

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-92839; File No. SR-NYSE-2021-42)

September 1, 2021

Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing of Proposed Rule Change to Amend the Requirements of Section 102.06 of the NYSE Listed Company Manual to Allow an Acquisition Company to Contribute a Portion of Its Trust Account to a New Acquisition Company and Spin-off the New Acquisition Company to Its Shareholders

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (“Act”)² and Rule 19b-4 thereunder,³ notice is hereby given that, on August 23, 2021, New York Stock Exchange LLC (“NYSE” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend the requirements of Section 102.06 of the NYSE Listed Company Manual (“Manual”) for the listing of acquisition companies and the provisions of Section 802.01B with respect to the qualification of an acquisition company after its business combination. The proposed rule change is available on the Exchange’s website at www.nyse.com, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to modify Section 102.06 of the Manual to allow an acquisition company listed under that rule to contribute a portion of the amount held in its trust account to a trust account of a new AC and spin off the new AC to its shareholders in certain situations where the new AC will be subject to all of the same requirements as the original AC.

In 2008, the Exchange adopted a rule to allow companies that have no specific business plan or that have indicated their business plan is to consummate the acquisition of one or more operating businesses or assets (a “Business Combination”) to list if they meet all applicable initial listing requirements, as well as additional conditions designed to provide investor protections to address specific concerns about the structure of such companies (“Acquisition Companies” or “ACs”).⁴ These additional conditions generally require, among other things, that at least 90% of the gross proceeds from the initial public offering must be deposited in a “trust account,” as that term is defined in the rule, and that the AC complete within three years (or such

⁴ See Securities Exchange Act Release No. 57785 (May 6, 2008), 73 FR 27597 (May 13, 2008) (SR-NYSE-2008-17).

shorter period specified by the AC's constitutive documents or by contract) one or more Business Combinations having an aggregate fair market value of at least 80% of the value of the trust account at the time of the agreement to enter into the initial combination.

When an AC conducts its initial public offering, it raises the amount of capital that it estimates will be necessary to finance a subsequent business combination with its ultimate target. However, because an AC cannot identify or select a specific Business Combination target at the time of its IPO, it often turns out that the amount raised is not optimal for the needs of a specific target. This has resulted in the inefficient, current practice of AC sponsors creating multiple ACs of different sizes at the same time, with the intention to use the AC that is closest in size to the amount a particular target needs. This practice creates the potential for conflicts between the multiple ACs (each of which has different shareholders) and still fails to optimize the amount of capital that would benefit the AC's public shareholders and a Business Combination target. Moreover, this creates the need for repetitive action throughout the ecosystem, including the filing and SEC review of multiple registration statements and periodic reports, formation of multiple boards of directors, multiple audits and multiple company listings. This practice also can lead to confusion amongst investors.

Accordingly, the Exchange proposes to modify Section 102.06 to permit a more efficient structure whereby an AC can raise in its initial public offering the maximum amount of capital it anticipates it may need for a Business Combination transaction and then "rightsize" itself by contributing any amounts not needed to a new AC (the "SpinCo AC"), and spinning off this SpinCo AC to its shareholders. The SpinCo AC will be subject to all the existing provisions of Section 102.06 in the same manner, and subject to the same timeframes, as the original AC.

It is expected that, if approved, the new structure will be implemented in the following manner. If the listed AC determines that it will not need all of the cash in its trust account for its initial business combination, it will designate the excess cash for a new trust account held by a SpinCo AC, which will be spun off to the original AC's shareholders as described below. Until the spin-off described below, the amount designated for the SpinCo trust account must continue to be held for the benefit of the shareholders of the original AC. Following the spin-off, the SpinCo trust account will be subject to the same requirements as the trust account of the original AC.

The SpinCo AC will file a registration statement under the Securities Act of 1933 for purposes of effecting the spin-off of the SpinCo AC. Prior to the effectiveness of the registration statement, the original AC will provide its public shareholders through one or more corporate transactions with the opportunity to redeem a pro rata amount of their holdings equal to the amount of the SpinCo trust account divided by the per share amount in the original AC's trust account (the "redemption price").⁵

After completing the tender offer and effectiveness of the SpinCo AC's registration statement, the original AC will contribute the SpinCo trust account to a trust account held by the SpinCo AC in exchange for shares or units of the SpinCo AC, which the original AC will then distribute to its public shareholders on a pro rata basis through one or more corporate transactions pursuant to the SpinCo AC's effective registration statement.

⁵ This redemption could occur, for example, through a partial cash tender offer for shares of the original AC pursuant to Rule 13e-4 and Regulation 14E of the Securities Exchange Act of 1934, and the redemption may be of a separate class of shares distributed to unitholders of the original AC for the purpose of facilitating the redemption.

The original AC will then continue to operate as an AC until it completes its business combination and will offer redemption rights to its public shareholders in connection with that business combination in the same manner as a traditional AC. The SpinCo AC will operate in the same manner as a traditional AC, except that it could effect a spin-off prior to its business combination like the original AC. If it does not elect to effect a spin-off, the SpinCo AC will either (1) proceed to complete an initial business combination and offer redemption rights in connection therewith like a traditional AC or (2) liquidate.

The Exchange proposes adopting a new subsection of Section 102.06 which will specifically permit this type of transaction by allowing the Original AC to contribute (the “Contribution”) a portion of the amount held in the trust account to the trust account of a SpinCo AC in a spin-off or similar corporate transaction where all of the conditions described below are satisfied:

(i) in connection with the Contribution, each AC public shareholder has the right, through one or more corporate transactions, to redeem a portion of its shares of common stock or units, as applicable, for its pro rata portion of the amount of the Contribution in lieu of being entitled to receive shares or units in the SpinCo AC;

(ii) the requirement of Section 102.06 that the AC provide each public shareholder voting against a Business Combination with the right to convert its shares of common stock into a pro rata share of the aggregate amount then on deposit in the trust account (net of taxes payable, and amounts disbursed to management for working capital purposes), provided that the Business Combination is approved and consummated, will be considered satisfied by pro rata distribution to such shareholders of the amounts in the trust account after having been reduced by the Contribution;

(iii) the public shareholders of the AC receive shares or units of the SpinCo AC on a pro rata basis, except to the extent they have elected to redeem a portion of their shares of the AC in lieu of being entitled to receive shares or units in the SpinCo AC;

(iv) the Contribution will remain in a trust account for the benefit of the shareholders of the SpinCo AC in the manner required for ACs listed under Section 102.06;

(v) the SpinCo AC meets all applicable initial listing requirements for an AC listing in connection with an initial public offering under Section 102.06; it being understood that, following such spin-off or similar corporate transaction:

(A) the 80% described in the first paragraph of Section 102.06 shall, in the case of the AC, be calculated based on the aggregate amount remaining in the trust account of the AC at the time of the agreement to enter into the Business Combination as reduced by the Contribution, and, in the case of the SpinCo AC, be calculated based on the aggregate amount in its trust account at the time of its agreement to enter into a Business Combination, and

(B) the right to convert and opportunity to redeem shares of common stock on a pro rata basis required for ACs listed under this Section 102.06 shall, in the case of the AC, be deemed to apply to the aggregate amount remaining in the trust account of the AC after the Contribution to the SpinCo AC, and, in the case of the SpinCo AC, be deemed to apply to the aggregate amount in its trust account;

(vi) in the case of the SpinCo AC, and any additional entities spun off from the SpinCo AC, each of which will also be considered a SpinCo AC, the 36-month period within which a listed AC must consummate its Business Combination under Section 102.06 (or such shorter

period that the AC specifies in its registration statement) will be calculated based on the date of effectiveness of the AC's IPO registration statement; and

(vii) in the aggregate, through one or more opportunities by the AC and one or more SpinCo ACs, public shareholders will have the ability to convert or redeem shares, or receive amounts upon liquidation, for the full amount of the trust account established by the AC as described in the first paragraph of this Section 102.06 (excluding any deferred underwriters fees and taxes payable on the income earned on the trust account).

For the avoidance of doubt, the conditions above will similarly apply to successive spinoffs or similar corporate transactions.

Under Section 102.06, a majority of the AC's independent directors must approve its Business Combination and a majority of the independent directors of the SpinCo AC must approve the SpinCo AC's Business Combination.

The structure allows public shareholders an additional, early redemption opportunity with respect to a portion of their holdings, before the time they would be able to do so in a traditional AC, and public shareholders would maintain the ability to redeem the portion of their investment attributable to each specific acquisition after reviewing all disclosure with respect to that acquisition. All other protections provided under Section 102.06 would continue to apply, with adjustments only to reflect the potential for a spin-off of a new AC that is subject to all of the requirements of Section 102.06. Moreover, the proposed structure would also provide shareholders the opportunity to invest with a sponsor without spreading that investment across the sponsor's multiple ACs.

Finally, the Exchange proposes to amend the subsection of Section 802.01B of the Manual setting forth the continued listing criteria applicable to ACs to specify that those criteria

are also applicable in their entirety to SpinCo ACs. In addition, the Exchange proposes to add a new subsection to Section 102.06 stating that the applicable continued listing criteria for both ACs and SpinCo ACs are set forth in Section 802.01B.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,⁶ in general, and furthers the objectives of Section 6(b)(5) of the Act,⁷ in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest, by establishing the means through which an AC can complete more than one business combination resulting in separate operating companies.

The Commission has previously concluded that listing an acquisition company that satisfies the requirements of Section 102.06 is consistent with the investor protection goals of the Act.⁸ The proposed rule change will extend these important investor protections to a new structure that addresses inefficiencies and potential conflicts of interest in the AC market. Specifically, as proposed, a SpinCo AC will be required to satisfy all applicable initial listing requirements, like any other AC listing on the Exchange. In addition, the provisions of Section 102.06 will apply to the SpinCo AC in the same manner as they apply to any other AC, except the trust account will be contributed to the SpinCo AC by the original AC.

The existing requirements of Section 102.06 with respect to the consummation of a business combination and the related redemption rights will also apply to each of the original AC

⁶ 15 U.S.C. 78f(b).

⁷ 15 U.S.C. 78f(b)(5).

⁸ See Securities Exchange Act Release No. 57785, supra note 3.

and the SpinCo AC in the proposed structure in the same manner as they apply to any other AC, except that the 80% test will be applied to the amount retained by the original AC after public shareholders have had an initial, early redemption opportunity and the original AC has contributed a portion of its trust account to the SpinCo AC. The Exchange believes that this proposed difference does not adversely affect shareholders because the shareholders will still have the opportunity to redeem for the entire pro rata share of the trust account prior to completion of the business combination. The primary difference is that the redemption right may be effected through two decisions, one of which is accelerated to allow an earlier redemption than would be available to the public shareholders of a traditional AC and the other will come at the time of the business combination, just as in a traditional AC.

As with the existing rules, each business combination must be approved by the AC's independent directors, as required by the existing provisions of Section 102.06, and following each business combination, the combined company must satisfy all initial listing requirements, as required by Section 802.01B.

Accordingly, in this manner, the Exchange believes that the proposed rule change satisfies the requirements of Section 6(b)(5) of the Act in that it is designed to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule would be available in a non-discriminatory way to any company satisfying its requirements, as well as all other applicable NYSE listing requirements. In addition, the Exchange faces

competition for listings but the proposed rule change does not impose any burden on the competition with other exchanges; any competing exchange could similarly adopt rules to allow listing ACs using such a structure.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve or disapprove the proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be

disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NYSE-2021-42 on the subject line.

Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NYSE-2021-42. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to

make available publicly. All submissions should refer to File Number SR-NYSE-2021-42, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁹

J. Matthew DeLesDernier
Assistant Secretary

⁹ 17 CFR 200.30-3(a)(12).