

**MEMO# 2459**

January 11, 1991

# **COURT DISMISSED CLAIM OF SECURITIES FRAUD REGARDING PROSPECTUS DISCLOSURE OF CLOSED-END FUND DISCOUNTS**

January 11, 1991 TO: CLOSED-END FUND MEMBERS NO. 1-91 RE: COURT DISMISSED CLAIM OF SECURITIES FRAUD REGARDING PROSPECTUS DISCLOSURE OF CLOSED-END FUND DISCOUNTS \_\_\_\_\_ The U.S. District Court for the Southern District of New York dismissed a claim of securities fraud based on statements in a closed-end fund's prospectus that: "The shares of closed-end investment companies frequently trade at a discount from or at a premium to their net asset values. The Shares are also expected to trade at a discount or premium..." The plaintiff alleged that these two sentences are false and misleading because they "imply that shares of a closed-end fund are as likely to sell at a discount as a premium, when in fact they almost always sell at a discount." The court dismissed the plaintiff's complaint (which was its second amended complaint) on the grounds that it was filed after the one year statute of limitations period and that it failed to plead fraud with the requisite particularity. A copy of the court's decision is attached. Amy B.R. Lancellotta Assistant General Counsel  
Attachment

---

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.