Donald H. Pratt
Independent Chairman
American Century Funds
Kansas City Board
4500 Main Street
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July 19, 2007

Via Email & US Mail

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

Re: **File Number 4-538**
Rule 12b-1 Under the Investment Company Act of 1940

Dear Ms. Morris:

I am writing in response to the request by the Securities and Exchange Commission for comment on possible modifications to Rule 12b-1. I am the Independent Chairman of the Kansas City Board of the American Century Funds (the "Funds"). The Funds currently have approximately $67 billion under management. We have a unified management fee, and some of the Funds' share classes have an additional 12b-1 fee.

The Funds have used 12b-1 fees to expand distribution of the Funds through various third party channels. These fees go to the Funds' distributor (and through it, to various intermediaries) and are not retained by American Century Investment Management, the adviser to the Funds. Our board is asked to review quarterly and approve annually the use of fund assets to pay the 12b-1 fees. Our experience with 12b-1 fees compels me to submit comments on two key issues included in the Rule 12b-1 debate.

My overall concern with the issues presented by Rule 12b-1 is based on the guidance that has been provided to independent directors by various SEC speakers who have appeared at ICI and IDC seminars and luncheon sessions. Directors repeatedly have been advised to approach every issue by first asking the question, "What is in the best interests of shareholders?" As I reflect on the current review of Rule 12b-1 from this perspective, I am reminded of a Thomas Jefferson quote, "In matters of style, swim with the current; in matters of principle, stand like a rock." For me, a fundamental principle that directors, in our role as shareholder advocates, should adhere to as we consider revisions to the rule is that any changes should benefit shareholders first and foremost. I strongly believe that shareholders will benefit from two changes to Rule 12b-1.

First, shareholders' understanding would be greatly enhanced if they were provided a clear definition of what 12b-1 fees are and what the fees represent. 12b-1 fees currently may be used for a range of purposes, which generally fall into categories loosely labeled as "shareholder services" and "distribution services". However, fund complexes use different names for these categories and there does not appear to be consistency with respect to the services in each category. I believe it would be in the best interest of shareholders to abandon reference to Rule 12b-1 or "12b-1 fees". Instead, I recommend that the Rule be revised to require uniformity in the description (e.g., "Shareholder and Account Services" and "Distribution Services") and the nature of services that may be included in each category so that investors may compare "apples to apples" when making investment decisions.

By way of illustration, I support the use of fund assets for ongoing investment advice. However, shareholders who desire that service, and who select a share class that anticipates it, should be able to clearly identify the cost by labeling the associated fee, as suggested above, as a fee for "Shareholder and Account Services". Disclosure documents provided to shareholders should clearly indicate that ongoing investment advice is included as a service under this label. Shareholders should then be able to comprehend what they are paying for this and related services and compare those costs to the fees for "Shareholder and Account Services" charged by competing firms.

As part of this exercise, I encourage the Commission to examine the use of fund assets to pay for marketing and promotional materials for the adviser or its affiliates. I have no objection to the use of fund assets to compensate unaffiliated third parties for services to fund shareholders, provided the services to each class of shares is clearly described so investors can evaluate the quality of those services. In contrast, I am not supportive of the use of fund assets to compensate entities affiliated with the funds, in particular, the adviser and distributor, for marketing and promotional efforts (*e.g.*, advertising and sales literature). In my view the industry is now sufficiently large and established that it can no longer justify charging shareholders for these marketing expenses.

My second recommendation focuses on the timing of disclosure to shareholders. Shareholders are best served if they have information about all fees disclosed to them at the time they make their investment decisions. To be meaningful, all fees should be transparent and identified at the point of sale instead of included in lengthy disclosure documents delivered later. This disclosure would enable shareholders to compare fees and the services provided for those fees when selecting the fund complex with whom they wish to place their investment dollars. They should be informed, up front, of any fees that will be charged to their accounts that ultimately will impact their investment return.

These two recommendations, which advance the core principle of putting shareholder interests first, must be addressed to make any revisions to Rule 12b-1 meaningful. They will allow independent directors to more effectively review 12b-1 fee arrangements annually and monitor the impact on shareholders accounts. This, in my view, is in the best interests of shareholders and represents a very positive step forward in the SEC's efforts to provide shareholders with clear disclosure of all fees that they pay.

Thank you for the opportunity to offer these comment on Rule 12b-1. I am available to discuss this issue further if you so desire.

Sincerely,

Donald H. Pratt/mcb

Donald H. Pratt
Chairman
American Century Funds, Kansas City Board