

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 600 Session of
2003

INTRODUCED BY PALLONE, HASAY, BOYES, BLAUM, GANNON, BROWNE,
HANNA, HARPER, HUTCHINSON, JAMES, LEWIS, MANDERINO, NICKOL,
STETLER, TURZAI AND WALKO, MARCH 3, 2003

REFERRED TO COMMITTEE ON COMMERCE, MARCH 3, 2003

AN ACT

1 Amending the act of December 5, 1972 (P.L.1280, No.284),
2 entitled "An act relating to securities; prohibiting
3 fraudulent practices in relation thereto; requiring the
4 registration of broker-dealers, agents, investment advisers,
5 and securities; and making uniform the law with reference
6 thereto," further providing for denial, suspension and
7 revocation of registration.

8 The General Assembly of the Commonwealth of Pennsylvania
9 hereby enacts as follows:

10 Section 1. Section 208(a) of the act of December 5, 1972
11 (P.L.1280, No.284), known as the Pennsylvania Securities Act of
12 1972, amended November 24, 1998 (P.L.829, No.109), is amended to
13 read:

14 Section 208. Denial, Suspension, and Revocation of
15 Registrations.--(a) The commission may issue a stop order
16 denying effectiveness to, or suspending or revoking the
17 effectiveness of, any registration statement if it finds that
18 the order is in the public interest and that:

19 (i) The registration statement as of its effective date or
20 as of any earlier date in the case of an order denying

1 effectiveness, or any amendment filed under section 207(l) as of
2 its effective date, or any report under section 207(k) is
3 incomplete in any material respect or contains any statement
4 which was, in the light of the circumstances under which it was
5 made, false or misleading with respect to any material fact, or
6 omitted to state a material fact necessary in order to make the
7 statements made, in the light of the circumstances under which
8 they are made, not misleading;

9 (ii) Any provision of this act or any regulation, order or
10 condition lawfully imposed under this act has been wilfully
11 violated, in connection with the offering by: (A) the person
12 filing the registration statement, (B) the issuer, (C) any
13 partner, officer or director of the issuer, (D) any person
14 occupying a similar status or performing similar functions, (E)
15 any affiliate of the issuer, but only if the person filing the
16 registration statement is an affiliate of the issuer, or (F) any
17 broker-dealer;

18 (iii) The securities are the subject of an administrative
19 stop order or similar order or a permanent or temporary
20 injunction of any court of competent jurisdiction entered under
21 any other Federal or State act applicable to the offering, but
22 the commission may not institute a proceeding against an
23 effective registration statement under this section more than
24 one year from the date of the order or injunction relied on, and
25 it may not enter an order under this section on the basis of an
26 order or injunction entered under any other state act unless
27 that order or injunction was based on facts which would
28 currently constitute a ground for a stop order under this act;

29 (iv) The issuer's enterprise or method of business includes
30 or would include activities which are illegal where performed;

1 (v) The offering has been or would be made with unreasonable
2 amounts of underwriters' and sellers' discounts, commissions or
3 other compensation, or promoters' profits or participation, or
4 unreasonable amounts or kinds of options, or has worked or
5 tended to work a fraud upon purchasers or would so operate,
6 provided that any underwriting compensation approved by a
7 national securities association registered under the Securities
8 Exchange Act of 1934 (48 Stat. 881, 15 U.S.C. § 78a et seq.)
9 with respect to the underwriting activities of its members shall
10 not be deemed unreasonable under this section;

11 (vi) The applicant or registrant has failed to pay the
12 proper filing fee but the commission shall vacate any such order
13 when the deficiency has been corrected;

14 (vii) Advertising prohibited by section 606 has been used in
15 connection with the sale or offering of the securities;

16 (viii) In the case of an offering of debt securities, the
17 offering involves an excessive debt-to-equity ratio or the
18 issuer, at the time it filed an application under section 205 or
19 206, had received an auditor's report for the immediately
20 preceding fiscal year expressing substantial doubt about the
21 issuer's ability to continue as a going concern; [or]

22 (ix) The offering is being made by a development stage
23 company which has no specific business plan or purpose or has
24 indicated that its business plan is to engage in a merger or
25 acquisition with an unidentified company or companies or other
26 entity or person[.]; or

27 (x) The issuer has loaned money to an officer, director or
28 general partner of the issuer or a person who legally or
29 beneficially owns five per cent or more of a class of equity
30 securities of the issuer or any affiliate of such person which

1 moneys have not been repaid to the issuer prior to effectiveness
2 of the registration statement under this act, except that this
3 provision shall not apply to loans described in section 13(k)(2)
4 or (3) of the Securities Exchange Act of 1934 (48 Stat. 881, 15
5 U.S.C. § 78(m)(2) or(3)).

6 * * *

7 Section 2. This act shall take effect in 60 days.