

## DONALD H. PRATT

August 21, 2006

Ms. Nancy M. Morris  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-0609

**RE: Request for Additional Comment: Investment Company Governance: File No. S7-03-04**

Dear Ms. Morris:

I am writing in response to the Securities and Exchange Commission's request for additional comment on the rule amendments that address Investment Company Governance. I am the Independent Chairman of the Kansas City Board of American Century Mutual Funds. Fund Governance has been a major initiative since 1997. Our board has made a determined effort to continuously improve all our practices to stay at the "leading edge" of board governance. We recently had our practices validated in litigation that was ultimately dismissed with confirmation that our board process is state of the art in the industry. Our views on the two questions that were addressed in the SEC Investment Company Governance rules are as follows:

### **Board Compositions:**

The American Century Kansas City Board has seven Independent Directors and two Interested Directors. We therefore have 78% Independent Directors and are comfortable with the requirement that boards have 75% Independent Directors.

There were no additional costs to comply with this provision of the rule.

The 75% majority provides the board with control over the voting process on issues of concern to shareholders.

### **Independent Chair**

The American Century Kansas City Board elected an Independent Chairman one year ahead of the original rule's implementation date. This action was taken by the board after thorough discussion in an effort to conduct our governance practices at the "leading edge" in the industry.

Previously the board had utilized the Lead Independent Director position which provided leadership for private meetings of Independent Directors, 15c reviews, and contact between meetings. This practice essentially made the transition to an Independent Chairman seamless.

The only additional cost is a \$30,000 increase in retainer to recognize the additional time commitment. This increase was reviewed by the Governance Committee and approved by the full board.

The new structure has led to several changes in our board processes. We have adopted formal agenda reviews by all Independent Committee Chairmen and by the Independent Chairman for our formal board meetings. The “tone and tenor” of the meetings has changed slightly with increased participation by Independent Directors on specific topics. This reflects the need to more thoroughly describe topics that are reviewed infrequently by Independent Directors, but are very familiar to investment management people who work with the subjects daily.

The Independent Chairman works with the Independent Legal Counsel who was already in place to assist the Independent Directors. While there has been a slight increase in the number of contacts, the cost has not changed significantly. No additional staff is required by the Independent Chairman.

Our experience would suggest that there are benefits to having an Independent Chairman. Our board was able to work successfully with the management company chairman. The primary benefits are intangible.

The American Century Board has benefited from the Investment Manager’s commitment to shareholder returns, integrity, and compliance; all principles put in place by the founder, James Stowers, Jr. Annual assessments of effectiveness have led to changes in meeting content, committee structure, and board policies. The board conducts a rigorous 15c review utilizing detailed competitive analyses which have resulted in fee and breakpoint adjustments that generated over \$20 million in reduced costs to shareholders in 2005. And shareholders also benefit from a unified fee.

Our efforts to continue improving our governance process has been accomplished through an ongoing effort by Independent Directors to represent shareholders’ interests and a continuation of the founder’s principles by the successor management team.

I appreciate the opportunity to comment on this proposal and am available to respond if you have any further questions.

Sincerely yours,

Donald H. Pratt  
Chairman  
American Century Kansas City Board