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Addendum
Well, that’s it for the first twenty-five! It might simplify procedures if you would let the Law School know from time to time what you are doing for the next twenty-five. This brings to mind the fact that, after the above success story, the School might think it exaggerated unless some healthy contributions are forthcoming from every one of you. The Law School has made great strides. Those of you who are in touch know that there truly are a new set of “greats” training the minds of the future. The School has outgrown its physical capacity. It needs your help and deserves your support.

To all of you the best of everything to be wished for. To those of you who have taken the trouble to fill out your questionnaire, it has been a real pleasure to hear from you; it is a genuine loss to the School not to have heard from the others. Looking ahead to our fiftieth, however, it is hoped that another classmate will groom himself to further this adulatory saga of the Class of ’30.

Corporation Law—
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case of Gray v. Portland Bank. Why in this respect England should have rejected an obvious partnership analogy I cannot explain; but, when I review the difficulties that the strict rule has caused in America, I cannot but think that we were wise to do so.

Again, the American courts have adopted the partnership analogy as regards the stockholders’ rights to inspect the corporate books and records. The English courts have rejected it, holding that a stockholder as such has no right to inspect the financial records. It is perhaps doubtful whether in practice this puts the American stockholder in a much stronger position than his English confrere. Reports suggest that in many (perhaps most) cases his rights will not be recognized by the corporation without a lawsuit. Without this he may even be denied access to the list of stockholders—something that he could always obtain in England. Still, in the absence of statutory regulation, he clearly has greater legal rights—rights which may be a source of grave embarrassment to the company. Rightly or wrongly, English law has in this respect treated the stockholder as a creditor rather than a partner.

I turn now to a consideration of the two matters which I have previously described as the vital corporate problems of this century: the protection of purchasers of securities and the control of stockholders over management. Both are, of course, aspects of the generic problem of investor protection.

On the first aspect I do not propose to say much. Both our countries (at least if most of your state “blue-sky laws” be disregarded) have relied in the main on the same philosophy—that of disclosure. Both have provided sanctions, civil and criminal, for misstatements or material omissions which supplement and indeed reverse the strict common-law fraud principles. But ex post facto sanctions are far less effective than initial scrutiny of the prospectus to insure its accuracy and completeness. In America this vital task of initial screening has been intrusted to government agencies—the Securities and Exchange Commission—in cases to which the Securities Act applies. It is here that English law appears extraordinarily lax to the American observer. The Companies Act requires registration at the Companies Registry of the prospectus and prescribes its contents. But neither the Registry nor anyone else is given the task of preliminary investigation to insure the accuracy of the information disclosed, and until 1948 there was not even a mandatory “waiting period.” The explanation of this apparent anomaly is found in the different and infinitely simpler organization of the securities industry in England. The over-the-counter market scarcely exists, and in practice no public offering can be made without obtaining a quotation for the shares on one of the recognized stock exchanges, normally London. These stock exchanges have their own rules which in many respects are far more stringent than those of the act and which require the publication of the prospectus in the national press where it will be commented on and criticized by the financial columnists. The issue must be sponsored by members of the Exchange and, in practice, will be undertaken and underwritten by one of a small number of issuing houses (“investment bankers,” as you call them) of high repute. To protect their own reputations and to preserve their freedom from possible legal sanctions, these brokers, dealers, and issuing houses subject the issues which they back to the most stringent scrutiny. This scrutiny, moreover, transcends investigation merely of accuracy—the sponsors will want to insure that the issue is sound financially as well as legally. In other words, we, with our simpler and more unified organization, have been able to leave the vital task of screening to private enterprise instead of to public authorities. That this system works pretty well is, I think, shown by the fact that in recent years there have been only a handful of criminal prosecutions arising out of misleading pro-