

**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-

1           tion 2(a) of the Securities Act of 1933 (15 U.S.C.  
2           77b)), unless—

3                   “(A) the promote or similar economic com-  
4                   pensation, including warrants, of the special  
5                   purpose acquisition company is 5 percent or  
6                   less; or

7                   “(B) the special purpose acquisition com-  
8                   pany discloses to the Commission—

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

11                                   “(I) the amount of cash per  
12                                   share expected to be held by the spe-  
13                                   cial purpose acquisition company im-  
14                                   mediately prior to the merger under  
15                                   such various redemption scenarios as  
16                                   the Commission, by rule, determines  
17                                   to be necessary or appropriate in the  
18                                   public interest or for the protection of  
19                                   investors;

20                                   “(II) a graphical representation  
21                                   of the cash per share depletion relat-  
22                                   ing to each redemption scenario de-  
23                                   scribed in subclause (I);

24                                   “(III) any payments or agree-  
25                                   ments to pay sponsors or investors in

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

8 “(IV) any fees or other payments  
9 to the sponsor, underwriter, or any  
10 other party, including an assessment  
11 of the dilutive impact to shareholder  
12 voting rights of any warrant that re-  
13 mains outstanding after investors re-  
14 deem shares pre-merger; and

15 “(V) using standard accounting  
16 practices to compute the present value  
17 of any securities the sponsor receives,  
18 the share price immediately post-  
19 merger that will be required to make  
20 the merger more profitable for the  
21 sponsor than a liquidation, taking into  
22 account—

23 “(aa) any new securities the  
24 sponsor purchases at the time of  
25 the merger; and

1                   “(bb) the price the sponsor  
2                   pays to receive such new securi-  
3                   ties; and

4                   “(ii) such other information as the  
5                   Commission, by rule, determines to be nec-  
6                   essary or appropriate in the public interest  
7                   or for the protection of investors, including  
8                   retail investors.”.

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

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

15                   “(1) **IN GENERAL.**—A broker and any reg-  
16                   istered representative of a broker shall be prohibited  
17                   from facilitating the transaction of, or recom-  
18                   mending, securities of a special purpose acquisition  
19                   company, as defined by the Commission, to a person  
20                   who is not an accredited investor (as defined in sec-  
21                   tion 2(a) of the Securities Act of 1933 (15 U.S.C.  
22                   77b)), unless—

23                           “(A) the promote or similar economic com-  
24                           pensation, including warrants, of the special

1           purpose acquisition company is 5 percent or  
2           less; or

3                   “(B) the special purpose acquisition com-  
4           pany discloses to the Commission—

5                           “(i) with respect to each merger by  
6           the special purpose acquisition company—

7                                   “(I) the amount of cash per  
8                                   share expected to be held by the spe-  
9                                   cial purpose acquisition company im-  
10                                  mediately prior to the merger under  
11                                  such various redemption scenarios as  
12                                  the Commission, by rule, determines  
13                                  to be necessary or appropriate in the  
14                                  public interest or for the protection of  
15                                  investors;

16                                   “(II) a graphical representation  
17                                  of the cash per share depletion relat-  
18                                  ing to each redemption scenario de-  
19                                  scribed in subclause (I);

20                                   “(III) any payments or agree-  
21                                  ments to pay sponsors or investors in  
22                                  public equity for participating in such  
23                                  merger, including any rights or war-  
24                                  rants to be issued to such sponsors or  
25                                  investors, and an assessment of the

1 dilutive impact issuing such rights  
2 and warrants may have with respect  
3 to shareholder voting rights;

4 “(IV) any fees or other payments  
5 to the sponsor, underwriter, or any  
6 other party, including an assessment  
7 of the dilutive impact to shareholder  
8 voting rights of any warrant that re-  
9 mains outstanding after investors re-  
10 deem shares pre-merger; and

11 “(V) using standard accounting  
12 practices to compute the present value  
13 of any securities the sponsor receives,  
14 the share price immediately post-  
15 merger that will be required to make  
16 the merger more profitable for the  
17 sponsor than a liquidation, taking into  
18 account—

19 “(aa) any new securities the  
20 sponsor purchases at the time of  
21 the merger; and

22 “(bb) the price the sponsor  
23 pays to receive such new securi-  
24 ties; and

1                   “(ii) such other information as the  
2                   Commission, by rule, determines to be nec-  
3                   essary or appropriate in the public interest  
4                   or for the protection of investors, including  
5                   retail investors.

6                   “(2) REGISTERED REPRESENTATIVE OF A  
7                   BROKER DEFINED.—In this subsection, with respect  
8                   to a broker, the term ‘registered representative of a  
9                   broker’ means an individual who represents the  
10                  broker in effecting or attempting to effect a pur-  
11                  chase or sale of securities.”.

