

**PUBLIC**

**MAY 14 1993**

RESPONSE OF THE OFFICE OF CHIEF COUNSEL  
DIVISION OF INVESTMENT MANAGEMENT

Our Ref. No. 93-226-CC  
Washington Mutual  
Investors Fund, Inc.  
File No. 811-604

In your letter of April 19, 1993, you request assurance that the staff would not recommend enforcement action to the Commission under Section 15(a) of the Investment Company Act of 1940 (the "1940 Act") if, as more fully described in your letter, Washington Mutual Investors Fund, Inc. (the "Fund") does not solicit shareholder approval of a proposed reduction in the amount of compensation paid under its existing investment advisory agreement (the "Agreement"). 1/

You state that, pursuant to the Agreement, which was approved by a vote of the majority of the Fund's outstanding voting securities on October 4, 1990, the Fund currently pays Capital Research and Management Company (the "Investment Adviser") a monthly fee that declines, as the Fund's assets increase, from an annual rate of .25% to .21% of the Fund's average daily net assets. You further state that the Fund and the Investment Adviser propose permanently to amend the Agreement to provide for a monthly fee that declines, as the Fund's assets increase, from an annual rate of .25% to .20% of the Fund's average daily net assets.

You state that the Fund's board of directors will consider the proposed amendment at its regular meeting on June 17, 1993, and that the amended Agreement will require the approval of a majority of the Fund's directors, including a majority of the directors who are not interested persons. 2/ Moreover, you state

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1/ You also request assurance that the staff would not recommend enforcement action to the Commission under Section 15(a) if the Fund does not solicit shareholder approval of a proposed fee reduction under its existing business management agreement (the "Business Management Agreement"). You represent that the Fund's business manager performs the Fund's general administrative services and does not provide any services to the Fund that would cause the business manager to fall within the definition of investment adviser in Section 2(a)(20) of the 1940 Act or 202(a)(11) of the Investment Advisers Act of 1940. Telephone conversation between John Jude O'Donnell and Alison E. Baur (May 10, 1993). Section 15(a) does not require that the Fund's shareholders approve the Business Management Agreement. Accordingly, this letter responds only to the proposed fee reduction in the Agreement.

2/ You also state that the proposed amendment would become effective on July 1, 1993 and would be a permanent amendment to the Agreement. You further state that any other future amendment to the Agreement, including any amendment

that the Fund's shareholders will be notified of the amendment to the Agreement by delivery, on or about June 22, 1993, of a revised prospectus to be dated June 22, 1993, which is the scheduled renewal date for the Fund's prospectus. You represent that the Fund would prepare and mail a revised prospectus to existing shareholders at that time regardless of the proposed amendment to the Agreement, and therefore the Fund, rather than the Investment Adviser, will pay the costs of preparing and mailing the revised prospectus. 3/ In addition, you believe that requiring the Fund to call a shareholder meeting for the sole purpose of approving the amendment to the Agreement under these circumstances needlessly would cause the Fund's shareholders to incur solicitation expenses. 4/

On the basis of the facts and representations in your letter and the telephone conversations, particularly your representation that the Investment Adviser will not reduce the quality or quantity of its services, and that its obligations will remain the same in all respects, we would not recommend enforcement action to the Commission under Section 15(a) if the Fund permanently amends the Agreement to reduce the compensation paid to the Investment Adviser without soliciting approval of the Fund's shareholders. 5/ This position expresses the Division's position on enforcement action only and does not purport to express any legal conclusion on the question presented.



Alison E. Baur  
Attorney

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reinstating the existing fee schedule or any reduction in services provided by the Investment Adviser to the Fund, would require approval by the Fund's shareholders in accordance with Section 15(a).

- 3/ Telephone conversation between Julian E. Markham, Jr. and Alison E. Baur (May 6, 1993).
- 4/ As a Maryland corporation, the Fund is not required to hold annual shareholder meetings.
- 5/ See Limited Term Municipal Fund, Inc. (pub. avail. Nov. 17, 1992).

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ACT

SECTION

RULE

OF COUNSEL

PUBLIC

AVAILABILITY

J. ROY THOMPSON, JR. \*  
THOMAS H. McGRAIL \*  
HENRY F. HARDING

April 19, 1993

10A of 1940  
15(a)  
5/14/93

JOHN E. LARSON, RETIRED

IN JUDE O'DONNELL \*  
IAN E. MARKHAM, JR. + \* \*  
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Lawrence B. Stoller, Esq.  
Office of Chief Counsel  
Division of Investment Management  
Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, DC 20549

Dear Mr. Stoller:

We request on behalf of Washington Mutual Investors Fund, Inc. (the "Fund"), a registered open-end management investment company, Washington Management Corporation, the Fund's business manager (the "Business Manager") and Capital Research and Management Company, the Fund's investment adviser (the "Investment Adviser"), that the Staff of the Division of Investment Management advise that it will not recommend enforcement against the Fund, the Business Manager or the Investment Adviser if the Business Manager, the Investment Adviser and the Fund agree to reduce the percentage amount of the compensation required to be paid to the Business Manager and the Investment Adviser in respect of their services for the Fund under their existing Business Management and Investment Advisory Agreements (the "Agreements") with the Fund without obtaining a stockholder vote respecting the amendment of such Agreements to effect the fee reduction. We believe that this request follows a similar procedure to that utilized by Limited Term Municipal Fund, Inc. which obtained a no-action letter on November 17, 1992 (File No. 811-4302, Ref. No. 92-631-CC).

The Fund was organized in 1952 and is incorporated in Maryland as a regulated investment company. The Fund invests at least 95% of its assets in common stocks and securities convertible into common stocks. The approximate total assets of the Fund on the date of this letter are \$11.4 billion and the Fund has more than 700,000 stockholders. The Fund is not required to hold annual stockholders meetings.

The Business Manager and the Investment Adviser are Delaware corporations. The Business Manager performs the Fund's general administrative and corporate affairs pursuant to a Business Management Agreement. The Investment Adviser is registered as an investment adviser under the Investment Advisers Act of 1940, and

performs advisory services for the Fund pursuant to an Investment Advisory Agreement. Both Agreements were approved by a vote of the majority of the Fund's outstanding voting securities on October 4, 1990, and have been continued by the Fund's Board of Directors regularly since then in accordance with Section 15 of the Investment Company Act of 1940 (the "1940 Act"). The Agreements by their terms currently require the Fund to pay a monthly fee in accordance with the following schedule:

<u>Net Assets</u>	<u>Annual Rate</u>		
	<u>Business Manager</u>	<u>Investment Adviser</u>	<u>Total</u>
First \$125 mil	.25%	.25%	.50%
Over \$125 mil to \$3 bil	.175%	.225%	.40%
Excess over \$3 bil	.15%	.21%	.36%

Management has proposed to the Fund's Board that such fees be reduced in accordance with the following schedule:

<u>Net Assets</u>	<u>Annual Rate</u>		
	<u>Business Manager</u>	<u>Investment Adviser</u>	<u>Total</u>
First \$125 mil	.25%	.25%	.50%
Over \$125 mil to \$3 bil	.175%	.225%	.40%
Over \$3 bil to \$5 bil	.15%	.21%	.36%
Over \$5 bil to \$8 bil	.135%	.21%	.345%
Over \$8 bil to \$12 bil	.12%	.20%	.32%
Excess over \$12 bil	.095%	.20%	.295%

Each annual rate shown is applicable to the incremental amount of net assets shown opposite the respective rate, and is applied to the daily average net assets of the Fund. Accrued fees are paid following the end of each month. Management intends to present amended Agreements which incorporate the proposed schedule, which will apply prospectively to all years after it becomes effective, to the Fund's Board of Directors for approval at their regular meeting on June 17, 1993. The Business Manager and the Investment Adviser will not reduce the quality or quantity of their services as a result of any reduction of fees by such amendment, and their obligations will remain the same in all respects.

Pending receipt of no-action advice from the Staff, the Business Manager and the Investment Adviser have voluntarily waived a portion of their fee that is in excess of the amounts due under the proposed fee schedule. The Directors will consider the foregoing proposal to amend the Agreements upon the receipt of no-action advice, and the Agreements will be changed accordingly upon the approval of a majority of the Fund's Directors, including a majority of the Directors who have no direct or indirect financial interest in the Business Manager and the Investment Adviser or their respective Agreements. Such Agreements would then become effective on July 1, 1993. The Fund's shareholders will thereafter be notified of the amendment

of the Agreements by delivery of a revised prospectus to be dated June 22, 1993, which is the scheduled renewal date for the Fund's prospectus. The revised prospectus to existing shareholders will be mailed on or about June 22, 1993. Prospective investors will also be notified by the revised prospectus.

Section 15(a) of the 1940 Act provides in pertinent part:

"15(a) It shall be unlawful for any person to serve or act as investment adviser of a registered investment company, except pursuant to a written contract, which contract, whether with such registered company or with an investment adviser of such registered company, has been approved by the vote of a majority of the outstanding voting securities of such registered company, and -

(1) precisely describes all compensation to be paid thereunder;"

The proposed reduction to both fee schedules would be a permanent amendment to such Agreements with the Fund. Any other future amendment to either or both Agreements, including any amendment reinstating either of the existing fee schedules or increasing either of the proposed fee schedules or any reduction in services provided by the Business Manager or Investment Adviser to the Fund would require approval of the Fund's shareholders in accordance with Section 15(a) of the 1940 Act.

The Staff has considered and replied favorably to the reduction of advisory fees in several no-action letters, including the one cited in paragraph one. Since the Agreements, when amended, will only and specifically reduce the level of compensation paid by the Fund to the Business Manager and the Investment Adviser as well as eliminate the expense to the Fund of a shareholders' meeting, the statute should not have any applicability to the effect of a fee reduction amendment to the Agreements where the quality and quantity of services will be maintained.

Therefore, we believe that in the absence of a clear prohibition against the proposed action, and in view of the fact that a stockholder vote would yield no benefit to the Fund or its stockholders in exchange for the cost of the voting process, the Fund, its Business Manager and its Investment Adviser should be permitted to reduce their fees in the manner described without a stockholder vote.

Request

On the basis of the foregoing, we hereby request a determination prior to the June 17, 1993 meeting of the Fund's Board of Directors, that the Staff of the Division of Investment Management will not recommend that the Commission take any action under Section 15(a) of the 1940 Act if the Business Manager and the Investment Adviser reduce their fees in the manner described.

If the Staff requires any further information in connection with this request, or if you believe it helpful to discuss any of these points, please telephone me at the number shown above. If the Staff is unable upon its review of this letter to confirm that it will not recommend enforcement action, we request that the Staff telephone the undersigned to discuss possible revisions or additional submissions that could make a no-action position available.

Thank you for your consideration in this matter.

Very truly yours,



John Jude O'Donnell  
General Counsel, Washington Mutual  
Investors Fund, Inc.

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