Katten
KattenMuchinRosenman LLP

CORPORATE & FINANCIAL WEEKLY DIGEST

Corporate & Financial Weekly Digest

November 11, 2011 by Robert J. Wild

SEC Approves New Exchange Rules to Toughen Listing Standards for Reverse Merger Companies

Co-authored by David S. Kravitz

On November 9, the Securities and Exchange Commission approved new rules proposed by the New York Stock Exchange LLC, NYSE Amex LLC and the NASDAQ Stock Market LLC that toughen the listing standards for issuers that become public through reverse mergers. A reverse merger is a transaction in which an unlisted private operating company becomes public via a merger with a publicly traded shell company, which is generally a company with no material business operations.

As described in the April 29 and August 19 editions of the *Corporate and Financial Weekly Digest*, the rules were proposed in response to widespread concerns about accounting fraud by certain companies with foreign operations. Generally, the new rules require that a reverse merger company trade for at least one year on the over-the-counter market or on another regulated U.S. or foreign exchange following the SEC filing reporting its business combination and timely file all periodic reports with the SEC, including at least one annual report, prior to being listed on any of the three exchanges. Additionally, the rules require a minimum $4 a share price for a sustained period and for at least 30 of the 60 trading days immediately prior to its listing application and the exchange's approval to list.

Each of the three exchanges provided an exemption from the new rules for a reverse merger company if (i) it is listing on an exchange in connection with a firm-commitment underwritten public offering that generates proceeds to the company of at least $40 million or (ii) following its business combination filing with the SEC, it has met the one-year trading requirement and filed at least four annual reports with the SEC containing audited financial statements.

For more information, click here.

Read through and enter the discussion with the form at the end
Katten Muchin Rosenman LLP
Charlotte Chicago Irving London Los Angeles New York Washington, DC