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August 26, 1992

The Honorable Mickey Edwards
 United States House of Representatives
 Washington, DC 20515

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COMMENTS:	

Dear Congressman Edwards:

Representatives Tauzin, Lent, Hall, and Ritter recently introduced H.R. 5828, "The Securities Private Enforcement Reform Act of 1992," which would discourage both groundless suits and coercive settlements, thereby freeing capital resources to invest in ways that help to create jobs and make our economy more competitive.

- Under the current system of securities litigation, defendants are pressured into settlements even when they are innocent by the prospect of huge legal fees and the possibility of joint-and-several liability.
- Companies that rely upon public offerings to raise capital, and those which experience volatility in their stock price purely as a result of natural market forces, face the real and growing prospect of a meritless 10b-5 lawsuit.
- Many of these suits are directed at growth firms, forcing them to divert capital from technical innovation, product investment, worker training, and job creation, and towards responding to these baseless suits. In the end, this amounts to a hidden tax on capital, making it more difficult to compete against foreign companies, which do not face these suits.
- Joint-and-several liability is particularly inequitable. It encourages suits against deep pockets—peripheral defendants, particularly accounting firms—simply to increase the prospect and size of settlements. This doctrine makes all defendants liable for the total assessed damages, regardless of their degree of fault. A proportionate liability standard would be much fairer because it would hold all the parties fully responsible for only their share of the losses suffered.
- H.R. 5828 and S. 3181 have been carefully drafted to ensure that investors with valid claims are not discouraged from filing suit. By relieving the courts of baseless suits, the bill will also help investors with legitimate claims to recover losses.

This legislation needs your support! Please cosponsor and become an active proponent of H.R. 5828, "The Securities Private Enforcement Reform Act of 1992."

Yours very truly,



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