

Petition for Rulemaking to Amend Rule 3(a)(10) of the Securities Act of 1933

Submitted by:

John Doe

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I. Statement of Interest

I am submitting this Petition for Rulemaking as a retail trader who has been directly impacted by the lack of clear statutory language regarding the **3(a)(10) exemption** under the **Securities Act of 1933**.

As a retail investor, I have witnessed firsthand how ambiguities in the current rule have led to court-approved 3(a)(10) issuances that violate SEC guidance and case law. Specifically, affiliates (including CEOs, directors, and control persons) have improperly obtained court-approved 3(a)(10) exemptions, resulting in the **issuance of over \$1 billion in unregistered free-trading shares, sometimes well over \$1B in a single issuance**. These shares are then dumped into the market, causing massive dilution, loss of shareholder value, and regulatory arbitrage that **undermines market integrity**.

Despite clear SEC guidance prohibiting these practices, courts have repeatedly granted 3(a)(10) approvals because the statutory text itself does not explicitly restrict affiliates or prohibit its use for capital formation. This regulatory gap has made it difficult for courts to quickly assess compliance and has enabled **bad actors to exploit judicial loopholes** for their own financial gain.

For these reasons, I am requesting a **rule change to explicitly prohibit affiliates from receiving 3(a)(10) exemptions** and to **clarify that the exemption cannot be used as a capital-raising mechanism**.

II. Introduction

Pursuant to **Rule 192(a) of the Commission's Rules of Practice**, I hereby submit this **Petition for Rulemaking** requesting an amendment to **Section 3(a)(10) of the Securities Act of 1933** (the "Securities Act") to address a critical deficiency in its application:

1. **Affiliates (including officers, directors, and controlling shareholders) have improperly obtained court-approved 3(a)(10) exemptions to issue unrestricted securities.**
2. **3(a)(10) has been used for capital formation, which is expressly prohibited under SEC guidance and case law.**
3. **Judges overseeing these proceedings lack explicit statutory language in Rule 3(a)(10) clarifying these prohibitions, leading to fraudulent issuances.**

Recent cases have demonstrated that the **current interpretation of Rule 3(a)(10) is insufficient** to prevent its abuse, particularly by corporate insiders engaging in dilution schemes, capital raising, and fraudulent issuances of unregistered securities.

III. Background and Evidence of Rule 3(a)(10) Abuse

The SEC Staff Legal Bulletin No. 3A (CF) explicitly states that **affiliates cannot rely on a 3(a)(10) exemption to issue securities without registration** ([SEC Staff Legal Bulletin No. 3A](#)). Despite this, **multiple affiliates** have improperly obtained **court-approved 3(a)(10) exemptions** and issued **over \$1 billion in unregistered securities at a time** in violation of this principle.

A. Court Cases in [REDACTED], Demonstrating Improper 3(a)(10) Issuances

[REDACTED]

[REDACTED]

[REDACTED]

B. Use of 3(a)(10) for Capital Raising – A Clear Violation

The SEC has previously **affirmed** that the **3(a)(10) exemption cannot be used for capital formation**, as highlighted in the case **SEC v. Unico, Inc.** ([Litigation Release No. 23206](#)).

Despite this precedent, the following violations have been documented in [REDACTED] **court filings**:

- **Unrestricted shares issued under 3(a)(10) were used to raise capital.**

- The issuer admitted in a public filing that it enacted a reverse stock split specifically to facilitate the deposit of additional shares, allowing for continued dilution and stock sales under the 3(a)(10) exemption.
 - Affiliates directly benefited financially from these issuances with no oversight by the SEC, Transfer Agents, Attorneys, FINRA, OTC Markets, or Courts
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IV. Proposed Rule Change to Address 3(a)(10) Abuses

To prevent further exploitation of **Section 3(a)(10)**, I respectfully propose the following **amendment to the Securities Act of 1933**:

1. **Prohibition on Affiliates:**
 - The statutory text should **explicitly state** that affiliates (including officers, directors, and controlling shareholders) may not receive shares under a 3(a)(10) exemption.
 2. **Prohibition on Capital Formation via 3(a)(10) Transactions:**
 - **Explicit language** should be added clarifying that any use of 3(a)(10) to generate capital, whether directly or indirectly, is a violation of securities laws and will be subject to SEC enforcement.
 3. **Mandatory SEC Notification for 3(a)(10) Issuances Involving Public Companies:**
 - Any issuer utilizing the 3(a)(10) exemption must **notify the SEC before issuance** to allow for regulatory oversight.
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V. Conclusion

The **current interpretation and enforcement** of **Section 3(a)(10)** has allowed for **widespread abuse**, resulting in billions of unregistered shares being dumped into the market by affiliates in clear violation of SEC rules and case law.

For these reasons, I urge the **SEC to initiate rulemaking proceedings** to update **Section 3(a)(10)** and provide courts, transfer agents, and market participants with a **clear, enforceable framework** to prevent future abuses.

I appreciate the Commission's consideration of this request and am available for further discussions or testimony on this matter.

Sincerely,
John Doe