

## Greg Kramer, Rick Werner, Jayun Koo in Life Science Leader: Nasdaq Listing Requirements Launch a Reverse Listing Revamp

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On July 5, 2019, the Securities and Exchange Commission approved certain changes to Nasdaq's initial listing standards in an attempt to increase liquidity in shares of listed companies. While the new rules are unlikely to have a significant impact on most private companies that seek Nasdaq listings in connection with a traditional initial public offering, these new rules do have the potential to place substantial additional burdens on smaller companies seeking to list through reverse listings.

### **Brief Overview Of Reverse Listings**

In the past five years, we have witnessed many companies focused on emerging technologies, such as life sciences companies, seek to go public through reverse listing transactions, given the lower cost and expedited timeline such transactions offer in comparison to an initial public offering. A reverse listing transaction also provides investors with an accelerated path to liquidity and exposes a private company to a new universe of investors.

In a reverse listing, also called a reverse merger, a private company is "acquired" by a Nasdaq listed company through either a merger, share exchange or other type of business combination. However, unlike in a traditional acquisition, at the close of a reverse listing transaction, the private company's shareholders own the majority of the listed company's outstanding stock, the private company's board of directors replaces a majority of the listed company's board of directors and the private company's business becomes the primary business of the listed company. In addition, in many reverse mergers, shareholders of the private company are required to sign lock-up agreements with respect to the shares they receive of the Nasdaq listed company. Reverse listing companies often also undergo reverse stock splits in order to meet Nasdaq's minimum bid price, which can reduce the number of shareholders below Nasdaq's minimums prior to completion of the reverse listing transaction.

Excerpted from *Life Science Leader*. To read the full article, click [here](#).