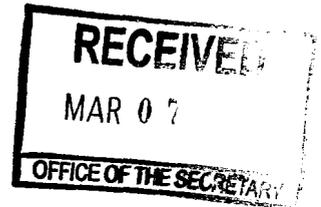


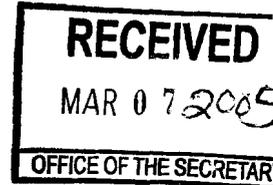


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March 1, 2005

Mr. Jonathan G. Katz
Secretary
U.S. Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549-0609



Re: File No. S7-38-04
Securities Offering Reform

Dear Mr. Katz:

The Securities and Exchange Commission is proposing rules that would modify and advance significantly the registration, communications and offering processes under the Securities Act of 1933. While the objective of the proposal -- to provide more timely investment information to investors without mandating delays in the offering processes is reasonable, AARP is concerned that the proposal would adversely change the way prospectus information for new security issues is handled.

AARP believes that the proposal would result in a fundamental change to how investors obtain information about securities -- moving from a "push" model to a "pull" model. As specified in Section VI, Prospectus Delivery Reforms, the issuer would be able to put prospectus information on a web site. This act would constitute "delivery." Under this proposal there would no longer be a need to mail a prospectus to the investor. From the proposal:

"Under an 'access equals delivery' model, investors are presumed to have access to the Internet, and issuers and intermediaries can satisfy their delivery requirements if the filings or documents are posted on a web site. The access concept is premised on the information or filings being readily available."¹

The SEC proposal on offering reform will apply to all types of securities, including corporate bonds and preferred stock; that is, it would apply to both fixed income securities and equity holdings that many retired older Americans rely on. The

¹ Page 86, SEC Release No. 33-8501.

seller's only obligation would be to notify a purchaser that the offering is registered with the SEC, as specified in the following excerpt from the proposal:

"Under the proposed rule, a final prospectus would be deemed to precede or accompany a security for sale for purposes of Securities Act Section 5(b)(2) as long as the final prospectus meeting the requirements of Securities Act Section 10(a) is filed with us (SEC) as part of the registration statement by the required Rule 424 prospectus filing date."²

Furthermore, there is:

- No need to provide the proper SEC web address for the filed prospectus, and
- No requirement to post the prospectus on a company website.

The proposal will shift responsibility away from the broker's obligation to "push" a prospectus to the purchaser, to an obligation for the investor to "pull" the information off the Internet. The proposed change marks a major shift from the existing rules that have been designed to further investor education and to better protect investors.

'Access Equals Delivery' is Based on Several Problematic Assumptions

First, the concept of 'access equals delivery' assumes that the vast majority of investors in securities (including bonds) have access to the Internet. Citing survey research findings, the SEC estimates that 75 percent of Americans have access to the Internet in their homes, and therefore surmises that 75 percent of all demographic groups are able to use the Internet for their investment activities. Our research suggests that this is likely to be an erroneous assumption – at least for older persons. Many of these investors may be unable to navigate on the Internet to locate investor information and may be only casual users accessing only e-mail. The "push" model is more effective for ensuring the investor can access the information. The 'access equals delivery' also assumes that EDGAR (which is a database maintained by the SEC for companies that are required to file with them) is sufficiently user-friendly that a person who can navigate on the Internet can also navigate on EDGAR to find a particular bond or securities offering among the hundreds that would be listed.

² Page 87, SEC Release No. 33-8501.

'Access equals delivery' assumes that investment decisions are made on the basis of information sources other than the prospectus. The concept seems to imply that the prospectus is not a very useful document for the ordinary retail investor.

If the prospectus is not useful, simply posting it on the internet fails to address its shortcomings. Instead, we should correct problems with the existing format and content of the prospectus by replacing it with a plain English or "profile" type document. If there is a timing problem with the current process, it is better to get the investor what is needed when it is needed. In short, the SEC should focus on a more useful and timely document rather than take the radical step of moving from the current "push" requirement to a "pull" requirement, with its many "access" issues.

One possible alternative that has been mentioned would be to continue to require the physical delivery of a shorter, informative "term-sheet" type of document that gives the purchaser the essential terms of the security (for example, including price, transaction cost, yield, maturity and call dates), along with a clear legend to the effect that the purchaser should review the full prospectus which can be obtained on request or secured from the EDGAR database (including appropriate directions for obtaining a paper copy, and instructions regarding how to download the desired prospectus via the Internet). An appropriate safe harbor provision could be devised for the "term sheet" that clearly states its limitations, and specifies where the full prospectus was filed or is otherwise available. Ultimately, investors will benefit from access to more useful information.

Conclusions

We support the objectives of incremental changes that improve and streamline the offering process – including greater use of electronic means to communicate with investors. However, the proposal would shift the responsibility to the buyer to pull the information from the EDGAR database, rather than making it directly available via a mailed document.

The SEC's release cites a variety of sources, but none that relate to investors' needs or their understanding of securities information. It also offers little information on the use of the Internet for investment information.

We are left with two sobering questions: Does this proposal improve investor information or investor education? If the proposal is promulgated in its current form, will other prospectuses (for example, mutual fund and municipal bonds), and other types of communication, eventually fall under the same 'access equals delivery' model.

We believe the proposed change in models will have a disproportionately negative impact on midlife and older Americans. We urge the Commission to reconsider this provision as it is structured in the proposed reforms, and to consider more useful and more informative options than the 'access equals delivery' model being contemplated.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'DC', with a long horizontal flourish extending to the right.

David Certner
Director
Federal Affairs