

SEC Staff Issues Cautionary Guidance Related to Business Combinations with SPACs

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There were more initial public offerings (“IPOs”) of special purpose acquisition companies (“SPACs”) in 2020 alone than in the entire period from 2009 until 2019 combined, and in the first three months of 2021, there have been more SPAC IPOs than there were in all of 2020. All of these newly public SPACs are looking for business combinations and many private companies are or will be considering a combination with a SPAC as a way to go public.

After an IPO, a SPAC has a limited amount of time to acquire a target company. Many of these business combinations move quickly and a private company becomes a public reporting company in a relatively short period of time. It is important for sponsors, target companies and investors to be aware of some of the special attributes of SPACs and the post-business combination public company.

On March 31, 2021, the staff of the Division of Corporation Finance (the “Staff”) of the Securities and Exchange Commission (the “SEC”) issued a [statement](#) addressing certain accounting, financial reporting and governance issues related to SPACs and the combined company following a SPAC business combination.

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