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Ms. Nancy M. Morris  
Secretary, Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

August 15, 2006

Dear Ms. Morris:

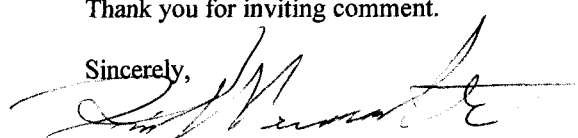
For two decades, I have served as an independent director for a number of the American Funds managed by Capital Research and Management Company. I am responding to your request for additional comment regarding mutual fund boards being comprised of 75% independent directors and that boards be chaired by an independent director. The 75% requirement is proper in my opinion (although 66 percent would be adequate) but the independent chair decision should be left to the judgment of boards and shareholders, not legislated. The cost alone for implementing the independent chair rule at American Funds was an immediate 4% increase in overall director's fees for which the shareholders received no value. I expect this is true at many other funds, with the total amount of money unfairly coming out of shareholders pockets being a substantial sum. Also, shareholder monies will continue to be ill-spent on the legal and management time given over to this well-intended but unnecessary rule.

In reading many of the thoughtful comments submitted to the SEC in favor of the independent chair, the common thread was the inherent conflict of a management chair. However, many of the writers seem to miss the unique difference between an operating company board and mutual fund board with a contracts committee, whereby the independent directors (with an independent chair) annually determine whether it is in the best interests of the shareholders to continue with the manager. The contracts committee is a powerful and focused tool for independent directors to fulfill their responsibilities to shareholders and neatly deals with any management or board chair conflict of interest issue. By adding an independent chair rule, the SEC not only increased costs to the shareholders of the American Funds but foisted inefficiencies between the responsibilities of the board vs. the contracts chairs which are totally unnecessary. Furthermore, there is no evidence I have seen suggesting that an independent chair led to better corporate governance. Indeed the largest fund families did not have independent chairs and none was involved in the scandalous behavior of the few that caused all this in the first place. I can only conclude that, for the American Funds, the SEC ruling on an independent chair wastes shareholder's money and is less efficient and I am sure this is true for other funds as well.

A final point: the independent chair rule in one area benefits large, established fund complexes like the one whose shareholders I represent by making it harder for new competition to enter the market. The consequences of recent legislation is seriously affecting the competitiveness of U.S. capital markets and an example is the increasingly prohibitive cost of finding qualified persons willing to serve as an independent chair for a start-up or smaller fund. By its action, the SEC stifles competition and the fresh capital formation that comes with new ideas and new funds. I do not believe this is what was intended but is what has happened. Therefore, please consider that for cost, efficiency, competitive and capital formation reasons the SEC revert to leaving boards and shareholders free to determine their chair while the Commission, in your examinations, focuses on contracts committees and how well they are doing their job.

Thank you for inviting comment.

Sincerely,



Kirk P. Pendleton

