



DIVISION OF
CORPORATION FINANCE

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

September 26, 2022

Micheal W. Dobbs
Texas Pacific Land Corporation

Re: Texas Pacific Land Corporation (the "Company")
Incoming letter dated July 18, 2022

Dear Micheal W. Dobbs:

This letter is in response to your correspondence concerning the shareholder proposal (the "Proposal") submitted to the Company by Jason Hubert for inclusion in the Company's proxy materials for its upcoming annual meeting of security holders.

The Proposal requests that the board take immediate action to effectuate a 40:1 stock split.

There appears to be some basis for your view that the Company may exclude the Proposal under Rule 14a-8(i)(13), which provides that a proposal may be omitted if it relates to a specific amount of cash or stock dividends. Because the Proposal would establish a specific ratio for the stock split, it is our view that the Proposal relates to a specific amount of stock dividends. Accordingly, we will not recommend enforcement action to the Commission if the Company omits the Proposal from its proxy materials in reliance on Rule 14a-8(i)(13). In reaching this position, we have not found it necessary to address the alternative basis for omission upon which the Company relies.

Copies of all of the correspondence on which this response is based will be made available on our website at <https://www.sec.gov/corpfin/2021-2022-shareholder-proposals-no-action>.

Sincerely,

Rule 14a-8 Review Team

cc: Jason Hubert



July 18, 2022

By Email

VIA EMAIL (shareholderproposals@sec.gov)

SEC Division of Corporation Finance
Office of Chief Counsel
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Texas Pacific Land Corporation
Stockholder Proposal of Jason Hubert

Ladies and Gentlemen:

This letter is submitted by Texas Pacific Land Corporation, a Delaware corporation (the “Company”) pursuant to Rule 14a-8(j) under the Securities Exchange Act of 1934, to request confirmation that the staff (the “Staff”) of the Securities and Exchange Commission (the “Commission” or the “SEC”) will not recommend enforcement action if, in reliance on Rule 14a-8, the Company excludes from the proxy materials for the Company’s 2022 Annual Meeting of Stockholders (the “2022 Proxy Materials”) a proposal submitted by Jason Hubert (the “Proponent”) on June 17, 2022 (together with the supporting statement, the “Proposal”).

Pursuant to Rule 14a-8(j), a copy of this letter is being sent concurrently to the Proponent as notification of the Company’s intention to omit the Proposal from its 2022 Proxy Materials.

The Company is submitting this letter no later than 80 calendar days before the Company intends to file its definitive 2022 Proxy Materials. Pursuant to *Staff Legal Bulletin No. 14D (Nov. 7, 2008)*, this letter and its exhibits are being submitted via email to shareholderproposals@sec.gov.

THE PROPOSAL

A copy of the Proposal and the corresponding supporting statement is attached hereto as Exhibit A. The Proposal reads as follows:

RESOLVED, that the shareholders of Texas Pacific Land Corporation (“TPL”) hereby request that the Board of Directors take immediate action to effectuate a 40:1 stock split.

BASES FOR EXCLUSION

We hereby request that the Staff concur in our view that the Proposal may be excluded from the 2022 Proxy Materials (i) pursuant to Rule 14a-8(i)(13) because the Proposal deals with matters relating to a specific amount of stock dividends, and (ii) pursuant to Rule 14a-8(i)(7) because the Proposal relates to the Company's ordinary business operations.

ANALYSIS

A. The Proposal May be Properly Omitted from the Company's Proxy Materials Under Rule 14a-8(i)(13) Because the Proposal Deals with Matters Relating to a Specific Amount of Stock Dividends

Rule 14a-8(i)(13) permits a company to omit a proposal from its proxy materials "[i]f the proposal relates to specific amounts of cash or stock dividends." The Staff has clarified that "it is the Division's view that a stock split is synonymous with a stock dividend" for purposes of Rule 14a-8(i)(13), and its predecessor, Rule 14a-8(c)(13). See *Pan American World Airways, Inc.* (Feb. 17, 1983) (excluded proposal seeking a stock split at a specific ratio). If a proposal "would establish a specific ratio for the stock split, it is [the Staff's] view that the proposal relates to a specific amount of stock dividends." See *Luby's, Inc.* (Oct. 2, 2014) and *Citigroup Inc.* (Jan. 27, 2014) (also excluded proposals seeking stock splits at a specific ratio).

The Proposal asks the Company to "effectuate a 40:1 stock split." By explicitly proposing that each stockholder should receive forty (40) additional shares for each share owned, the Proponent establishes a specific ratio for the proposed stock split. A specific ratio is viewed by the Staff as relating to a specific amount of stock dividends.

The Staff has consistently concurred that proposals seeking a forward or reverse stock split at a specific ratio may be excluded pursuant to Rule 14a-8(i)(13). See *Berkshire Hathaway Inc.* (Jan. 22, 2008) (excluded proposal seeking a stock split at a ratio within a specific range); *NVR, Inc.* (Jan. 11, 2001) (excluded proposal seeking a three for one stock split); *Hecla Mining Company* (Mar. 9, 2000) (excluded proposal seeking a one for two reverse stock split); *Fleet Financial Group Inc.* (Dec. 2, 1998) (excluded proposal seeking to establish a specific ratio for a reverse stock split) and *Merck & Co. Inc.* (Feb. 25, 1992) (excluded proposal seeking a three for one stock split). Similar to the proposals described above, the Proposal attempts to impose on the Company a stock split at a specific forty for one ratio. Therefore, we respectfully request that the Staff concur that the Company may exclude the Proposal from the 2022 Proxy Materials pursuant to Rule 14a-8(i)(13).

B. The Proposal May be Properly Omitted from the Company's Proxy Materials Under Rule 14a-8(i)(7) Because the Proposal Deals with Matters Relating to the Company's Ordinary Business Operations and Seeks to Micromanage the Company

Rule 14a-8(i)(7) permits a company to omit a proposal from its proxy materials if the proposal "deals with matters relating to the company's ordinary business operations." The purpose of the ordinary business exclusion is "to confine the resolution of ordinary business problems to

management and the board of directors, since it is impracticable for shareholders to decide how to solve such problems at an annual shareholders meeting.” *See Release No. 34-40018 (May 21, 1998)*. As explained by the Commission, the term “ordinary business” in this context refers to “matters that are not necessarily ‘ordinary’ in the common meaning of the word, and is rooted in the corporate law concept providing management with flexibility in directing certain core matters involving the company’s business and operations.” *Id.*

There are two central components of the ordinary business exclusion. First, as it relates to the subject matter of the proposal, “[c]ertain tasks are so fundamental to management’s ability to run a company on a day-to-day basis” that they are not a proper subject matter for shareholder oversight. *Id.* The Commission has differentiated between these ordinary business matters and “significant social policy issues” that “transcend the day-to-day business matters and raise policy issues so significant that it would be appropriate for a shareholder vote.” *Id.* The latter is not excludable as pertaining to ordinary business matters, and in assessing whether a particular proposal raises a “significant social policy issue,” the Staff will review the terms of the proposal as a whole, including the supporting statement. *Id.*

Second, as it relates to the implementation of the subject matter of the proposal, the ability to exclude a proposal “relates to the degree to which the proposal seeks to ‘micro-manage’ the company by probing too deeply into matters of a complex nature upon which shareholders, as a group, would not be in a position to make an informed judgment.” *Id.* As stated in Staff Legal Bulletin No. 14L (Nov. 3, 2021), the Staff will “focus on the level of granularity sought in the proposal and whether and to what extent it inappropriately limits discretion of the board or management” while considering “the sophistication of investors generally on the matter, the availability of data, and the robustness of public discussion and analysis on the topic.”

In this case, the Proposal asks the Company to “effectuate a 40:1 stock split.” This request clearly relates to an ordinary business matter and micromanages the Company by imposing a very specific capital strategy on its board of directors (the “Board”).

The Company’s determination of the manner and amount of capital to be returned to stockholders, whether through stock splits, share repurchases or dividends, is inherently fact-specific and rooted in the day-to-day business of the Company. The Company’s management and Board consider, among other factors, current and expected levels of financial performance and liquidity, the trading price and volatility of the Company’s shares, the needs of its long-term and short-term investors, current and expected interest rates and other economic factors the Board deem relevant. The Company’s management and the Board further consider the projected benefits and risks of potential courses of action and may involve consultation with financial, legal, accounting and other advisors. The decision to effectuate a stock split, in what amount and when to do so involves significant financial analysis by those trained to do so, which must be consistent with the other current and long-term financial plans and strategy of the Company. The SEC has clearly determined that matters related to the Company’s general business plans and strategy are not appropriate for shareholder action. *See, e.g., Sears, Roebuck & Co. (Feb. 7, 2000)* (concurring with exclusion of a proposal seeking a change in the company’s general business plans and strategy).

The Proponent seeks to micromanage the Company by mandating a very specific capital strategy – that the Company should effectuate a stock split with stockholders receiving no less than forty (40) additional shares for each share owned. As noted above, the capital strategy of the Company is a complex matter requiring a deep understanding of the Company’s operations and financial plans. It is squarely within management’s purview to weigh these considerations and reach an appropriate decision regarding a stock split. Imposing a stock split on the Company with a specific ratio circumvents management’s expertise and fiduciary duties to act in the best of interests of stockholders.

The Staff has consistently found that proposals fixing specific financial goals are excludable under Rule 14a-8(i)(7). See *Texas Pacific Land Corporation* (Nov. 23, 2021) (excluded proposal seeking the minimum annual repurchase of one percent of outstanding shares); *Texas Pacific Land Corporation* (Oct. 5, 2021) (excluded proposal requesting the board achieve a specific profit margin); *Omeros Corporation* (April 20, 2021) (excluded proposal to “make the ongoing increase in share price and enhancing shareholder value a high priority in 2021 and beyond.”); *Bimini Capital Management, Inc.* (Mar. 28, 2018) (excluded proposal requesting that the board take measures to close the gap between the book value of the company’s common shares and their market price); *Ford Motor Co.* (Mar. 8, 2006) (excluded proposal requesting action to “enhance shareholder value” and “achieve stock performance equaling the top quartile of S&P 500 companies”); *Tremont Corp.* (Feb. 25, 1997) (excluded proposal requesting a plan to narrow the gap between the value of the company’s shares and the value of its underlying assets); *Rogers Corp. (Erley)* (Jan. 18, 1991) (excluded proposal requesting enumerated standards for financial performance). Similar to the proposals described above, the Proposal attempts to impose on the Company a specific decision with respect to a fundamental and ordinary business matter — the Company’s capital strategy.

Based on the above, and also acknowledging that the Proposal does not present any significant policy issues that may transcend the day-to-day business of the Company, the Proposal is properly excludable as an ordinary business matter pursuant to Rule 14a-8(i)(7).

CONCLUSION

For the foregoing reasons, the Company requests your confirmation that the Staff will not recommend any enforcement action to the Commission if the Proposal is omitted from the 2022 Proxy Materials.

We would be happy to provide any additional information and answer any questions regarding this matter. Should you have any questions, please contact the undersigned at mdobbs@texaspacific.com or (214) 969-5530.

Sincerely,

A handwritten signature in black ink, appearing to read "Micheal W. Dobbs". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Micheal W. Dobbs
Senior Vice President, General Counsel and
Secretary

Enclosures

cc: Jason Hubert

EXHIBIT A

Resolved: That the shareholders of Texas Pacific Land Corporation (“TPL”) hereby request that the Board of Directors take immediate action to effectuate a 40:1 stock split.

Supporting Statement:

There are many reasons why TPL’s board should effectuate a stock split, including the following:

1. A stock split can help TPL shareholders enjoy greater liquidity for their investment.
2. Greater liquidity in the shares could enhance TPL’s efforts in efficiently executing its share repurchase program.
3. Increased liquidity is needed in order for exchange-listed equity options to trade on the stock of TPL. Specifically, the Chicago Board of Options Exchange generally requires that (A) a minimum of 7,000,000 shares of the underlying security be owned by persons other than those required to report their stock holdings under Section 16(a) of the Exchange Act, and (B) trading volume in the underlying security must average at least 2,400,000 shares in the preceding twelve months. Currently, TPL stock does not meet this criteria, but with a 40:1 stock split it has the potential to meet it.
4. Increased liquidity will improve the likelihood that TPL shares would become eligible for inclusion in equity indices that have share trading volume criteria. This in turn can lead to more institutional investors investing in the shares of TPL, which could benefit shareholders.