1940 Act/17f




December 7, 1981





Securities & Exchange Commission
500 North Capitol Street
Washington, DC 20549

Gentlemen:

This letter constitutes a request for a no action letter with respect to the participation by Twentieth Century Investors, Inc. ("the Company") in the Indemnified Securities Lending Program of United States Trust Company of New York.

The Company is a registered, open-end, diversified investment company of the management type. The custodian of its portfolio securities is United States Trust Company of New York.

By loaning its securities to qualified borrowers the Company is able to realize significant income. In a typical transaction portfolio securities are loaned and cash collateral is received by the custodian and invested. The finder is paid a fee which is negotiable and which we understand ranges from 60 to 80 percent of the investment income realized on the collateral. We understand further that the finder may remit a portion of his fee to the borrower. The remaining income is shared 1/3 by the custodian and 2/3 by the Company. Alternatively, the collateral does not consist of cash but instead is in the form of a bank letter of credit. The borrower pays interest on the loan, and the net income is divided in the same way, namely 1/3 to the custodian and 2/3 to the Company. The participation in the net income by the custodian gives it an incentive to make the best deal possible for it and the Company.

The program is administered entirely by the custodian which determines the borrowers to whom securities will be loaned, the interest to be charged to borrowers, the nature of the collateral whether cash or letter of credit, loan limits per borrower, loan limits per securities issue, the finders with whom it will deal and the fees to be paid to finders.

The Board of Directors has (1) authorized the investment of the collateral only in overnight repurchase agreements or such other securities as may be approved by the Executive Committee (which has not approved any other investments), and (2) authorized the acceptance of bank letters of credit as collateral.

The administrative functions which the custodian is equipped to perform (most of which the Company cannot perform) are:

1. Determination of the credit worthiness of borrowers.

2. Negotiation of loan terms.

3. Participation or membership in various clearing facilities.

4. Liason between the finder, the borrower and the Company.

5. Delivery of securities to the borrower.

6. Receipt of cash collateral.

7. Investment of cash collateral.

8. Monitoring market price of securities, and making any required adjustment of cash collateral by requesting additional cash, or returning excess cash.

9. Collection of interest and dividends on securities loaned.

10. Receipt of securities in return of cash collateral on termination of loan.

11. Record keeping of dividends, splits, exchanges and similar transactions affecting the loaned securities.

12. Calculation and payment of finder and broker bills.

13. Preparation of month end security position reports.

One of the considerations moving the Directors to participate in the program is the indemnity provided by the custodian. The custodian has agreed to indemnify the Company against any loss resulting from (1) failure to remit when due amounts equal to interest, dividends or other distributions on securities loaned, (2) failure to timely return the securities loaned; (3) failure to maintain the required amount of collateral. So long as the custodian is able to meet its committment, the transaction is virtually riskless. The shift of risk to the custodian by the indemnification agreement provides the custodian with the incentive to administer the program with the degree of caution commensurate with its risk.

All of the published comments of the staff of which we are aware on this subject are now at least seven years old[1] and, we believe, are not appropriate to the manner in which the business is now being conducted. The guidelines which we find particularly unsuitable to today's method of doing business are:

1. The Company must receive 100% cash collateral from the borrower. In some instances in lieu of cash the borrower delivers an irrevocable letter of credit from a bank acceptable to the custodian. We understand that an insistence upon cash collateral would substantially narrow the number of borrowers with whom the Company could do business. The risk to the Company would appear to be minimal, for in the case of default by the borrower, the Company could look both to the letter of credit and to the indemnification by the custodian.

2. The Company is not required to pay any service, placement or other fees in connection with the loan, or as a

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[1] State Street Bank & Trust Co., 1971-1972 CCH Dec 79676
Salomon Brothers, 1972-1973 CCH Dec 79056
State Street Bank & Trust Co., 1973 CCH Dec 79347
Standard Shares, Inc., 1974-1975 CCH Dec 79981
Adams Express Company, 1974-1975 CCH Dec 80043

condition of utilizing brokers, the broker must disclose in writing to the Companys' directors that it is possible to arrange for securities to be borrowed without paying any fee, and neither the broker nor any of its affiliated persons is an affiliated person of the fund, the investment manager or the principal underwriter, and the Company represents to the broker in writing that its directors have determined that the fee is reasonable based solely upon services rendered and that the directors separately consider the propriety of the fee paid to the borrower. These requirements presuppose that the management of the fund and the directors are in contact with the brokers, and are in a position to select the ones with whom they will deal and are in a position to negotiate interest rates, fees, commissions and other terms, the nature of the collateral and the loan limits. They presuppose that the officers of the Company could somehow engage in the highly sophisticated business with which they are unfamiliar without the payment of a fee by the Company, and that the directors have some background or knowledge which enable them to determine that the fees charged from time to time are reasonable and that they have some means to consider the propriety of the fee paid to the borrower. None of these conditions prevail, and neither the officers nor the directors of the Company have any means of determining who the borrowers are from time to time, or who the brokers are, or what services they have rendered, and whether the fees and commissions paid to the brokers and borrowers are competitive. The Company has neither the personnel nor the physical facilities to administer the program by performing the functions described above.

Accordingly, the Company cannot continue to engage in the program unless some of the guidelines are made to conform to the business as it is now conducted. Otherwise, the Company will be forced to abandon the program which it has found profitable. Thus in a practical sense it is not correct to state that securities may be loaned without the employment of a broker and payment of a fee. The choice is not participation with or without fees; the choice is whether to participate with fees or not participate at all.

We can of course represent, and do represent that no broker or any of its affiliated persons is or will be an affiliated person of the fund, the investment manager or the principal underwriter. No purpose would be served by requiring an assurance to that effect from the broker.

For your information, particularly with reference to the expertise required to administer the program and the competitive nature of the business, we enclose documents entitled "Security Loans to Brokers" and "An Introduction to Securities Lending," both published by United States Trust Company of New York, and an article "Second Thoughts about Securities Lending" from the Institutional Investor of September, 1981.

We would appreciate a no action letter from you stating that the staff will recommend no action if Twentieth Century continues to participate in the United States Trust Company Indemnified Securities Lending Program even if:

1. The Company secures as collateral a bank letter of credit from the borrower in lieu of cash.

2. The Company pays service, placement or other fees in connection with the loan as determined by the custodian in its day to day administration of the Plan.

3. The assurances described above from the broker to the Company, and the representations from the Company to the broker, are dispensed with.

Very truly yours,

Irving Kuraner
Vice President

IK/ls

October 27, 1982

Our Ref. No. 81-720-CC
Twentieth Century Investors, Inc.
File No. 811-817

RESPONSE OF THE OFFICE OF CHIEF COUNSEL
DIVISION OF INVESTMENT MANAGEMENT

Based on the foregoing representations and your oral representations to Elizabeth Tsai of this office, we understand the following. Under a securities lending agreement ("agreement") with its custodian Bank, United States Trust Company of New York ("Bank"), Twentieth Century Investors, Inc. ("Fund") loans common stock in its portfolio having a value of not more than 10 percent of the Fund's net asset value. Pursuant to the agreement, the Bank determines, among other things, the brokers to whom securities are loaned, the interest to be charged to them, the nature of the collateral (whether cash or irrevocable letter of credit), the finders with whom it deals, and the amount of the finders' fees. As part of the agreement, the Bank has agreed to indemnify the fund against any loss resulting from (1) the failure of any borrower to remit when due amounts equal to interest, dividends or other distributions on the securities loaned; (2) a default on the part of the borrower in making a timely return of the securities loaned or in failing to maintain the required amount of collateral securing the loan, in either case by crediting the Fund's account, within a reasonable time following the termination of the loan, with either the securities in kind or, at the Fund's option, an amount equal to the market value of the securities as of the close of business on the day the Fund's account is so credited. The agreement will be amended to provide (1) that each loan must be daily marked to the market and if the aggregate market value of all securities loaned at the end of the business day exceeds 100 percent of the collateral then held by the Bank, the borrower shall provide additional collateral by the close of the next business day as may be necessary to collateralize the securities loaned to the extent of their full market value; and (2) that an irrevocable letter of credit issued by a foreign bank cannot be accepted as collateral unless that bank is eligible to file, and has filed, an agreement with the Federal Reserve Board, on Form F.R. T-2, to comply with the same rules and regulations applicable to U.S. banks in securities credit transactions. However, this Division expresses no view on whether the letter of credit of such a bank could be provided to the Fund as collateral by a broker or dealer. See Securities Exchange Act Rule 15c3-3(b)(3)(iii).

Section 17(f) of the Investment Company Act of 1940 ("Act") requires every registered management company to place and maintain its securities and similar investments ("portfolio securities") in the custody of (1) a bank; (2) a member of a national securities exchange, subject to such rules as the Commission may prescribe; or (3) such registered company, but only in accordance with such rules or orders as the Commission may prescribe. On July 31, 1941, nine months after the effective date of the Act, the Commission adopted rule 17f-2 under the Act which specifies the conditions

under which registered management investment companies may maintain their portfolio securities in their own custody. This rule provides that its safekeeping requirements "shall not apply to securities on loan which are collateralized to the extent of their full market value." In adopting the rule, the Commission stated that the rule "in substance codifies certain accepted practices more or less generally followed at present in the management of securities." Investment Company Act Release No. 172, July 31, 1941. Thus, almost from the commencement of the regulation of investment companies, it has been recognized that registered management investment companies may loan their portfolio securities and that the usual custody requirements do not apply to securities on loan so long as they are fully collateralized.

Based on the foregoing, we would not recommend that the Commission take any enforcement action under section 17(f) of the Act against the Fund if it loans its portfolio securities under the terms described above.

Stanley B. Judd
Deputy Chief Counsel


June 3, 1982

Elizabeth T. Tsai
Office of the Chief Counsel
Division of Investment Management
Securities and Exchange Commission
500 North Capitol Street
Washington, DC 20549

Dear Ms. Tsai:

With reference to my letter of December 7, 1981, about our Indemnified Securities Lending Program and Section 17f of the 1940 Act, and to our telephone conversation of June 1, I enclose the following:

Copy of Letter agreement dated November 5, 1980 (executed by Twentieth Century Investors, Inc. on April 10, 1981) between United States Trust Company of New York and Twentieth Century Investors, Inc.

An excerpt from the proxy statement with respect to the shareholders meeting on July 15, 1980.

An excerpt from the minutes of a meeting of the Board of Directors on February 28, 1981.

Very truly yours,

Irving Kuraner
Vice President

IK/dl

Enclosures

UNITED STATES TRUST COMPANY
OF NEW YORK
45 WALL STREET NEW YORK, N.Y. 10005
212-425-4500

November 5, 1980

Twentieth Century Investors Inc.
605 West 47th Street
Kansas City, Missouri 64112

Gentlemen:

This letter constitutes our agreement concerning the lending of securities by you to the security brokers approved by you as listed in Attachment A. We shall establish a separate security lending account in your name and administer any such loans subject to the following terms and conditions:

1. We shall secure a Broker Loan Agreement in the form of Attachment B hereto from each security broker to whom securities are loaned pursuant to this agreement. We shall use our best efforts to complete promptly the delivery of securities against delivery of cash collateral or other collateral acceptable to us for your account.

2. We shall invest the cash collateral received for your account from borrowers ~~in our Master Notes~~ or in overnight repurchase agreements earning interest at prevailing rates and shall credit to your account all such interest, together with interest or dividends or other distributions paid on securities loaned to borrowers.

3. We shall provide you with (a) our usual form of security advice, recording the delivery and receipt

of securities and cash or other collateral for your account, and (b) weekly statements of transactions, recording principal and income receipts and disbursements for your account. Upon your request, we also shall provide you with copies of all bills for fees paid to brokers or finders.

4. If the aggregate market value of all securities loaned to a borrower pursuant to this agreement (determined on the basis of the last reported sales prices (regular way) on the national securities exchange on which the securities are traded or, if not so traded, as reasonably determined by us) shall exceed, at any time as of the close of business on any business day, the greater of (a) 105% of the amount of the Current Collateral (as hereinafter defined) or (b) the amount of such Current Collateral plus $10,000, we shall promptly demand that the borrower increase the amount of collateral ("mark to market") by an amount sufficient to cause the aggregate amount of the Current Collateral to equal not less than 100% of the then market value of the securities loaned to such borrower pursuant to this agreement. ("Current Collateral" shall mean the cash or other collateral initially delivered by the borrower in an amount equal to at least 100%

of the market value of the securities loaned to the borrower pursuant to this agreement, plus the aggregate of all additional amounts deposited by the borrower, if any, and less the aggregate of all amounts released to the borrower, if any.) In such event, we shall demand that the borrower deliver to us for your account, no later than the close of business on the second business day following demand, cash collateral or other collateral acceptable to us in the appropriate amount.

5. You shall pay to us for services provided to you under this agreement compensation at the rates and in the amounts set forth in Attachment C hereto.

6. This agreement may be modified by mutual consent in writing and may be terminated at the option of either party upon three days' prior written notice to the other party; provided, however, that upon our receipt of a termination notice from you we shall not make any new loans pursuant hereto.

7. This agreement shall be governed by and construed in accordance with the laws of the State of New York.

If the foregoing correctly sets forth our agreement, please so indicate by signing the enclosed copy of this letter in the place provided below and returning it to us, whereupon

this letter shall become a binding agreement between us.

Very truly yours,

UNITED STATES TRUST COMPANY OF NEW

By _____
Vice President

ATTEST:

By _____

Accepted and agreed to:

Twentieth Century Investors, Inc.

By _____

Date: April 10, 1981

UNITED STATES TRUST COMPANY
OF NEW YORK

ADDENDUM

This Addendum is added to and forms a part of the letter agreement dated November 5, 1980, and agreed to April 10, 1981 between Twentieth Century Investors, Inc. (the "Lender") and United States Trust Company of New York ("U.S. Trust").

In consideration of the fee charged, U.S. Trust hereby agrees to indemnify the Lender against loss in the manner and to the extent set forth below.

1. U.S. Trust shall indemnify the Lender against any loss resulting from the failure of any borrower to remit when due amounts equal to interest, dividends or other distributions on the securities loaned.

2. U.S. Trust shall indemnify the Lender against any loss resulting from a default on the part of the borrower in making a timely return of the securities loaned or in failing to maintain the required amount of collateral securing the loan ("marking to market"), in either case by crediting the account of the Lender, within a reasonable time following the termination of the loan, with either the securities in kind or, at the option of U.S. Trust, an amount in cash equal to the market value of the securities (determined in the manner provided in paragraph 4 of the aforesaid letter agreement of which this Addendum is a part) as of the close of business on the day the account of the Lender is so credited.

UNITED STATES TRUST COMPANY OF NEW YORK

By _____

Vice President

Accepted and agreed to:

Twentieth Century Investors, Inc.

UNITED STATES TRUST COMPANY
OF NEW YORK
45 WALL STREET NEW YORK, N.Y. 10005
212-425-4500

October 31, 1980

ATTACHMENT "A"

## List of Brokers Covering Lending of Securities

Allen & Company
Asiel & Company
Aubrey G. Lanston
Arnhold & S. Bleichroeder
Bache Halsey Stuart Shields Inc.
Barclay's Bank
Bear Stearns
A. G. Becker
Bernstein, Sanford C & Co.
Boesky, Ivan F. & Co.
Briggs, Schaedle
Carroll McEntee
Chapdelaine #2131
Colin, Hochstin Co.
Cowen & Co.
Dillon Read & Co.
Discount Corp. of New York
Donaldson, Lufkin & Jenrette Sec.
Drexel Burnham Lambert
Eberstadt
Edwards, A. G.
Ernst & Co.
First Boston
Freeman Securities
Gintel & Co.
Goldman Sachs
Harris Trust - Chicago
Herzfeld & Stern
Hutton, E. F. Inc.
Jeffries & Co.
Josepthal & Co.
Kaufman, Alsberg
Keefe Bruyette & Woods
Kidder Peabody & Co.
Laidlaw, Adams & Peck
Lasker, Stone & Stern
C. J. Lawrence
Lehman Bros., Kuhn Loeb

List of Brokers Covering Lending of Securities (Cont'd)

Lewco
Lombard-Wall Inc.
Mabon Nugent
McLeod, Young, Weir Inc.
Merrill Lynch
Mesirow
Morgan Stanley & Co., Inc.
Neuberger & Berman
New Japan Securities
Nuveen (John) & Co.
Oppenheimer & Co.
Paine, Webber, Jackson & Curtis
Pershing & Co.
Prescott Ball & Turben
Pollock, Wm. E.
Purcell Graham & Co.
Quincey, Charles
Rhode Island Hospital Trust
Richardson Securities
Robb, Peck & McCooey Co., Inc.
Robinson Humphrey
Rothschild L. F. Unterberg Towbin
Salomon Brothers
Securities Settlement
Shearson Leob Rhoades
Shelby Cullom Davis
Seligman, J. & W.
Smith Barney, Harris Upham
Spear Leeds & Kellogg
Stuart Brothers
Sutro & Co., Inc.
Swiss American Securities
Thompson & McKinnon Sec., Inc.
Tucker Anthony & R.L. Day
Wagner Stott & Company
Weiss Peck & Greer
Wheat First Securities
Witter (Dean) Reynolds & Sec.

Attachment B

AGREEMENT, dated , 19 , between UNITED STATES TRUST COMPANY OF NEW YORK, as agent for various custodial accounts (the "Lender"), and

(the "Borrower").

1. Loan of Securities. The Lender, in its sole discretion, may from time to time lend securities to the Borrower at the Borrower's request. If the Lender decides to make such a loan, it shall deliver or cause to be delivered to the Borrower certificates representing the securities loaned in form for good delivery or shall direct that the securities loaned be credited to the Borrower's account at Depository Trust Company. (Each security loaned to the Borrower is hereinafter called a "Security" and collectively the "Securities"). Each such loan shall be evidenced by appropriate receipts or notifications customary in such transactions.

2. Collateral. On receipt of the Securities, the Borrower shall deliver to the Lender cash collateral or other collateral acceptable to the Lender in an amount equal to at least 100% of the market value of the Securities. (The amount of any such cash or other collateral plus the aggregate of all additional amounts deposited by the Borrower with the Lender pursuant to paragraph 3 hereof and less the aggregate

of all amounts released by the Lender to the Borrower pursuant to paragraph 3 hereof are hereinafter called the "Current Collateral"). The market value of the Securities and of any securities accepted by the Lender as collateral shall be determined on the basis of the last reported sales prices (regular way) on the principal national securities exchange on which the Securities or such securities accepted as collateral are traded or, if not so traded, as reasonably determined by the Lender. The Current Collateral shall secure all obligations of the Borrower to the Lender hereunder, and the Lender, in addition to all its other rights with respect thereto under this Agreement, shall have a security interest in and lien upon the Current Collateral and shall have a right of set-off with respect to all obligations of the Borrower to the Lender whether arising under this Agreement or otherwise.

3. Marking to Market. If the aggregate market value of the Securities (determined in the manner provided in paragraph 2 hereof) shall exceed, at any time as of the close of business on any business day, the greater of (a) 105% of the amount of the Current Collateral or (b) the amount of such Current Collateral plus $10,000, the Lender may, by notice to the Borrower, demand that the Borrower increase the Current Collateral by delivering to the Lender, no later than the opening of business on the business day following such demand (or such later time as may be specified by the Lender in such demand), cash collateral or other collateral acceptable

to the Lender in an amount sufficient to cause the aggregate amount of Current Collateral to equal not less than 100% of the then market value of the Securities. If, at the close of business on any business day, the amount of Current Collateral shall exceed 110% of the aggregate market value of the Securities, the Borrower may, by notice to the Lender, demand that the Lender release to the Borrower, no later than the close of business on the business day following such demand, an amount of Current Collateral (to be selected by the Lender) necessary to cause the aggregate amount of Current Collateral not to exceed 100% of the then aggregate market value of the Securities.

4. Termination of Loan.

(a) The Borrower may terminate a loan of any Securities upon 24 hours prior notice to the Lender. In addition to its right to terminate any or all loans pursuant to paragraph 7 hereof, the Lender may terminate a loan of any Securities upon five business days prior notice to the Borrower, provided, however, that if the Securities loaned are United States Government obligations or obligations of United States Government Agencies, the Lender may terminate the loan on one business day prior notice to the Borrower. The effective date as of which a loan of any Securities is terminated, whether pursuant to this paragraph 4(a) or otherwise pursuant to the terms of this Agreement, is hereinafter called the "Termination Date".

(b) On the Termination Date, the Borrower shall deliver the Securities which are the subject of the terminated loan in form for good delivery to the Lender or credit such Securities to the account of the Lender at Depository Trust Company or, in the case of U.S. Treasury securities, in the Federal Reserve book-entry system. Upon return of such Securities to the Lender as aforesaid, the Lender shall re-deliver to the Borrower cash or other collateral in an amount equal to the amount of the Current Collateral securing the loan of such Securities, less any amounts due and owing to the Lender pursuant to this Agreement. The five-day rule of New York Stock Exchange Rule 160 and American Stock Exchange Rule 862 shall not apply to the obligations of the Borrower to return the Securities, but such Securities shall be promptly delivered or credited to or for the account of the Lender on the Termination Date.

5. Dividends, Distributions, etc. The Lender shall be entitled to receive and retain all distributions made on or with respect to the Securities, including all cash dividends, stock dividends, interest, warrants and all other distributions, and the Lender shall retain and may exercise all rights or options granted to or held by the holders of the Securities to purchase additional securities. If any such distribution shall be made to, or received by, the Borrower, it shall promptly remit the same, with all necessary endorsements, to the Lender.

6. Use of Collateral. The Lender may commingle

the Current Collateral with its own funds, may transfer all or any portion of the Current Collateral among the various custodial accounts for which it is acting as agent hereunder as necessary to assure that the obligations of the Borrower to each such account are adequately secured, and may use or invest the Current Collateral as the Lender may see fit, at its own risk and for its own account, and shall retain all income and profit therefrom and shall bear all losses from any such use and investment. The sole obligation of the Lender with respect to the Current Collateral shall be to return so much of the Current Collateral to the Borrower as the Borrower may be entitled pursuant to paragraph 4 hereof upon the termination of the loan of the Securities which the Current Collateral secures.

7. Remedies for Default by Borrower. In the event that the Borrower shall breach any of its covenants, agreements or obligations contained herein (including, without limitation, the obligations of the Borrower to "mark to market" pursuant to paragraph 3 hereof, to return any Securities to the Lender on the Termination Date pursuant to paragraph 4 hereof or to remit all distributions on or with respect to the Securities to the Lender pursuant to paragraph 5 hereof), the Lender shall have, in addition to all other rights and remedies allowed by law (including the right of a secured party under the Uniform Commercial Code), the right to terminate immediately any or all loans of Securities and to apply the Current Collateral to the payment of the purchase price (including commissions, taxes and other

costs) of a like amount of the Securities. In the event the Current Collateral shall be less than such purchase price or shall be less than the market value of the Securities (determined in the manner provided in paragraph 2 hereof) as of the close of business on the Termination Date, or in the event the Borrower shall have failed to deliver any other payments or distributions due to the Lender pursuant to this Agreement, or in the event of any loss suffered by the Lender as a result of breach by the Borrower of any of the covenants, agreements or obligations contained herein, the Borrower shall be liable to the Lender for all such losses, deficiencies and other amounts plus interest at the rate charged on the Termination Date by United States Trust Company of New York on broker call loans.

8. Transfer Taxes and Costs. All transfer taxes and necessary costs with respect to the transfer of the Securities, either by the Lender to the Borrower or by the Borrower to the Lender, shall be paid by the Borrower. If the Lender shall incur any loss by reason of the Borrower's failure to pay all said taxes and costs as may be due, the Lender shall be entitled to receive the same from the Borrower and may retain an amount of the Current Collateral sufficient to satisfy its claim against the Borrower in respect of said taxes and costs.

9. Notices, Deliveries, etc. All notices, deliveries

and payments pursuant hereto shall be sufficient if in writing and delivered, or mailed by registered or certified mail, to the party entitled to receive such notice, delivery or payment at the following addresses:

If to the Lender:

United States Trust Company of New York
45 Wall Street
New York, New York 10005
Attention: Louis C. Perrone

If to the Borrower:

Attention:

or to such other address as either party may furnish in writing to the other party. Notices may also be given by cable, telex or telegram, confirmed by registered or certified mail. Demands and notices pursuant to paragraphs 3 and 4 may be given orally, confirmed by registered or certified mail. All notices given by registered or certified mail shall be effective upon receipt, and all notices given orally or by cable, telex or telegram shall be effective when made.

10. Regulation T. The Borrower represents to and covenants with the Lender that the Securities borrowed by it are being used only for such purposes as are specifically permitted by Regulation T of the Board of Governors of the Federal Reserve System, particularly Section 220.6(h) thereof.

11. Miscellaneous. This Agreement and the rights of the parties hereunder shall not be assignable by either

party without the prior written consent of the other party. Subject to the foregoing, this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. This Agreement shall not be changed except by an instrument in writing signed by each of the parties hereto.

12. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

13. Headings. Paragraph headings used in this Agreement are used solely for convenience and shall not affect the construction of this Agreement.

UNITED STATES TRUST COMPANY OF NEW YORK,
as agent for various custodial accounts

By _____

_____

By _____

Attachment C

# SCHEDULE OF UNITED STATES TRUST COMPANY FEES

## WITH INDEMNIFICATION PROVISION

1. Loans using cash collateral

   a. Flat fee of $50 for each loan.

   b. Based on monthly average interest rate of U.S. Trust Company Master Notes:

      If the Master Note interest rate is 6% or less, the annual charge will be 1% on average invested collateral.

      If the Master Note interest rate is over 6%, but not more than 8%, annual charge will be 1 1/4% on average invested collateral.

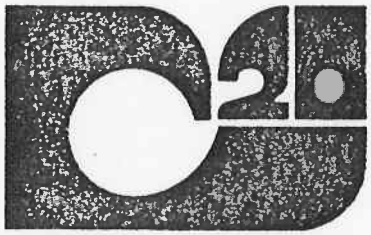
      If the Master Note interest rate is over 8%, but not more than 10%, the annual charge will be 1 1/2% on average invested collateral.

      If the Master Note interest rate is over 10%, the annual charge will be 2% on average invested collateral.

2. Loans using other than cash collateral

   Fee will be 1/3 of the income generated from each loan.

PROXY STATEMENT
AND PROXY



NOTICE OF

# Annual Meeting

JULY 15, 1980

**IMPORTANT**

Stockholders who do not expect to attend the meeting are urged to sign, mark preferences on, and return their proxy in the enclosed prepaid envelope. This is important in order that a quorum may be present at the meeting.

# IMPORTANT ... SEND IN YOUR PROXY

**It is Urgently Requested That You Date, Fill In and Sign the Enclosed Proxy and Return it Promptly. This Will Save Your Company the Expense of Follow-Up Letters, Telephone Calls, Etc.**

## TWENTIETH CENTURY INVESTORS, INC.

605 WEST 47TH STREET • KANSAS CITY, MISSOURI 64112

### NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To the Stockholders of Twentieth Century Investors, Inc.

NOTICE IS HEREBY GIVEN, that the Annual Meeting of the Stockholders of Twentieth Century Investors, Inc., a Delaware Corporation, will be held at the office of the Corporation, 605 West 47th Street, Kansas City, Missouri on Tuesday, July 15, 1980, at 2:00 o'clock P.M. for the purpose of:

(1) Electing a Board of Directors of seven members to hold office for the ensuing year and until their successors are duly elected and qualified;

(2) Approving or disapproving the Management Agreement with Investors Research Corporation

(3) Considering and acting upon a proposal to amend the statement of fundamental policy to permit loans of corporate assets

(4) Considering and acting upon a proposal to amend paragraph 5 of Article IV of the Certificate of Incorporation to permit loans of corporate assets

(5) Considering and acting upon a proposal to change the statement of fundamental policy of Twentieth Century Select Investors;

(6) Ratifying or rejecting the selection by the Board of Directors of Baird, Kurtz & Dobson as independent auditors for the year ending October 31, 1980;

(7) Transacting such other business as may properly come before said meeting or any adjournment or adjournments thereof.

**IMPORTANT — If you are unable to be present at the meeting, please fill in, sign, and return the enclosed proxy to this office.**

It is very important that you sign and send your Proxy to your Corporation, or that you attend the meeting in person. The Corporation is required to hold an annual meeting of stockholders each year and unless a majority of the outstanding voting shares is represented at the regular meeting, it will be necessary to adjourn the meeting and to incur considerable expense in order to secure the necessary proxies or stockholders to constitute a majority at the adjourned meeting.

In accordance with a resolution of the Board of Directors, stockholders of record at the close of business May 30, 1980, shall be entitled to notice of and to vote at the said meeting and at any adjournment or adjournments thereof.

By order of the Board of Directors,
FRANCIS J. RAW, Secretary

June 6, 1980

disapprove the Agreement.

The Management Agreement is set out herein verbatim as Exhibit A. For a summary of the terms of the Agreement, see the caption "The Management Agreement" at page 3 above.

## (3) AMENDING THE STATEMENT OF FUNDAMENTAL POLICY TO PERMIT THE CORPORATION TO LOAN CASH OR ASSETS TO OTHERS.

The present statement of fundamental policy of Twentieth Century Investors, Inc. states:

> "The Corporation shall not lend any of its cash funds or other assets to any person, firm or corporation except through the purchase of marketable debt securities."

The management proposes to change the statement as follows:

> "The Corporation may lend its portfolio securities to unaffiliated persons subject to the rules and regulations adopted under the Investment Company Act of 1940."

In the past few years, a growing number of institutions have been lending their portfolios. Brokers borrow securities to cover short sales and for other reasons. In return for the securities, the lending institution receives cash collateral in an amount not less than the value of the securities loaned. The cash collateral can then be invested to realize additional income. The only risk to the institution occurs if the value of the stock increases and if the broker defaults on the loan, in which case the lending institution loses the appreciation in the value of the security. The risk can be minimized by careful selection of borrowing brokers and by observing the rules and regulations of the Securities and Exchange Commission, which state: (1) the Corporation must receive 100% cash collateral from the borower; (2) the borrower must add to the cash collateral whenever the price of the loaned securities rises (i.e., mark to market on a daily basis); (3) the Corporation may terminate the loan at any time; (4) the Corporation must receive reasonable interest on the loan, together with any interest, dividends, or other distribution on the loaned securities, and any increase in their market value; (5) the Corporation may not be required to pay any service, placement, or other fees in connection with such a loan unless the Corporation's Board of Directors has determined that the fee is reasonable and based solely on the services rendered; (6) the Corporation must retain the voting rights to the loaned securities.

The management believes that, properly administered, a program of loaning portfolio securities to brokers can provide Twentieth Century with additional income at minimal risk. In order to undertake the program, the statement of fundamental policy must be changed as stated above.

## (4) AMENDING PARAGRAPH 5 OF ARTICLE IV OF THE CERTIFICATE OF INCORPORATION OF THE CORPORATION

Paragraph 5 of Article IV of the Corporation's Certificate of Incorporation states:

> "The Corporation shall not lend any of its cash funds or other assets to any person, firm or corporation except through the purchase of bonds, debentures, notes or other evidences of indebtedness as herein authorized."

The management proposes to amend the Certificate of Incorporation by deleting that paragraph.

The reason for the amendment is to permit the corporation to lend its portfolio securities as described in the caption above, "To Amend the Statement of Fundamental Policy to Permit the Corporation to Loan Cash or Assets to Others."

## (5) CHANGING THE STATEMENT OF FUNDAMENTAL POLICY OF TWENTIETH CENTURY SELECT INVESTORS (TO BE VOTED ON ONLY BY SELECT INVESTORS)

The statement of fundamental policy of Twentieth Century Select Investors states:

> "Twentieth Century Select Investors is designed for investors who are interested in current cash distributions. The primary objective of Select Investors is to produce cash distributions from either or both interest and dividends, and from capital gains, and at the same time to seek significant appreciation of the value of your investment."

Management proposes to change the investment objective to read as follows:

> "Twentieth Century Select Investors is designed for investors who are interested in having their money grow and also in receiving distributions from net investment income, which the investor may elect to receive in cash or reinvest in additional shares. The primary objective is capital growth through investment in securities which the management considers to have better than average prospects for appreciation of value and which also pay dividends or interest."

The change in the statement of fundamental policy will not change the kinds of securities selected for the portfolio of Twentieth Century Select Investors. Those securities will, as they have in the past, be those which management believes to have better than average prospects for appreciation in value and which also pay dividends or interest. If the policy is successful, holders of shares of Twentieth Century Select Investors will receive cash distributions from both ordinary income and capital gains. The management believes that the current statement misplaces the emphasis on current cash distributions and that the proposed restatement of fundamental policy is more descriptive and more understandable to shareholders. The change will not affect the portfolio turnover rate of Select Investors.

## (6) RATIFYING OR REJECTING EMPLOYMENT OF AUDITORS

Subject to the approval of the stockholders, the Board of Directors recommends the employment of Baird, Kurtz & Dobson as independent auditors with respect to the operations of the Corporation for the year ending October 31, 1980. The selection and recommendation of Baird, Kurtz & Dobson, as auditors was made at a meeting of the Board of Directors held November 28, 1979, by a majority of those Directors who are not investment advisors of, or interested persons of an investment advisor of, or officers or employees, of the Corporation. Neither Baird, Kurtz & Dobson nor any of its partners has any financial interest in Twentieth Century Investors, Inc. nor has had any connection during the past three years with Twentieth Century Investors, Inc., in any capacity other than as independent public accountants.

The only professional service provided by the Corporation's accountants was that of the annual audit and in conjunction therewith to prepare the Corporation's tax return. The fee for the tax return was about 7% of the audit fee.

Representatives of Baird, Kurtz & Dobson, the Corporation's accountants, are expected to be present at the Stockholders meeting with the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

TWENTIETH CENTURY INVESTORS, INC.

MINUTES OF MEETING OF BOARD OF DIRECTORS

A meeting of the Board of Directors of Twentieth Century Investors, Inc. was held at the office of the Corporation at 605 West 47th Street, Kansas City, Missouri at 9:00 a.m. on Saturday, February 28, 1981 pursuant to notice.

All of the Directors, namely Messrs. Brown, Doering, Lundgaard, Raw, Silver, Stowers and Urie were present. Also present were Messrs. Neville, J. Michael Urie, von Waaden and Kuraner.

Mr. Stowers called the meeting to order and presided. Mr. Kuraner acted as secretary of the meeting and recorded the minutes.

The minutes of the previous meeting of the Board having been circulated to the Directors by mail, the reading of the minutes was waived.

The Chairman stated that the first business to come before the meeting was the proposed Indemnified Security Lending Program of United States Trust Company. The Board reviewed Mr. Kuraner's memorandum of January 14, 1981 which had been mailed to them; the proposed Agreement of November 5, 1980; the Addendum constituting the indemnification provision, and attachments. It was the consensus of the Board that the Corporation should not delegate to United States Trust Company discretion to select corporations to whom the cash collateral would be loaned by means of the Master Notes, and that the program should be entered into only if the cash collateral would be invested in overnight repurchase agreements or other securities satisfactory to the Executive Committee. Thereupon, upon motion made by Mr. Urie, seconded by Mr. Raw, and unanimously carried, it was:

> RESOLVED, that the officers of this Corporation are authorized, in its name and on its behalf, to enter

into the United States Trust Company Indemnified Security Lending Program but only if the cash collateral is invested in overnight repurchase agreements or in other securities specifically approved by the Corporation's Executive Committee.

RESOLVED FURTHER, that the Executive Committee is authorized to make such changes in the documents submitted as the Executive Committee shall deem appropriate and in keeping with the sense of the Board and this resolution.

The Chairman stated that the next business to come before the meeting was to reconsider and act upon the resolution fixing the time of determining the net asset value of the Corporation's shares as described in Mr. Kuraner's memorandum of February 14, 1981. The Chairman stated that the Corporation does not invest in securities other than those whose prices are readily available from domestic stock exchanges or over the counter markets and that the determination of net asset value had not presented any significant problems. Thereupon, upon motion by Mr. Lundgaard, seconded by Mr. Silver and unanimously carried, it was:

RESOLVED, that the current net asset value of the shares of this Corporation shall be computed at the close of business on the New York Stock Exchange, i.e. 3:00 p.m. Central Time, and that such determination shall prevail until the next day on which the New York Stock Exchange is open for business.

The Chairman called it to the Board's attention that at the previous meeting it had created a new class of shares denominated Twentieth Century Plaza Investors and that management had concluded that the name Twentieth Century Ultra Investors would be preferable. Thereupon, upon motion made, seconded and unanimously carried, it was:

RESOLVED, that the new class of shares to be issued by this Corporation shall be called Twentieth Century Ultra Investors instead of Twentieth Century Plaza Investors and that the resolution adopted at the previous meeting of the Board with respect to a new class of shares called Twentieth Century Plaza Investors is hereby amended accordingly.