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**House of Representatives**  
COMMONWEALTH OF PENNSYLVANIA  
HARRISBURG

TO: All House Members  
FROM: Rep. Daniel Deasy  
DATE: January 29, 2009  
SUBJECT: Legislation amending the Pennsylvania Securities Law

I intend to introduce legislation that would amend Section 203(t) of the Pennsylvania Securities Act of 1972 to close a loophole in the oversight authority of the Pennsylvania Securities Commission. When this section was originally enacted, the legislature failed to include an important safeguard adopted in most other states: a requirement that accredited investors who purchase these securities must hold them for a specified period of time before re-selling them. Pennsylvania is now the only state without this important investment intent requirement in their accredited investor exemption statute.

As a result of this, issuers are able to sell tradable securities freely to one or a few accredited investors who are then able to re-sell them to members of the general public. Junk stock is being dumped on the securities market, using our law as a mechanism for this type of abuse. The Pennsylvania Securities Commission has already adopted policies as a stopgap measure, but I believe the legislature should enact the following safeguards as a way to permanently address the situation:

- i. The sales of securities would be conditioned to accredited investors with an investor intent requirement. This would require an issuer to have reasonable belief that the purchaser is buying the securities with an investment intent and not with a view to resale, and that
- ii. The selling of securities which are exempt from regulation by the Pennsylvania Securities Commission must be registered with the Commission if re-sold within 12 months of their initial offering.

Because I believe in the importance of informing and protecting our citizens from such potentially harmful transactions, I hope you will join me in co-sponsoring this legislation by contacting Carrie Goodyear in my Harrisburg office **by Tuesday, February 3<sup>rd</sup>** by calling 717 772-8187 or via email at [cgoodyea@pahouse.net](mailto:cgoodyea@pahouse.net).