the terms of the proposed exchange offers meet the conditions of the Rule. In fact, Applicants would be able to rely on Rule 11a-2 if the Unregistered DC Accounts and Account 457 were registered with the Commission as investment companies under the Act. Applicants submit that, in making exchange offers proposed herein, they should not be subject to conditions more stringent than those found in Rule 11a-2.

10. Applicants further submit that the specific terms of the process by which tax-exempt plan sponsors would elect an Option in response to the proposed offers, including the implementation of Option 1 as a default option in the event that a tax-exempt plan sponsor does not affirmatively elect any Option, would satisfy the standards of section 11. The Commission has broad authority to approve the terms of an exchange offer under Section 11 that is fair and does not result in switching or the other types of potential abuses at which Section 11 is directed. There are no statutory standards relating to requirements for, or the manner of obtaining, elections or approvals from parties in situations similar to those of the Applicants explained above when

conducting an exchange subject to section 11. This is supported by Rule 11a-2 which sets forth a number of specific requirements under which exchanges offers involving variable annuity contracts (and interests in separate accounts through which such contracts are issued) are permissible. All of the applicable requirements of the Rule concern the basis of the exchange and/or the fees that may be imposed, but the Rule does not regulate the manner by which investors may elect an option under an exchange offer. Accordingly, the Commission may find, and in the past has found, that a default election in an exchange offer is permissible if the application sets forth facts that demonstrate that the offeror cannot permit an offeree to retain its current investment and that the overall terms of the offer are otherwise fair and equitable to investors.

11. Moreover, Applicants state that the Commission staff has consistently taken “no-action” positions under section 22(e) of the Act with respect to the analogous issue of forced redemptions of mutual fund shares when certain conditions were met. In these situations, a basic investment decision (*i.e.*, the decision to redeem) was permitted to be made on behalf of investors on the basis of informed, implied consent. These letters, in effect, permit such forced redemptions on the basis of notice to shareholders and prospectus disclosure of those events which may trigger such a redemption (*i.e.*, account falling below a certain value, failure to provide a taxpayer identification number, negative balances in other accounts, etc.) and the absence of any action by a shareholder to take an available alternative route within a specified time period. Applicants submit that the communications which will be made to tax-exempt plan sponsors with respect to their rights under all of the Options to provide for timely and extensive disclosure comparable to that which is required for these automatic redemptions of mutual fund shares.

12. Applicants believe that the legislative history of section 11 makes it clear that Congress believed the potential harm to investors from “switching” was its use to extract additional sales charges from those investors. Consequently, prior applications under section 11(a) (and orders granted in response to those applications) appropriately focused on sales loads or sales load differentials and administrative fees to be imposed in connection with a proposed exchange offer. In granting approval orders requested in prior section 11

applications involving the exchange of one variable annuity contract for another, or the exchange of interests in one registered separate account for another, the Commission staff has considered whether or not the consummation of the exchange would have inequitable results for contract owners, and has viewed the absence of duplication of sales loads and administrative fees in effecting the exchanges as persuasive evidence that the proposed exchange does not present the abuses section 11 of the Act designed to prevent.

13. Applicants state that in the event that the Commission does not issue an order under section 11 approving the proposed exchange offers, Hartford Life will be forced, at great expense, to register the Unregistered DC Accounts and Account 457 as investment companies under the Act and to register interests issued in such Accounts issued through Modified Old Contracts and the Tax-Exempt 457 Contracts as securities under the 1933 Act. Registration of the Unregistered DC Accounts and Account 457 as investment companies would be particularly burdensome because each would have to comply with the extensive regulatory regime imposed by the Act. Applicants submit that any benefit to the government plan trustees and their plans (including plan participants) from such registration could not justify the great expense and other considerable burdens attendant to such registration. Because the government plan trustees and their plans make up the overwhelming majority of investors in each Unregistered DC Account and Account 457, Applicants believe that the proposed exchange offers represent a far more efficient, reasonable and balanced response to the inadvertent issuance of the Modified Old Contracts and the 457 Contracts to tax-exempt plan sponsors.

#### Conclusion

Applicants submit that, for the reasons discussed above, the terms of the proposed exchange offers are such that the offers would not entail any of the practices section 11 was intended to prevent and are otherwise fair and equitable to the tax-exempt plan sponsors, their plans and participants in their plans. For these reasons, Applicants submit that the terms of the proposed offers are consistent with the protection of investors, the standards that the Commission has applied to prior applications for orders under section 11(a) of the Act, and the purposes fairly intended by the public policies underlying section 11 of the Act.

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

**Florence E. Harmon,**

*Deputy Secretary.*

[FR Doc. E7-16959 Filed 8-27-07; 8:45 am]

BILLING CODE 8010-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-56299; File No. SR-BSE-2007-42]

### Self-Regulatory Organizations; Boston Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Exchange Fees and Charges

August 22, 2007.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”) <sup>1</sup> and Rule 19b-4 thereunder, <sup>2</sup> notice is hereby given that on August 15, 2007, the Boston Stock Exchange, Inc. (“BSE” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been substantially prepared by the Exchange. The Exchange filed the proposal pursuant to section 19(b)(3)(A)(ii) of the Act <sup>3</sup> and Rule 19b-4(f)(2) thereunder, <sup>4</sup> which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend the Minimum Activity Charge (“MAC”) contained in the Fee Schedule for the Boston Options Exchange (“BOX”). The Exchange proposes to add a seventh category to its MAC table for classes with an Options Clearing Corporation Average Daily Volume (“OCC ADV”) of less than 2,000 contracts. In addition, the Exchange proposes to make a clerical correction to the BOX Fee Schedule to rectify an inadvertent omission from a previous rule filing. <sup>5</sup> The text of the proposed rule change is

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>4</sup> 17 CFR 240.19b-4(f)(2).

<sup>5</sup> See Securities Exchange Act Release No. 55197 (January 30, 2007), 72 FR 5772 (February 7, 2007) (SR-BSE-2007-02) (seeking to change the month in which the MAC reclassifications are calculated from January to July, among other proposed changes).