

August 1, 1935.

Dr. Gourrich:

In the July 24 issue of the Investment Dealers Digest, pg. 5, there appears the following paragraph:

“Sometime ago, we saw a letter from the Commission which indicated the 20 day period was designed largely for the purpose of spreading the dope about new issues far and wide among investors so prospective purchasers could have plenty of time to consider merits of the issue. This makes sense.

Only trouble is, even with red (hedge) line on prospectuses, issuers, underwriters (and chiefly their counsel) are afraid of incriminations that might result from having preliminary prospectuses floating around loose.

Another nice theory gone haywire in practice.”

I know quite definitely that preliminary information about new issues in such detail as appears in prospectuses has not been made available, and only the more fortunate ones are able to get a copy of a prospectus earlier than the offering date. In New York, last week-end, Fitchs boasted that it was able to get certain prospectuses three or four days before the offering date; if this is the situation with so-called privileged persons, what chance has an ordinary investor to obtain a prospectus before the offering date?

A solution for this might be the setting up of libraries in New York, Chicago and San Francisco regional offices where duplicates of the registration statements would be open for public inspection. If it is not feasible to have the complete statements on file at these centers, perhaps a file of prospectuses would suffice. (I notice that the Commission now requests 20 copies of prospectuses in some cases.)

Sameth