Pershing Square Capital Management, L.P.
[redacted]
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January 4, 2022

Mr. J. Matthew DeLesDernier
Assistant Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington D.C. 20549

Re: Order Instituting Proceedings to Determine Whether to Approve or Disapprove a Proposed Rule Change to Adopt Listing Standards for Subscription Warrants Issued by a Company Organized Solely for the Purpose of Identifying an Acquisition Target (SR-NYSE-2021-45)

Dear Mr. DeLesDernier,

On behalf of the Pershing Square Funds, the owners of the sponsor of Pershing Square SPARC Holdings, Ltd. ("SPARC Holdings"), we are writing in response to the order issued by the Securities and Exchange Commission (the "SEC") on December 8, 2021 (the "Order") to institute proceedings regarding the adoption of the New York Stock Exchange's ("NYSE") proposed rule change (the "Proposed Rule"), which would allow an acquisition company to list subscription warrants that would become exercisable for common stock in connection with a specific business combination. In this letter, we refer to a company that issues subscription warrants as a special purpose acquisition rights company, or "SPARC," and to the subscription warrants as "SPARs".

We believe that the Proposed Rule is designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, and protect investors and the public interest, as required by Section 6(b)(5) of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"). We believe that, in general, the issues presented by the listing of SPARs are similar to those faced by investors in special purpose acquisition companies ("SPACs"), and that SPARs would provide investors with the opportunity to participate in the public listing of private companies on terms that are highly advantageous and protective of investors, and which are not afforded by customary SPACs.

Set forth below are our responses to the concerns identified by the Securities and Exchange Commission (the "SEC") with respect to the Proposed Rule, and suggested revisions to the Proposed Rule that we believe would further the purposes of Section 6(b)(5) of the Exchange Act.

<u>Valuation of SPARs</u>

"*The Exchange does not explain how market participants would effectively value this novel listed security, or how it would be expected to trade consistent with fair and orderly markets and the protection of investors and the public interest. As noted above, subscription warrants could be issued for no consideration and have negligible value. The value of a subscription warrant, if any, would appear to derive primarily from expectations that the sponsor ultimately will offer holders the ability to exercise the warrant on attractive terms once a target company is identified and an acquisition agreement signed.*"

The valuation of all publicly held companies and their securities requires significant judgment about the future. This is as true for operating companies as it is for blank check or acquisition companies, including SPACs and SPARCs. The trading prices of securities issued by corporations with business operations are typically valued based on a number of factors, but it is generally agreed that a discounted cash flow valuation ("DCF valuation") based on estimates of the future cash flows of a business discounted to their present value is the most accurate method for valuing a business and its outstanding securities.

Even for mature businesses with a long-term track record and stable management, the range of DCF valuations can vary widely because of differing opinions and judgments about future cash flows and the other assumptions used in DCF valuations. Valuation estimates for issuers that are at an earlier stage of development and/or that have unstable businesses or management typically have a much greater dispersion in estimates of their value, and accordingly more volatile trading prices.

SPAC shares represent the right to invest in a potential merger with an operating company within a defined period of time, typically two years, and no more than three. Shortly after the announcement of a SPAC business combination, investors in SPAC shares can decide: (1) to redeem their shares for the amount of cash in trust – typically $10 per share – (2) to retain their shares thereby investing in the newly merged company, or (3) they can sell their shares in the market.

We believe that investors determine the value of SPAC shares by valuing a SPAC's two principal economic components which are comprised of:

(1) a put option at $10 per share – the right of shareholders to redeem their shares for the amount of cash in trust,

and

(2) a call option at $10 per share – the right of shareholders to invest in a business combination.

Subscription warrants or SPARs represent the opportunity to invest only in the second component of a SPAC, the call option, but one with a substantially longer 10-year term. In that the value of (1), the SPAC put option, is readily calculable and there is limited variability in how investors value this option, the principal driver of variability in the valuation of SPAC shares is investors' valuation of (2), the call option component.

For the hundreds of SPACs that are currently trading in the market, investors have identified criteria and determined methodologies for valuing these embedded call options. In that SPARs are the economic equivalent of the embedded call option in SPAC shares, albeit with a substantially longer term, we expect that investors will value SPARs using the same methodologies and criteria that investors use to value embedded SPAC call options with an adjustment for their substantially longer term.

The shares of SPACs with strong sponsors that have sufficient remaining term to complete a transaction can often trade, even before a business combination has been announced, at premiums to their cash-in-trust per-share ("NAV"). By examining the trading of Pershing Square Tontine Holdings, Ltd. ("PSTH"), the sponsor of which is owned by the Pershing Square funds, one can see one example of how investors assess the value of a SPAC's embedded call option.

From the time of its first day of trading after its IPO until the abandonment of the UMG transaction, PSTH common stock traded at a premium to NAV. Investors who paid a premium to NAV for PSTH were implicitly paying this premium for PSTH's embedded call option. We believe that PSTH investors valued this call option by assessing the probability that PSTH would consummate a business combination within its remaining term that would create value above NAV for PSTH shareholders

considering various factors specific to PSTH as well as general market factors for SPACs, including IPO market conditions, and the general transaction environment.

When the UMG transaction failed to close, PSTH stock declined from a substantial premium to NAV to a small premium to NAV. Later, in August 2021, litigation was brought by a plaintiff seeking to have PSTH declared an illegal investment company. PSTH shares thereafter declined to below NAV, as investors apparently came to believe that it has become less likely that PSTH will be able to consummate a value-creating business combination within its shorter remaining term in light of the cloud created by the litigation. In response to each of the above events, investors in PSTH recalibrated their probability assessments of PSTH's ability to consummate a value-creating deal for shareholders, and they accordingly reassessed and traded in PSTH's stock in an economically rational and orderly fashion.

We believe that investors in all SPACs perform similar assessments to that of PSTH in their trading decisions. We believe that the trading price of the securities of an acquisition company prior to its entering into a definitive agreement with respect to a business combination, is principally based on the following factors:

- Sponsor:
    - The track record and credibility of the sponsor
    - The sponsor's investment criteria and intended transaction size
    - The potential number of acquisition targets which meet the investment criteria, and the competitive dynamics with similar sized SPACs that are potential competitors for these targets

- Acquisition Company:
    - Amount and nature of dilutive securities outstanding or to be outstanding[1]
    - Time remaining to consummate a business combination

- Market Environment:
    - The overall environment for executing transactions, including macroeconomic factors
    - Market conditions for acquisition companies, including the viability of an IPO for potential target companies
    - The recent post-combination performance of acquisition companies

After an acquisition company has entered into a definitive business combination agreement, the market value of its securities will reflect the market's expectations of the value of the proposed transaction and the probability of transaction consummation.

The value of a SPAR relative to its exercise price[2], and the value of a SPAC share in excess of $10.00, are both primarily determined based on the expected return an investor estimates it will realize in

[1] We note that the SPARC Holdings has proposed issuing Sponsor Warrants and Director Warrants, and included on pages 124 – 126 of its registration statement on Form S-1 detailed disclosure with respect to the dilutive impact of such securities, depending on the post-business combination company equity value. We have attached that disclosure to this letter as Exhibit A.

[2] SPARC Holdings has proposed issuing SPARs with a minimum exercise price of $10.00, which may be increased at the time the company enters into a definitive agreement for a business combination, if the sponsor determines to seek additional capital from the public. Any such increase would be publicly announced simultaneously with the announcement of the execution of a definitive business combination agreement. Because the aggregate exercise price will be primarily determined by the size of the proposed transaction, market participants' expectations of the exercise price will reflect the expected (or announced) transaction size. For both SPARCs and SPACs, the expected transaction size will be a significant valuation input. We note that this feature will permit public investors to capture

connection with a potential business combination. In the event investors do not believe a sponsor can consummate a value-creating transaction for shareholders, subscription warrants on the sponsor's company are not likely to trade for meaningful value.

While there are minimal barriers to entry for SPAC sponsors consummating IPOs – as evidenced by the hundreds of SPAC issuances in recent years with sponsors of varying and occasionally poor quality – sponsors who intend to issue subscription warrants, which meet exchange listing requirements, will need to have strong established reputations and investment track records. This higher standard for participation in SPARC sponsorship will likely eliminate less credible and experienced sponsors from using the SPARC structure, an important investor-protective feature of the Proposed Rule.

Nearly All SPACs Have Warrants Outstanding That are Effectively Received for No Consideration at the Time of a SPAC's IPO

Most SPAC IPOs are for so-called "units" that are comprised of one SPAC share and a fraction of a SPAC warrant. In that the IPO price for a SPAC, typically $10 per share, is equal to the cash in trust it raises in the IPO, the fraction of the warrant received by an IPO investor is generally perceived by investors as having been received for no consideration, i.e., it is perceived to be a free option. Therefore, both the existing universe of SPAC warrants as well as the proposed subscription warrants or SPARs will be received by their initial investors for effectively no consideration.

Nearly all shareholder SPAC warrants that are currently trading have the same terms: (1) an expiration date at the earlier of SPAC termination, in the event an initial business combination is not completed within the typical two- to three- year term of the SPAC, or in the event of a merger, five years from the initial business combination, (2) a strike price of $11.50, 15% above the $10.00 per share IPO price, and (3) various call and exchange rights for the company and the warrant holder.

After the stabilization period for the SPAC IPO has passed, usually 52 days after the IPO, the SPAC warrants become detachable and begin to trade separately. There are literally hundreds of SPAC warrants, each associated with a different SPAC, that are currently listed and actively trading in the market.

Market participants have developed valuation methodologies for these securities as is demonstrated by the existence of an active and orderly trading markets in SPAC warrants. The valuation of SPAC warrants derives from the same factors that investors use to assess the trading prices of SPAC shares and their embedded call options, which we have previously described above. These factors are incorporated by investors within the Black Scholes option pricing models that are typically used to value these securities.

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more of the value of a proposed transaction than is typically the case in SPAC transactions, where additional required funding is typically provided by sophisticated PIPE investors, often on better terms than those received by public investors in the initial public offering. SPARs also, of course, are structured to permit investors to retain their funds (rather than place them in trust) during the search process, which is a very significant and investor-friendly advantage relative to typical SPACs. Finally, we note that the opt-in feature of the SPARC structure provides an inherent investor protection advantage over SPACs, in that SPACs require investors to be attentive and take action to avoid participating in a poor economic transaction (that is, by affirmatively taking action to exercise their redemption rights by a particular deadline), while SPARCs require investors to make a conscious, affirmative decision to part with their funds and invest in a transaction.

An Active Listed Option Market Already Exists for SPACs

In addition to the hundreds of SPAC warrants that are currently trading, an active market exists for listed puts and calls on SPACs. We believe that the valuation of these listed options on SPAC shares – which compared to SPAC warrants have substantially shorter terms, usually less than one year and as short as one week – is similarly derived using the same methodologies and factors that are used to value SPAC shares and SPAC warrants. These methodologies combined with the other typical valuation inputs for valuing options, i.e., estimates of stock price volatility and interest rates, are used to value these shorter-dated instruments.

SPARs are Inherently Less Speculative and Lower Risk Than SPAC Warrants and Listed Options That Currently Trade in the Market

Because SPARs have an initial 10-year term and a strike price that is at NAV (rather than at a premium to NAV), SPARs are an inherently less speculative instrument than the hundreds of SPAC warrants and thousands of put and call option contracts on SPACs which are currently listed and trading in the market. Furthermore, because SPARC Holdings SPARs cannot be exercised until 20 business days after a definitive agreement for a merger transaction has been announced and a registration statement for the company has been approved by the SEC and distributed to shareholders, investors in SPARs are not permitted to invest additional capital in exercising the warrants until they are fully informed about the merger candidate in a detailed and SEC-approved IPO prospectus.

The valuation of SPARs is neither more uncertain or complex than the valuation of other SPAC common stocks, listed options on SPAC shares and warrants, and the inputs and methodologies for determining their valuation are effectively the same. The existence of an active, fair, and orderly market for SPAC common shares, warrants, and listed put and call options on SPAC shares – securities that are similar to or are of substantially greater complexity and/or risk than SPARs – provides decades of substantial precedent and evidence that an active, fair and orderly market will be created for SPARs and other subscription warrants once they begin trading.

Market Information

"*The Exchange does not address… the types of market information that could create a positive value for subscription warrants, the reliability and availability of such information, or whether such information could support fair and efficient trading of an Exchange-listed security for a period as long as ten years.*"

During the period when a SPAC is searching for a business combination and negotiating a definitive agreement, which can be as long as three years, the SPAC does not provide any public information regarding its operations. The periodic reports required under the Exchange Act, apart from what may be gleaned from statements of cash flows and expenditures, typically provide no insight into a SPAC's search process. Prior to entering into a definitive agreement, the periodic reports and information described above are the only information available to potential SPAC investors. These public filings and other available market information have served to provide sufficient data and information for an active, fair and orderly market for SPAC securities to have developed and operated for decades.

While a SPARC may have a potentially longer search period of up to 10 years, at any point during this time market participants would be no differently situated, in terms of available information, when compared to SPACs. In light of the 10-year term of SPARs, a SPARC only differs from SPACs in being less exposed to a diminution in the value of its securities due to the passage of time. It is the

passage of time that creates one of the problematic features of SPACs, ultimately causing "deadline pressure" in which a SPAC's relative bargaining power, and the sponsor conflicts inherent in nearly all blank check structures, can result in a suboptimal, or even value-destroying, transaction.

As time passes and the term of a SPAC approaches without a transaction, SPAC securities (both shares and warrants) have the potential to become increasingly more volatile because their outstanding warrants will expire worthless (and the SPAC shares will receive no incremental return) if no transaction is forthcoming, but can be potentially highly valuable if an attractive transaction is completed. Since we believe it is likely that SPARC will consummate a transaction well before the end of its 10-year term – the 10-year term is intended to eliminate time pressure and the risk that a counterparty in a transaction uses the typical shorter-term period of a SPAC to its advantage in negotiating a transaction at the expense of an acquisition company's shareholders, and is not meant to suggest it will actually take 10 years to consummate an initial business combination – the risk and volatility associated with the SPAC warrants that currently trade in the market will be greatly diminished with the SPARC structure.

During the search period, a SPAC may consider many potential acquisition targets, and enter into preliminary or advanced discussions with a substantial number of these companies. In our view, any required disclosure of search activities prior to the time any potential transaction becomes material under existing law could hamper the SPACs ability to engage with potential target companies. Current disclosure requirements under the federal securities laws already provide investors with adequate protection. Furthermore, advance disclosure of the status of these discussions would likely be an unreliable indicator of the probability of closure and/or value of a potential transaction, and could be misleading and/or give rise to speculative trading.

The pricing of all listed companies is based on a multiplicity of factors including many factors for which there is limited public disclosure. By its very nature, valuing securities of listed operating companies requires significant estimates and judgment without perfect information. This is of course also true of SPARs.

We have suggested a potential revision to the Proposed Rule that would subject SPARs to meeting a continued minimum price requirement – a higher standard than for the continued listing of SPAC warrants and options – the failure to comply with which would result in SPARs being delisted from the exchange. We believe delisting procedures will protect other market participants by limiting the accessibility of a security that may trade irregularly or with unreliable price information. We believe that minimum price requirements would be an important investor-protective attribute of a potentially revised Proposed Rule.

Risk of Price Manipulation

"*The Exchange also does not explain how it would effectively address the risk the price of subscription warrants could be manipulated, or how its proposal otherwise would be designed to prevent fraudulent and manipulative acts and practices. For example, the price of subscription warrants would appear to be particularly susceptible to rumors about potential acquisition targets and the terms of potential transactions. Because subscription warrants may trade at a very low price, they may permit a bad actor to efficiently manipulate these securities with little upfront cost.*"

We do not believe that SPARs will be at any more risk of price manipulation or susceptible to rumors than any other listed security. SPARs will be subject to the securities laws, rules and regulations intended to prevent fraudulent and manipulative acts and practices. Although SPARCs could be subject to

rumors regarding a potential business combination, this concern is effectively identical to the risk faced by SPACs, and similar to the risk faced by operating companies.

Nor does a potentially low price differentiate SPARs from SPAC warrants. SPAC warrants and options typically trade at low prices (and in the case of options, often at low volumes). Importantly, however, SPARs' substantially longer term and at-the-money exercise price make SPARs inherently less speculative and less subject to manipulation than the shorter-dated, out-of-the-money SPAC warrants and put and call options on SPAC shares that currently trade on the NYSE and NASDAQ.

We believe that two factors, i.e., the total number of outstanding securities and the practical difficulties of amassing a large position in those securities are important determinants of the ability of bad actors to engage in market manipulation. To the extent that the trading price of SPARs could be a source of price manipulation risk, this risk would be ameliorated by requiring a larger minimum number of SPARs outstanding per issuer and a minimum price requirement for SPARs' continued listing under a potentially revised Proposed Rule.

There is nothing in the inherent nature of SPARs that makes them more susceptible to illegal activity than other publicly traded securities including other SPAC shares, warrants and options. Because of their inherently longer term and less speculative nature, it should be more difficult to manipulate SPARs compared with other shorter-term, out-of-the-money options and warrants on SPACs or operating companies.

Moreover, in the case of SPARC Holdings, its SPARs will be distributed to the existing record holders of PSTH on a one-for-one basis with respect to PSTH shares, and on a two-for-one basis with respect to PSTH warrants. These PSTH record holders will already be fully informed about the SPARC sponsor and its strategy and will have received a detailed SPARC registration statement with respect to the distribution of SPARs. These holders are comprised of institutional investors which, based on ownership reports filed with the SEC, will own a majority of the SPARs, with the balance owned by holders that are not required to file ownership reports, but which include family offices and foreign sovereign investors, as well as individual investors.

As SPARC Holdings' SPARs will be distributed to fully informed, sophisticated investors already familiar with acquisition companies and knowledgeable about the sponsor in light of their ownership of PSTH securities, we believe that the SPARs will be held by investors who are likely to be long-term holders. As a result, by broadly distributing its SPARs in this fashion to a sophisticated investor base, SPARC Holdings' SPARs are more likely to trade in an orderly fashion and be assigned appropriate values by investors, substantially reducing the risk of manipulation.

<u>Transaction Disclosure and Registration Requirements</u>

"*In addition, while the proposal states that the sale of both the subscription warrants and the issuance of the common stock in exchange for the subscription warrants must be registered under the Securities Act, the proposal is unclear as to the requirements relating to Securities Act registration at the time the warrants become eligible to be exercised into common stock. In particular, the proposal does not appear to require a registration statement or, if possible, a post-effective amendment at the critical time when warrant holders have to make a decision on exercising their warrants for common stock.*"

The initial registration statement on Form S-1 for a SPARC will register both the SPARs and the shares to be issued upon the exercise thereof, and will result in similar public disclosure for SPARCs as with SPACs at the IPO stage. SPARC Holdings has proposed distributing its SPARs for no

consideration, which we think significantly reduces a sponsor's incentive to promote its blank check company, as SPARC does not need to raise capital in order to launch the trading of the SPARs. In light of the structure of a SPARC, it is only at the time of the announcement of a business combination that the sponsor needs to raise capital. This capital raising process will occur in conjunction with the filing and approval of a new registration statement where a specific target has been identified, a definitive agreement has been signed, and all relevant information about the business combination has been disclosed to SPAR holders.

The NYSE rules do not include requirements for filing registration statements under the 1933 Act. We have been advised that existing rules under the 1933 Act would require that when SPARC provides notice to its security holders of a potential business combination, that notice, which will necessarily involve offering securities of the company resulting from the business combination, will require registration under the 1933 Act.

We are not able to anticipate the structure of a future SPARC business combination to determine whether the registration statement would most likely be a post-effective registration statement (which we anticipate would be the case if the SPARC were the surviving corporation of the business combination) or potentially a new registration statement (which we anticipate might be the case if a Newco, or the target of the business combination, were the surviving corporation of the business combination).[3] Regardless of which form of registration is utilized, holders of SPARs would have full 1933 Act disclosure with respect to the target business and the transaction. The SPARC will also be subject to the liability provisions of the 1933 Act.

Numerical Listing Standards

"*Further, the Exchange does not explain the rationale for the various numerical standards and criteria set forth in its proposal, or how they together are designed to be consistent with the Exchange Act and the rules and regulations thereunder… …Because subscription warrants may trade at a very low price, as discussed above, they may become subject to delisting very soon after listing, depending on the number of warrants outstanding. The Exchange has not addressed how such a scenario would be consistent with the protection of investors and the public interest and other relevant provisions of the Exchange Act, or how the other numerical standards and criteria set forth in its proposal have been designed to work together to avoid similar outcomes.*"

We believe that numerical listing standards contained in a potentially revised Proposed Rule – and particularly if a minimum price requirement for continued listing standard were included – would be more stringent than those applicable to SPACs under NYSE Rule 102.06, and to subscription warrants issued by operating companies in connection with a potential transaction under Rule 102.08. These numerical requirements would operate in concert to provide an appropriate balance in protecting market participants from trading in securities that may be perceived as risky, without unduly subjecting a security to the risk of delisting where an orderly and active trading market exists.

For example, a potentially revised Proposed Rule that required SPARs to have a minimum trading price of $1.00 per warrant for their initial listing and $0.25 per warrant for continued listing would be analogous to the $4.00 and $1.00 initial and continued listing requirements for common stock. We believe that this minimum price requirement would support a market in which SPAR prices can adjust

[3] We note that even if a Newco or target were the surviving corporation of the business combination, a post-effective amendment to SPARC's initial registration statement could be employed which would add the Newco or target, as the case may be, as a registrant on the post-effective amendment.

appropriately to reflect changing information and market perceptions. Further, we believe that these requirements represent realistic expectations of the prices at which SPARs issued by high quality sponsors may trade, and should therefore not result in SPARs being subject to delisting soon after their issuance.

We would support numerical listing criteria in a potentially revised Proposed Rule requiring a SPARC to have at least 20 million outstanding SPARs, consistent with the required minimum exercise price of $10.00 and an initial listing standard requiring an aggregate exercise price of $200 million. The continued listing requirement that the SPARC's outstanding SPARs total market capitalization equal or exceed $20 million is also consistent with the other listing criteria, requiring a SPARC that issues the minimum number of SPARs to meet the initial listing standard of a minimum per-warrant price of $1.00. A sponsor must issue a sufficiently large number of SPARs, and/or investors must assign sufficient value to the SPARs based on their assessment of the sponsor's capabilities, in order to meet the proposed listing maintenance requirements.

Investment Company Act

"*[I]t is unclear under the Exchange's proposal whether the company would meet the definition of investment company under the Investment Company Act of 1940 ("1940 Act"). If so, the company may need to register under the 1940 Act, which would require a new listing rule, proposed by the Exchange and approved by the Commission, that contemplates the company's status under the 1940 Act.*"

We do not believe that a SPARC would meet the definition of an investment company under the 1940 Act. In the structure proposed in the registration statement filed by SPARC Holdings, and as permitted under the Proposed Rule, SPARs are to be issued at no cost, and would only be exercised shortly before the consummation of a business combination. Accordingly, a SPARC would hold investor funds for a very brief period between exercise and the closing of the transaction. These funds would be held as cash, on deposit in an interest-bearing account with an independent custodian, and would not need to be invested in any securities.

The Order also discusses the possibility that SPARs could be issued for value. If companies are permitted to issue SPARs for value – and to be clear, we are not seeking the right to do so – the funds received should be subject to the same requirement applicable to SPACs with respect to their IPO proceeds that such funds are held in trust in an interest-bearing account managed by an independent custodian.

Conclusion

The SPARC structure offers numerous material benefits to investors which we have previously outlined in our initial comment letter including: (1) the effective elimination of shareholders' opportunity cost of capital, as their money would no longer be held in trust while a two- or three-year search is underway, (2) the elimination of the bargaining power of transaction counterparties when compared with SPACs with shorter terms remaining, and (3) the elimination of underwriting fees and dilutive shareholder warrants that greatly increase the frictional costs which make it more difficult to consummate a value-creating transaction.

We believe that the Proposed Rule with the enhancements proposed in this letter would enable the launch of SPARC and similar acquisition companies, which will improve capital formation, permit public market investors to invest in private companies contemporaneous with their public listing, and, in

case of the SPARs proposed by SPARC Holdings, enable those investors to retain substantially more of the potential value creation of a proposed transaction than is typically retained by SPAC public investors.

Moreover, for the reasons stated above, we believe the potential risks and concerns with respect to SPARs raised in the Order are similar to or lesser than the risks inherent in other securities, including shares issued by operating companies, SPAC shares, SPAC warrants, and options to purchase SPAC shares, and that our proposed changes to the Proposed Rule (particularly with respect to revised listing standards) should address these concerns.

We would welcome the opportunity to meet with the SEC to discuss the issues concerning the Proposed Rule at your earliest convenience.

Sincerely,

/s/ William A. Ackman

Exhibit A

Excerpt from SPARC Holdings S-1

Sponsor Warrants and Director Warrants

Issuance and Purchase Price. Prior to the Distribution, we will issue the Sponsor Warrants to our Sponsor, and the Director Warrants to certain of our independent director nominees or Board observers. Our Private Warrants will represent substantially the same investment opportunity as do the private warrants of PSTH—the right to acquire a fixed percentage of a post-combination company. An affiliate of our Sponsor paid $65.0 million for its PSTH sponsor warrants (exercisable for 5.95% of the post-combination company), and these independent director nominees paid an aggregate of approximately $2.4 million (exercisable for 0.26% of the post-combination company), which purchase prices were determined at the time of issuance, in consultation with a third-party, nationally recognized valuation firm, to be the fair market value of the private warrants. Our Private Warrants will have substantially similar terms, with the primary difference being that the Sponsor Warrants are exercisable for 4.95% of the post-combination company, rather than 5.95%.

We believe that, if PSTH does not consummate a business combination, the holders of our Private Warrants will have, in effect, already paid for the investment opportunity represented by the Private Warrants. Accordingly, we will issue the Sponsor Warrants and Director Warrants to their respective holders at a nominal *initial* cost. However, if PSTH does consummate a business combination and the holders of the PSTH private warrants may be able to realize the investment opportunity for which they previously paid, the holders of our Private Warrants will pay our company for the investment opportunity represented by our Private Warrants. In such event, we will determine the fair market value of our Sponsor Warrants and Director Warrants in consultation with a third-party, nationally recognized valuation firm, and the holders of the Private Warrants will pay that amount to our company as a purchase price. We expect that, prior to the time at which this Registration Statement is declared effective, PSTH will have either consummated a business combination or returned funds to its investors. The fair value of the Private Warrants will be determined as of the time of their issuance, and will take into account various factors including, but not limited to: the restriction on sale or transfer of the Private Warrants and the shares issuable upon exercise thereof, the estimated range of possible business combination partner equity values, and the probability of consummating a business combination prior to the expiration of our SPARs. Any valuation process will be inherently uncertain and imprecise, and may result in a higher or lower valuation, or terms more or less favorable, than would be obtained in an arm's length negotiation between third parties.

Terms of Private Warrants. The Sponsor Warrants will be exercisable, in the aggregate, for 4.95% of the Public Shares that are outstanding as of the time immediately following the consummation of our business combination, on a fully-diluted basis (such 4.95% of shares, the "Reference Shares"). The Sponsor Warrants will

124

have an exercise price equal to 120% of the Final Exercise Price (the "Reference Price"), meaning that our Sponsor will participate in the value of our business combination only if the Public Shares appreciate by at least 20% above the price at which SPAR holders purchase Public Shares. For example, if the Final Exercise Price is $10.00, the Reference Price will be $12.00. Our Sponsor may exercise the Sponsor Warrants on a cashless basis, in which case it would receive upon exercise that number of shares equal to (i) the number of Reference Shares, multiplied by (ii)(a) the "fair market value" of a Public Share in excess of the Reference Price, divided by (b) the fair market value of a Reference Share. As used above, "fair market value" refers to the volume-weighted average trading price of a Public Share over the 10 consecutive trading days ending on the third trading day prior to a notice of exercise being sent.

The Director Warrants will be identical to the Sponsor Warrants, except that they are exercisable, in the aggregate, for approximately 0.26% of the Public Shares outstanding as of the time immediately following the consummation of our business combination, on a fully-diluted basis. The Sponsor Warrants and the Director Warrants will be exercisable, in the aggregate, for approximately 5.21% of the outstanding Public Shares of the post-combination company.

The Private Warrants will generally not be saleable or transferable until three years after the consummation of our business combination and are subject to certain adjustments as described herein. The Public Shares issuable upon exercise of the Private Warrants will generally not be saleable or transferable until three years after the consummation of our business combination and will have certain registration rights. The Private Warrants will expire on the date that is 10 years from the consummation of our business combination. The Private Warrants may be exercised in whole or in part and will not be subject to redemption.

Effect of Sponsor Warrants and Director Warrants on Ownership

The unique structure of our Sponsor Warrants and Director Warrants, which are exercisable for a fixed percentage of the pro forma post-combination company, will have different effects on the ownership interest of public stockholders in the post-combination company, and that of the owners of the business combination partner (assuming such stockholders remain investors in the post-combination company) as compared to the typical structure of special purpose acquisition companies, in which the sponsor maintains an ownership interest equal to 25% of that of its public stockholders in the post-combination company (or greater, in the case of redemptions).

Though the number of shares issuable to the holders of the Private Warrants (for purposes of this discussion, the "Private Holders") is determined with respect to 4.95% and 0.26%, respectively, of the fully-diluted Public Shares outstanding immediately following the business combination, the actual ownership stake of the Private Holders in the post-combination business upon exercise will differ significantly depending on the fair market value. At or below the Reference Price (120% of the Final Exercise Price), the Private Holders will not have any ownership stake. Accordingly, there will be no dilutive effect on our security-holders who become holders of Public Shares (for the purposes of this discussion, the "Public Stockholders," which includes both exercising SPAR holders and the Forward Purchasers). Above the Reference Price, the holders would receive upon exercise a number of shares calculated as provided above. At higher market prices, the ownership stake (and overall dilutive effect on Public Stockholders) increases towards its limit of approximately 5.21%.

Compared to a conventional SPAC, in which the dilutive effect of the sponsor promote increases significantly as the SPAC owns a larger percentage of the post-combination company, the dilutive effect from our Sponsor Warrants and Director Warrants does not vary based on the relative size of our business combination partner. In a conventional SPAC, all stockholders other than the sponsor experience immediate dilution as a result of the sponsor promote, regardless of whether the stock price of the post-combination company increases or decreases.

As an example, assume a transaction in which the Final Exercise Price is $10.00, the valuation of the post-combination company is $20.0 billion (with 2.0 billion shares outstanding, based on the initial per-share value of

$10.00), and our company contributes $4.0 billion in proceeds from the exercise of our SPARs, the sale of the Sponsor Preferred Shares and the Forward Purchase. In such a transaction, our stockholders (including the Forward Purchasers) would initially own 20% of the post-combination company. At a fair market value of $12.00 per share or lower, the Private Warrants would be out-of-the-money and therefore would not be exercised. At a fair market value of $15.00 per share, a 50% increase in our stock price, upon a cashless exercise, the holders of the Private Warrants would be issued approximately 22.0 million Public Shares (the value of 109.9 million Reference Shares in excess of the $12.00 Reference Price, divided by the $15.00 fair market value), constituting ownership of 1.1% of the post-combination company. Our Public Stockholders would own 19.8% of the post-combination company (a 0.2% decrease in ownership, representing dilution of 1.1%). At a fair market value of $30.00 at the time of exercise, a three-fold increase in our stock price, the holders of the Private Warrants would be issued approximately 66.0 million Public Shares upon exercise. The holders of the Private Warrants would thereby own 3.2% of the post-combination company, and the Public Stockholders would own 19.4% of the post-combination company (a 0.6% decrease, or 3.2% dilution).

As shown below, the size of the ownership stake of all Public Stockholders decreases proportionately with a larger deal size. However, the dilutive effect for Public Stockholders does not vary significantly with deal size, nor does the ownership of the Private Holders—for each one percent of ownership acquired by the Private Holders, the Public Stockholders are diluted by one percent. The maximum amount of dilution is 5.21%. The illustration below assumes total proceeds of $4.0 billion are contributed by our company in the transaction.

	Post-Combination Company Equity Value						
	$8.0B	$12.0B	$16.0B	$24.0B	$40.0B		
Fair Market Value of Public Share	Public Ownership					Public Dilution	Private Ownership
$10.00	50.0%	33.3%	25.0%	16.7%	10.0%	0.0%	0.0%
$12.00	50.0%	33.3%	25.0%	16.7%	10.0%	0.0%	0.0%
$15.00	49.5%	33.0%	24.7%	16.5%	9.9%	1.1%	1.1%
$20.00	48.9%	32.6%	24.5%	16.3%	9.8%	2.2%	2.2%
$25.00	48.6%	32.4%	24.3%	16.2%	9.7%	2.8%	2.8%
$30.00	48.4%	32.3%	24.2%	16.1%	9.7%	3.2%	3.2%
$50.00	48.0%	32.0%	24.0%	16.0%	9.6%	4.0%	4.0%