



DIVISION OF  
INVESTMENT MANAGEMENT

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

ACT ICA-40  
SECTION 17(a)  
RULE \_\_\_\_\_  
PUBLIC  
AVAILABILITY 6-30-95

June 30, 1995

Mr. William M. Lyons  
Executive Vice President  
and General Counsel  
Twentieth Century Mutual Funds  
P.O. Box 418210  
Kansas City, MO 64141-9210

Re: Benham California Tax-Free and Municipal Funds: Tax-Free Money Market Fund and Municipal Money Market Fund

Dear Mr. Lyons:

Your letter of June 30, 1995 requests our assurance that we would not recommend that the Commission take any enforcement action under sections 17(a) and 17(d) of the Investment Company Act of 1940 if Twentieth Century Companies, Inc. ("Affiliate") and the Tax-Free Money Market Fund ("TFMM") and Municipal Money Market Fund ("MMMMF") of Benham California Tax-Free and Municipal Funds effect the transaction summarized below and more fully described in your letter.

TFMM and MMMF are money market funds that seek to maintain a stable net asset value per share of \$1.00, and use the amortized cost method of valuation in valuing their portfolio securities as permitted by rule 2a-7 under the 1940 Act. TFMM and MMMF each hold Tax and Revenue Anticipation Notes, Series A issued by Orange County, California that mature on July 19, 1995 ("Securities"), in the following amounts: (1) TFMM: \$5,050,000 principal amount (approximately 1.2% of net assets); (2) MMMF: \$2,950,000 principal amount (approximately 1.3% of net assets). The Securities pay interest at maturity at a rate of 4.5% per year. As a result of the Orange County bankruptcy filing on December 6, 1994, TFMM and MMMF determined the fair values of the Securities to be less than their amortized cost values.

In December 1994, Benham Management Corporation, the investment manager of TFMM and MMMF, and a wholly owned subsidiary of the Affiliate,<sup>1</sup> agreed to take such actions as necessary, including purchasing a portion of the Securities from each fund at their amortized cost values (the principal amount of the Securities plus accrued interest) to ensure

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<sup>1</sup> On June 1, 1995, Benham Management International merged with and into the Affiliate. As a result of the merger, Benham became a wholly owned subsidiary of the Affiliate.

that the mark to market value per share of each fund equalled or exceeded \$0.99550 ("Standby Purchase Arrangement"). The Standby Purchase Arrangement was entered into after the staff of the Division of Investment Management informed TFMM, MMMF and Benham on December 19, 1994 that it would not recommend to the Commission enforcement action against any of the parties if the Standby Purchase Arrangement was effected. You represent that TFMM and MMMF did not rely on the Standby Purchase Agreement to value the Securities, but rather valued the Securities based on prices provided by an independent pricing service.

TFMM and MMMF have been informed that Orange County, in all likelihood, will not make the scheduled principal payments due on the Securities on July 19, 1995. Rather, Orange County is contemplating an amendment, substitution or extension of the Securities ("Amendment") that would, among other things, extend the maturity date of the Securities to June 30, 1996 and contain certain other terms to be negotiated ("Amended Securities"). A portion of the interest on the Amended Securities would be payable monthly, and a portion of the interest on the Amended Securities would be accrued and paid to TFMM and MMMF at a later date.

As a result of these developments, you state that the Affiliate, TFMM and MMMF plan to enter into a letter of credit arrangement ("LOC Arrangement"). On June 27, the Affiliate applied for two irrevocable standby letters of credit ("LOCs") to be issued by State Street Bank and Trust Company ("LOC Provider") on behalf of TFMM and MMMF.<sup>2</sup> Under the LOC Arrangement, the LOCs would provide for payment to TFMM and MMMF of \$5,000,000 (\$2,525,000 attributable to 50% of principal amount of the Securities held by TFMM, \$1,475,000 attributable to 50% of the principal amount of the Securities held by MMMF, and the balance of \$1,000,000 attributable to interest on the entire principal amount of the Securities that is to be paid to TFMM and MMMF under the terms of the Amended Securities). TFMM and MMMF would have the unconditional right to draw on the LOCs if scheduled interest and principal were not paid when due under any circumstances, including a failure to pay that is premised on violations of certain provisions of the California state constitution and California law. The Affiliate would agree to reimburse the LOC Provider for any payments made to the Funds under the LOCs.

The Affiliate reserves the right under the LOC Arrangement to purchase the Amended Securities from TFMM and MMMF on or before June 30, 1996 (the maturity date of the Amended Securities). If the Affiliate exercises this right, the LOCs would expire, and the LOC Provider's obligations under the LOC Arrangement would be discharged.

TFMM and MMMF each will value 50% of the principal amount of the Securities held based on the LOC Arrangement as soon as it is effected. The remaining 50% held by TFMM and MMMF will be valued without reference to the LOC Arrangement.

You represent that the boards of directors of TFMM and MMMF have been apprised of the LOC Arrangement. You have also concluded that the amount of the LOCs attributable to interest can reasonably be expected to cover any interest due on the maturity of the entire principal amount of the Amended Securities held by the funds.

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<sup>2</sup> The LOC Provider currently has the highest ratings on its short-term debt obligations from the "Requisite NRSROs" (as defined in paragraph (a)(12) of rule 2a-7 under the 1940 Act).

Mr. William M. Lyons  
Page 3

On the basis of the facts and representations in your letters of June 30 and May 5, 1995 and December 19, 1994, and a telephone conference with Marjorie Riegel of the staff on June 30, 1995, we will not recommend enforcement action under sections 17(a) and 17(d) of the 1940 Act and the rules thereunder if the LOC Arrangement is effected. You should note that any different facts or representations might require a different conclusion. Moreover, this response expresses the Division's position on enforcement action only and does not express any legal conclusions on the issues presented.

Sincerely,

A handwritten signature in cursive script, appearing to read "Robert E. Plaze", with a horizontal line extending to the right.

Robert E. Plaze  
Assistant Director

**TWENTIETH CENTURY**  
C O M P A N I E S I N C .

June 30, 1995

**VIA FACSIMILE AND FEDERAL EXPRESS**

Robert E. Plaze  
Assistant Director  
Office of Disclosure and Investment  
Adviser Regulation  
Division of Investment Management  
U.S. Securities and Exchange Commission  
450 Fifth Street, N.W.  
Mail Stop 10-6  
Washington, D.C. 20549

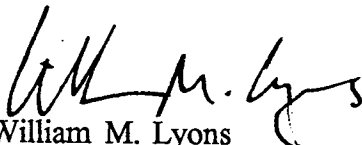
Re: Orange County

Dear Mr. Plaze:

As discussed, I enclose herewith our no-action request under Sections 17(a) and 17(d) of the Investment Company Act of 1940.

Please let me know if you have additional questions or comments.

Very truly yours,

  
William M. Lyons  
Executive Vice President  
and General Counsel

WML/mro

Enclosure

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TWENTIETH CENTURY

COMPANIES INC.

June 30, 1995

**VIA FACSIMILE AND FEDERAL EXPRESS**

Robert E. Plaze  
Assistant Director  
Office of Disclosure and Investment  
Adviser Regulation  
Division of Investment Management  
U.S. Securities and Exchange Commission  
450 Fifth Street, N.W.  
Mail Stop 10-6  
Washington, D.C. 20549

Re: Benham California Tax-Free and Municipal Funds: Tax-Free Money Market Fund and  
Municipal Money Market Fund

Dear Mr. Plaze:

We are writing on behalf of Twentieth Century Companies, Inc. ("Affiliate"), an affiliated person of the Tax-Free Money Market Fund ("TFMM") and Municipal Money Market Fund ("MMMMF") of Benham California Tax-Free and Municipal Funds ("Benham"). We seek assurance from the staff of the Division of Investment Management ("Division") that it will not recommend enforcement action to the Commission under Sections 17(d) or 17(a) of the Investment Company Act of 1940 ("1940 Act") or the rules thereunder if TFMM, MMMF and the Affiliate enter into the arrangement described below.

Benham is registered with the Commission under the 1940 Act as an open-end management investment company. TFMM and MMMF are "series" funds within Benham. TFMM and MMMF are money market funds that seek to maintain stable net asset values of \$1.00 per share and use the amortized cost method of valuation in valuing their portfolio securities. Approximately 1.2% of TFMM's net assets and 1.3% of MMMF's net assets as of June 26, 1995, consisted of certain debt securities ("Securities") fully described below. The market value of the Securities is less than their amortized cost value (i.e. par value plus accrued interest).

Robert E. Plaze  
June 30, 1995  
Page 2

The Securities are:

Tax-Free Money Market Fund:

1. Issuer: County of Orange, California
2. Issue: 1994-95 Tax and Revenue Anticipation Notes, Series A, Dated July 5, 1994
3. Letter of Credit Provider: State Street Bank and Trust Company
4. Principal Amount of Securities Held: \$5,050,000
5. Final Maturity of Securities: July 19, 1995
6. CUSIP Number of Securities: 684201EK8

Municipal Money Market Fund:

1. Issuer: County of Orange, California
2. Issue: 1994-95 Tax and Revenue Anticipation Notes, Series A, Dated July 5, 1994
3. Letter of Credit Provider: State Street Bank and Trust Company
4. Principal Amount of Securities Held: \$2,950,000
5. Final Maturity of Securities: July 19, 1995
6. CUSIP Number of Securities: 684201EK8

On June 27, 1995, the Affiliate applied for two irrevocable standby letters of credit to be issued by State Street Bank and Trust Company ("LOC Provider"), a bank which has the highest short-term ratings from the "Requisite NRSROs" (as such term is defined in paragraph (a)(13) of rule 2a-7 under the 1940 Act), for the benefit of TFMM and MMMF. In order to avoid potential fund shareholder loss, these irrevocable standby letters of credit provide for payment to TFMM and MMMF of up to \$4,000,000 (\$2,525,000 with respect to TFMM and \$1,475,000 with respect to MMMF) of scheduled payments of principal of the Securities through the date of final maturity. The letters also provide for payment to TFMM and MMMF of all scheduled payments of interest (including interest accrued to date) on the entire principal amount of the Securities through the date of final maturity (which date may be extended to June 30, 1996, as described below). It is expected that payments of interest on the entire principal amount of the Securities through the date of final maturity will not exceed \$1,000,000. Thus, the letters will provide an aggregate of up to \$5,000,000 which can be drawn upon by TFMM and MMMF.

As long as the letter of credit support facility remains in place, \$2,525,000 principal amount of the Securities held by TFMM and \$1,475,000 principal amount of the Securities held by MMMF will be priced at par. The remaining principal amount of the Securities will be priced according to valuation procedures adopted by the Board of Directors of Benham and consistent with the requirements of the 1940 Act and regulations thereunder.

Robert E. Plaze  
June 30, 1995  
Page 3

TFMM and MMMF will take such actions as are required to receive payment under the letters of credit in the event of any default in the payment of interest or principal under the Securities.

The Affiliate will reimburse the LOC Provider for any amounts paid by the LOC Provider under the letters of credit. However, the letter of credit arrangements may be terminated (without payment by the LOC Provider to TFMM and MMMF) in the event the Affiliate elects to purchase the Securities from TFMM and MMMF at par (plus accrued interest) at or prior to maturity.

It is our understanding that Orange County is contemplating an amendment, substitution or extension of the Securities (the "Amendment") that would extend the maturity date to June 30, 1996 and contain certain other terms to be negotiated (including a new interest rate, some portion of which, rather than being due and payable monthly may accrue to the new maturity date). If such an amendment, substitution or extension is effected prior to the final maturity of the Securities (July 19, 1995) and is consented to by the Board of Directors of Benham, the letters of credit will provide for payment to TFMM and MMMF only in the event of Orange County's failure to make scheduled payments of interest or principal under the Securities as so amended, substituted or extended.

The Affiliate has agreed with the Board of Directors of Benham that, regardless of the terms of the Securities, if Orange County fails to make scheduled payments of interest or principal because it repudiates its obligations under a theory that the Securities were not validly issued, that the issuance of the securities exceeds the "debt limitation" provisions of applicable law, or for any other reason, the letters of credit can be drawn upon by TFMM and MMMF to support their respective net asset values.

The Benham Board of Directors has been advised of the proposed arrangement described above.

The Affiliate is an "affiliated person of an affiliated person" under Section 2(a)(3) of the 1940 Act because it is the parent company of the investment adviser to Benham.<sup>1</sup> The proposed arrangement may fall within Section 17(d) of the 1940 Act, which makes it unlawful for any affiliated person of a registered investment company to effect any transaction in which such registered company is a joint or a joint and several participant with such person or Section 17(a)(2) of the 1940 Act which makes it unlawful for any affiliated person of a registered investment company (or any affiliated person of such person acting as principal) to knowingly purchase any security or other property from the investment company.

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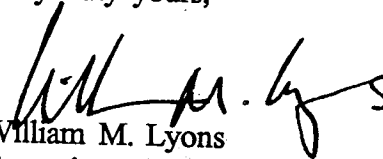
<sup>1</sup> On June 1, 1995, Benham Management International, Inc. merged with and into Twentieth Century Companies, Inc. As a result of such merger, Twentieth Century Companies, Inc. wholly owns Benham Management Corporation, the investment manager of the Benham California Tax-Free and Municipal Funds.

Robert E. Plaze  
June 30, 1995  
Page 4

TFMM, MMMF and the Affiliate believe that it would be in the best interests of the shareholders of TFMM and MMMF if: (1) the irrevocable standby letters of credit are issued and the Affiliate is obligated to pay to the LOC Provider any amounts paid by it to TFMM or MMMF and (2) the Affiliate is able to purchase a portion of the Notes from TFMM and MMMF at their amortized cost value, plus accrued interest. On behalf of TFMM, MMMF and the Affiliate, we hereby request that the Division staff give its assurance that it will not recommend that the Commission take enforcement action against Benham, TFMM, MMMF or the Affiliate under Section 17(d) if the Affiliate acts in such capacity or under Section 17(a) if the Affiliate purchases the Notes from TFMM and MMMF as noted above.

If you have any questions or other communications concerning this matter, please call the undersigned at (816) 340-4770.

Very truly yours,

  
William M. Lyons  
Executive Vice President  
and General Counsel

WML/mro



LAW OFFICES OF  
**DECHERT PRICE & RHOADS**

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 (717) 237-2000

JEFFREY L. STEELE  
 DIRECT DIAL (202) 626-3314

December 19, 1994

VIA FAX

Robert E. Plaze  
 Assistant Director  
 Office of Disclosure and Investment  
 Adviser Regulation  
 Division of Investment Management  
 Securities and Exchange Commission  
 450 Fifth Street, N.W.  
 Mail Stop 10-6  
 Washington, D.C. 20549

Re: **Benham California Tax-Free and Municipal Funds: Tax-Free  
 Money market Fund and Municipal Money Market Fund**

Dear Mr. Plaze:

We are writing on behalf of Benham Management Corporation, an affiliated person of Benham California Tax-Free and Municipal Funds (the "Trust") and two of its portfolios the Tax-Free Money market Fund and the Municipal Money Market Fund (collectively the "Funds"). We seek assurance from the staff of the Division of Investment Management (the "Division") that it will not recommend enforcement action to the Commission under Section 17(a) of the Investment Company Act of 1940 (the "1940 Act") or the rules thereunder if the Funds and the Affiliate enter into the transactions described below:

*Approved*  
*[Signature]*  
 12/19/94

Robert E. Plaze  
 December 19, 1994  
 Page 2

The Funds are series of the Trust which is registered with the Commission under the 1940 Act as an open-end management investment company. As money market funds, each of the Funds seeks to maintain a stable net asset value per share of \$1.00 and uses the amortized cost method of valuation in valuing its portfolio securities. Approximately 1.85% of each Fund's net assets as of December 16, 1994 consisted of the debt security described below. The market value of that security is less than its amortized cost value (i.e. par value plus accrued interest) due to financial difficulties involving Orange County, California. The Security is:

Issuer: 1994-95 Tax and Revenue Anticipation Notes.  
 Series A (the "Notes").

Principal amount: \$11,000,000; (\$7,000,000 held by the Tax-Free Money  
 Market Fund and \$4,000,000 by the Municipal Money  
 Market Fund)

Final maturity: July 19, 1995

CUSIP number: 684201EK

On December 12, 1994, at a telephone meeting of the Board of Trustees and at an in person meeting on December 16, 1994, the Affiliate stated its willingness to take such actions as are necessary, including to purchase a portion of the Notes from each of the Funds at their amortized cost value (the principal amount of Notes plus accrued interest), to ensure that the mark to market value per share of each Fund equals or exceeds \$.99550. Prices used to determine the mark to market Value of the Notes will be provided by an independent pricing service. Any use of a price, other than the price supplied by the pricing service, will be reviewed by the independent trustees of the Trust prior to its use in any calculation of a Fund's per share mark to market value. The Board and the Affiliate wish to enter into an agreement to this effect. No effect will be given to this agreement in determining the mark to market Value of the Notes.

The Affiliate is an "affiliated person" of the Trust under Section 2(a)(3) of the 1940 Act. Any purchase of the Notes by the Affiliate would fall within Section 17(a)(2) of the 1940 Act, which makes it unlawful for any affiliated person of a

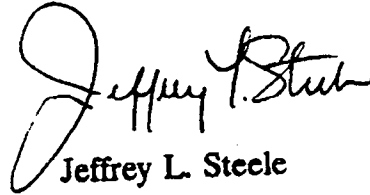
Robert E. Plaze  
December 19, 1994  
Page 3

registered investment company (or any affiliated person of such person acting as principal) to knowingly purchase any security or other property from the investment company.

The Funds and the Affiliate believe that it would be in the best interests of the Funds' shareholders if the Affiliate is able to purchase a portion of the Notes from each of the Funds at their amortized cost value, plus accrued interest. Separate confirmation of any purchase of the Notes by the Affiliate will be promptly provided to the staff. On behalf of the Funds and the Affiliate, we hereby request that the Division staff give its assurance that it will not recommend that the Commission take enforcement action against the Funds or the Affiliate under Section 17(a) if the Affiliate purchases the Notes from the Funds as noted above.

If you have any questions or other communications concerning this matter, please call the undersigned at (202) 626-3314.

Sincerely,



Jeffrey L. Steele

JLS:sb

LAW OFFICES OF  
**DECHERT PRICE & RHOADS**

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151, BOULEVARD HAUSSMANN  
 75008 PARIS, FRANCE  
 (33-1) 53 83 84 70

May 5, 1995

VIA FACSIMILE

Marjorie Riegel, Esq.  
 Office of Disclosure and Investment  
 Adviser Regulation  
 Division of Investment Management  
 Securities and Exchange Commission  
 450 Fifth Street, N.W.  
 Mail Stop 10-6  
 Washington, D.C. 20549

Re: Benham California Tax-Free and Municipal Funds: Tax-Free Money  
 Market Fund and Municipal Money Market Fund

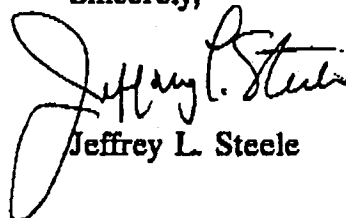
Dear Ms. Riegel:

We are writing on behalf of Benham Management Corporation, an affiliated person of Benham California Tax-Free and Municipal Funds (the "Trust") and two of its portfolios the Tax-Free Money Market Fund and the Municipal Money Market Fund (collectively the "Funds"). We seek assurance from the staff of the Division of Investment Management (the "Division") that it will not recommend enforcement action to the Commission under Section 17(a) of the Investment Company Act of 1940 (the "1940 Act") or the rules thereunder if the Funds and the Affiliate enter into the transactions described in the attached letter dated December 19, 1994 (the "initial no-action request"). The staff granted initial no-action request for a 90 day period.

Marjorie Riegel, Esq.  
May 5, 1995  
Page 2

This letter requests an extension of the Staff's earlier no-action letter through the maturity date of the notes - July 19, 1995. The extension would be subject to the same terms and conditions as are recited in our letter to Robert E. Plaze dated December 19, 1994.

Sincerely,



Jeffrey L. Steele

JLS:sb  
Enclosure

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LAW OFFICES OF  
**DECHERT PRICE & RHOADS**1500 K STREET, N.W.  
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(215) 894-4000THIRTY NORTH THIRD STREET  
HARRISBURG, PA 17101-1603  
(717) 237-2000DEWEY L. STEEL  
DIRECT DIAL (202) 626-3334

December 19, 1994

VIA FAX

Robert E. Plaze  
Assistant Director  
Office of Disclosure and Investment  
Adviser Regulation  
Division of Investment Management  
Securities and Exchange Commission  
450 Fifth Street, N.W.  
Mail Stop 10-6  
Washington, D.C. 20549

Re: Benham California Tax-Free and Municipal Funds: Tax-Free  
Money market Fund and Municipal Money Market Fund

Dear Mr. Plaze:

We are writing on behalf of Benham Management Corporation, an affiliated person of Benham California Tax-Free and Municipal Funds (the "Trust") and two of its portfolios the Tax-Free Money market Fund and the Municipal Money Market Fund (collectively the "Funds"). We seek assurance from the staff of the Division of Investment Management (the "Division") that it will not recommend enforcement action to the Commission under Section 17(a) of the Investment Company Act of 1940 (the "1940 Act") or the rules thereunder if the Funds and the Affiliate enter into the transactions described below:

APR 04 '95 10:08AM BENHAM LEGAL DEPT

P.3/8

Robert H. Plaza  
 December 19, 1994  
 Page 2

The Funds are series of the Trust which is registered with the Commission under the 1940 Act as an open-end management investment company. As money market funds, each of the Funds seeks to maintain a stable net asset value per share of \$1.00 and uses the amortized cost method of valuation in valuing its portfolio securities. Approximately 185% of each Fund's net assets as of December 16, 1994 consisted of the debt security described below. The market value of that security is less than its amortized cost value (i.e. par value plus accrued interest) due to financial difficulties involving Orange County, California. The Security is:

Issuer: 1994-95 Tax and Revenue Anticipation Notes.  
 Series A (the "Notes").

Principal amount: \$11,000,000; (\$7,000,000 held by the Tax-Free Money  
 Market Fund and \$4,000,000 by the Municipal Money  
 Market Fund)

Final maturity: July 19, 1995

CUSIP number: 684201EK

On December 12, 1994, at a telephone meeting of the Board of Trustees and at an in person meeting on December 16, 1994, the Affiliate stated its willingness to take such actions as are necessary, including to purchase a portion of the Notes from each of the Funds at their amortized cost value (the principal amount of Notes plus accrued interest), to ensure that the mark to market value per share of each Fund equals or exceeds \$.99550. Prices used to determine the mark to market Value of the Notes will be provided by an independent pricing service. Any use of a price, other than the price supplied by the pricing service, will be reviewed by the independent trustees of the Trust prior to its use in any calculation of a Fund's per share mark to market value. The Board and the Affiliate wish to enter into an agreement to this effect. No effect will be given to this agreement in determining the mark to market Value of the Notes.

The Affiliate is an "affiliated person" of the Trust under Section 2(a)(3) of the 1940 Act. Any purchase of the Notes by the Affiliate would fall within Section 17(a)(2) of the 1940 Act, which makes it unlawful for any affiliated person of a

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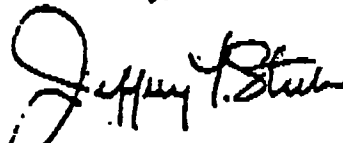
Robert E. Plaze  
December 19, 1994  
Page 3

registered investment company (or any affiliated person of such person acting as principal) to knowingly purchase any security or other property from the investment company.

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If you have any questions or other communications concerning this matter, please call the undersigned at: (202) 626-3314.

Sincerely,

  
Jeffrey L. Steele

JLS:sb