

**AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. 5913
OFFERED BY MR. SHERMAN OF CALIFORNIA**

Strike all after the enacting clause and insert the following:

1 SECTION 1. SHORT TITLE.

2 This Act may be cited as the “Protecting Investors
3 from Excessive SPACs Fees Act of 2021”.

**4 SEC. 2. PROHIBITION RELATING TO CERTAIN SPECIAL PUR-
5 POSE ACQUISITION COMPANIES.**

6 (a) INVESTMENT ADVISERS.—Section 206 of the In-
7 vestment Advisers Act of 1940 (15 U.S.C. 80b–6) is
8 amended—

9 (1) in paragraph (3), by striking “or” at the
10 end;

11 (2) in paragraph (4), by striking the period at
12 the end and inserting “; or”; and

13 (3) by adding at the end the following:

14 “(5) to facilitate the transaction of, or rec-
15 ommend, securities of a special purpose acquisition
16 company, as defined by the Commission, to a person
17 who is not an accredited investor (as defined in sec-
18 tion 2(a) of the Securities Act of 1933 (15 U.S.C.

1 77b)), unless the special purpose acquisition com-
2 pany discloses to the Commission, in a manner that
3 is accessible and user-friendly to retail investors and
4 by a date that is as early as reasonably possible, but
5 in no case later than a minimum number of days (as
6 established by the Commission, in the public interest
7 and for the protection of investors) before a merger
8 or redemption date such that an investor has the
9 ability to make an informed decision with respect to
10 the merger or redemption (including whether to re-
11 deem the equity securities of the special acquisition
12 company, hold such securities, or make another in-
13 vestment decision)—

14 “(A) with respect to each merger by the
15 special purpose acquisition company—

16 “(i) the amount of cash per share ex-
17 pected to be held by the special purpose
18 acquisition company immediately prior to
19 the merger under such various redemption
20 scenarios as the Commission, by rule, de-
21 termines to be necessary or appropriate in
22 the public interest or for the protection of
23 investors;

1 “(ii) a graphical representation of the
2 cash per share depletion relating to each
3 redemption scenario described in clause (i);

4 “(iii) any payments or agreements to
5 pay sponsors or investors in public equity
6 for participating in such merger, including
7 any rights or warrants to be issued to such
8 sponsors or investors, and an assessment
9 of the dilutive impact issuing such rights
10 and warrants may have with respect to
11 shareholder voting rights;

12 “(iv) any fees or other payments to
13 the sponsor, underwriter, or any other
14 party, including an assessment of the dilu-
15 tive impact to shareholder voting rights of
16 any warrant that remains outstanding
17 after investors redeem shares pre-merger;
18 and

19 “(v) using standard accounting prac-
20 tices to compute the present value of any
21 securities the sponsor receives, the share
22 price immediately post-merger that will be
23 required to make the merger more profit-
24 able for the sponsor than a liquidation,
25 taking into account—

1 “(I) any new securities the spon-
2 sor purchases at the time of the merg-
3 er; and

4 “(II) the price the sponsor pays
5 to receive such new securities;

6 “(vi) the redemption deadline and es-
7 timated redemption price per share;

8 “(vii) the valuation of the target busi-
9 ness prior to the completion of the busi-
10 ness combination;

11 “(viii) the identity of the sponsor and
12 any controlling members of the special pur-
13 pose acquisition company, the prior experi-
14 ence of such sponsor and members with
15 special purpose acquisition companies, and
16 the standardized performance for all such
17 special purpose acquisition companies;

18 “(ix) contact information for ques-
19 tions regarding shareholder meetings and
20 redemptions;

21 “(x) the location (whether on a
22 website or otherwise), if applicable, where
23 additional information can be found with
24 respect to the information described in
25 clause (i) through (ix); and

1 “(xi) the length of time the sponsors
2 of the special purpose acquisition company
3 intend to retain economic risk in the post-
4 merger company; and

5 “(B) such other information as the Com-
6 mission, by rule, determines to be necessary or
7 appropriate in the public interest or for the pro-
8 tection of investors, including retail investors.”.

9 (b) BROKERS, DEALERS, AND ASSOCIATED PERSONS
10 OF BROKERS OR DEALERS.—Section 15 of the Securities
11 Exchange Act of 1934 (15 U.S.C. 78o) is amended by
12 adding at the end the following:

13 “(p) PROHIBITION RELATING TO CERTAIN SPECIAL
14 PURPOSE ACQUISITION COMPANIES.—

15 “(1) IN GENERAL.—A broker, dealer, and any
16 associated person of a broker or dealer shall be pro-
17 hibited from facilitating or executing the transaction
18 of, or recommending, securities of a special purpose
19 acquisition company, as defined by the Commission,
20 to a person who is not an accredited investor (as de-
21 fined in section 2(a) of the Securities Act of 1933
22 (15 U.S.C. 77b)), unless the special purpose acquisi-
23 tion company discloses to the Commission, in a man-
24 ner that is accessible and user-friendly to retail in-
25 vestors and by a date that is as early as reasonably

1 possible, but in no case later than a minimum num-
2 ber of days (as established by the Commission, in
3 the public interest and for the protection of inves-
4 tors) before a merger or redemption date such that
5 an investor has the ability to make an informed deci-
6 sion with respect to the merger or redemption (in-
7 cluding whether to redeem the equity securities of
8 the special acquisition company, hold such securities,
9 or make another investment decision)—

10 “(A) with respect to each merger by the
11 special purpose acquisition company—

12 “(i) the amount of cash per share ex-
13 pected to be held by the special purpose
14 acquisition company immediately prior to
15 the merger under such various redemption
16 scenarios as the Commission, by rule, de-
17 termines to be necessary or appropriate in
18 the public interest or for the protection of
19 investors;

20 “(ii) a graphical representation of the
21 cash per share depletion relating to each
22 redemption scenario described in subclause
23 (I);

24 “(iii) any payments or agreements to
25 pay sponsors or investors in public equity

1 for participating in such merger, including
2 any rights or warrants to be issued to such
3 sponsors or investors, and an assessment
4 of the dilutive impact issuing such rights
5 and warrants may have with respect to
6 shareholder voting rights;

7 “(iv) any fees or other payments to
8 the sponsor, underwriter, or any other
9 party, including an assessment of the dilu-
10 tive impact to shareholder voting rights of
11 any warrant that remains outstanding
12 after investors redeem shares pre-merger;
13 and

14 “(v) using standard accounting prac-
15 tices to compute the present value of any
16 securities the sponsor receives, the share
17 price immediately post-merger that will be
18 required to make the merger more profit-
19 able for the sponsor than a liquidation,
20 taking into account—

21 “(I) any new securities the spon-
22 sor purchases at the time of the merg-
23 er; and

24 “(II) the price the sponsor pays
25 to receive such new securities;

1 “(vi) the redemption deadline and es-
2 timated redemption price per share;

3 “(vii) the valuation of the target busi-
4 ness prior to the completion of the busi-
5 ness combination;

6 “(viii) the identity of the sponsor and
7 any controlling members of the special pur-
8 pose acquisition company, the prior experi-
9 ence of such sponsor and members with
10 special purpose acquisition companies, and
11 the standardized performance for all such
12 special purpose acquisition companies;

13 “(ix) contact information for ques-
14 tions regarding shareholder meetings and
15 redemptions;

16 “(x) the location (whether on a
17 website or otherwise), if applicable, where
18 additional information can be found with
19 respect to the information described in
20 clause (i) through (ix); and

21 “(xi) the length of time the sponsors
22 of the special purpose acquisition company
23 intend to retain economic risk in the post-
24 merger company; and

1 “(B) such other information as the Com-
2 mission, by rule, determines to be necessary or
3 appropriate in the public interest or for the pro-
4 tection of investors, including retail investors.

5 “(3) ASSOCIATED PERSON OF A BROKER OR
6 DEALER DEFINED.—In this subsection, with respect
7 to a broker or a dealer, the term ‘associated person
8 of a broker or dealer’ means an individual who rep-
9 resents the broker or dealer in effecting or attempt-
10 ing to effect a purchase or sale of securities.”.

