

64 Lincoln Road,  
Brooklyn N.Y.  
May 8, 1933.

Memorandum for Professor Berle;-

The Rayburn Bill HR5480 would put an undue burden and responsibility upon issuers, underwriters and security dealers and I trust it will not become law in its present form. The matter is too important to be marred by a haste that would defeat its generally fine purpose. I invite your attention to a letter dated May 6, 1933 sent by the Investment Bankers Association of America to its members, criticizing certain provisions of the bill.

I am taking the liberty of making a few suggestions which I believe will serve as a measure of protection to investors.

No security shall be publicly offered unless registered with the Commission in accordance with Schedule "A" HR5480, save that I believe the thirty day wait would make it impossible to furnish the commission with the public offering price.

Securities now outstanding after date shall not be reoffered to the public by any dealer etc unless the corporation issue and annual audited detailed balance sheet and income statement under to form prescribed by the Commission.

A like annual balance sheet and income statement must be furnished for each subsidiary- and sub-sub-subsidiary ad infinitum and the proportionate interest in equity and earnings of the parent company directly or indirectly, clearly stated.

The names, places of residence, and principal business address of all directors must be printed, as well as the names of the principal officers.

State of incorporation, date, names and addresses of Transfer agents and registrars, address of company' headquarters etc. should be included.

As a supplement to the balance sheet there should be detailed;

the rights and privileges of each class of stock.

Their respective book values as of the date of the balance sheet.

Changes on rights etc made during fiscal year.

Warrants and options outstanding and terms thereof.

The names of officers and directors and the amounts and terms of any options or rights or any other privileges granted them for their services.

The names and addresses of holders of 10% or more of each class of stock or aggregate.

(I haven't thought out whether the ownership in company, of directors and principal officers should be included.)

The Funded Debt detailed;

Amount outstanding at end of fiscal year.

Complete name of bond. Coupon. Due date.  
Sinking Fund operations for year.  
Callable feature.  
Address of Trustee (And Name)  
Place where indenture may be inspected during business hours.

Dealers in securities – after initial offering, may in letters, advertisements, circulars etc. state that a copy of the rights if the stocks offered will be furnished upon request. The latest annual report so to serve, or a true copy therefrom affecting the relevant security. Such a line would be a good substitute for the present safety clause.

If the requirements of the Rayburn bill became effective security dealers would have to hire print shops and warehouses to handle the data required, with the chances that the work would be wasted on the prospect whom it is designed to protect.

I hope this has the germ of a good idea for you to put into action.

Sincerely,

H.M. Buggles  
with apologies for my poor typing.