

U.S. Securities and Exchange Commission  
SMALL BUSINESS CAPITAL FORMATION ADVISORY COMMITTEE

July 13, 2022

Dear Chair Gensler:

On behalf of the SEC Small Business Capital Formation Advisory Committee, we are pleased to submit the below recommendation to the Commission, as approved at the Committee's May 6, 2022 meeting.

On March 30, 2022, the Commission proposed rules on [Special Purpose Acquisition Companies \(SPACs\), Shell Companies and Projections](#) (Release No. 33-11048). Our recommendations related to this proposal are as follows:<sup>1</sup>

1. The Committee would like for SPACs to remain a viable path for companies to pursue as a means of getting access to public market capital. The Committee is concerned that the proposed rules, as written, might render SPACs unusable as an alternative to IPOs.
2. The Committee is generally supportive of improving disclosures for SPACs, particularly in the period of time between the announcement of the merger and the closing of the de-SPAC transaction.
3. The Committee encourages the Commission to clearly identify which participants would have underwriter liability. Participants should be held accountable to the same extent they would be in traditional IPOs.
4. Management projections are an important part of the rationale for companies in determining whether to engage in a merger with a SPAC, and they are necessary when financial intermediaries provide fairness opinions related to de-SPAC transactions. As a result, the Committee recommends that the projections in de-SPAC transactions be covered by the liability safe harbor provisions of the Private Securities Litigation Reform Act when disclosed in the de-SPAC transaction.
5. The Committee recommends that the Commission expand or eliminate the 18 month and 24 month timelines provided in the Investment Company Act safe harbor for SPACs. The requirement to engage in a de-SPAC transaction within 18 months after its IPO and complete its de-SPAC transaction within 24 months could incentivize SPAC sponsors to engage in riskier acquisitions to complete the merger process within the artificially short periods.

Respectfully submitted on behalf of the Advisory Committee,



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Committee Chair

Jeffrey Solomon  
Committee Vice Chair

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*\*Non-voting members*

<sup>1</sup> Sara Hanks abstained from supporting the Committee's recommendations.

CC: Commissioner Hester M. Peirce  
Commissioner Allison Herren Lee  
Commissioner Caroline A. Crenshaw  
Commissioner Mark T. Uyeda