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EMERGING GROWTH COMPANY ELIGIBILITY

SPACs are exempt from a portion of SEC reporting requirements, especially around internal controls and financial statement disclosures, as they fall under emerging growth company (EGC) rules.

However, when business combination occurs, a forward merger and a reverse merger recapitalization have varying effects on the EGC status for the year. Requirements to qualify as an EGC and the differences between forward mergers and reverse merger recapitalizations are shown as follows:

ANNUAL GROSS REVENUE OF LESS THAN $1.07 BILLION

- **FORWARD MERGER:** Annual gross revenue of the SPAC during year of the merger, and gross revenue of the target for the period from the SPAC merger to year-end.
- **REVERSE MERGER:** Annual gross revenue of the operating company during the year of the merger.

LESS THAN 5 YEARS HAVE ELAPSED SINCE THE IPO DATE

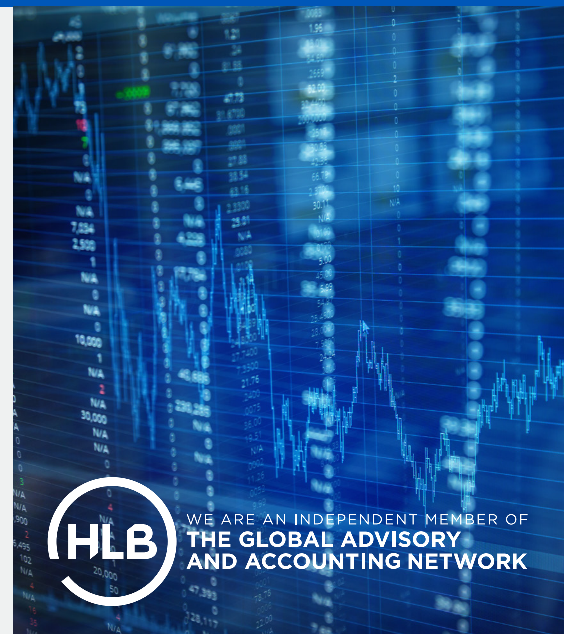
- Assessed from the SPAC IPO date in both circumstances.

TOTAL ISSUANCES OF DEBT SECURITIES OF LESS THAN $1 BILLION DURING THE IMMEDIATELY PRECEDING ROLLING THREE-YEAR PERIOD

- **FORWARD MERGER:** Debt issuances of the SPAC and any debt issuances of the target entity for the period from the merger to year-end.
- **REVERSE MERGER:** Debt issuances of the target for the three-year period, including any debt issuances of the SPAC for the period from the merger to year-end.

NOT A LARGE ACCELERATED FILER (PUBLIC FLOAT OF LESS THAN $700 MILLION)

- Market value of the SPAC as of its most recent second-quarter reporting date, is the same in both circumstances.



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In either scenario (forward or reverse merger), the combined company must file a Form 8-k (Super 8-k) which will disclose changes in registrant control, changes in shell company status, acquisition or disposition of assets and will include recent financial statements and exhibits. The combined company typically files a registration statement on Form S-3 to register any shares that will be issued, exercise SPAC warrants, and any other outstanding and unregistered shares.

It is important to note, however, that combined companies from a SPAC combination are treated differently than well-known seasoned issuers for the first three years as a public company.

This means any Form S-3 that is filed is subject to SEC staff review and must be declared effective, a registration statement filed by a well-known seasoned issuer is automatically effective. After the closing the combined company is a publicly-traded operating company and is responsible for complying with all SEC filing requirements.

NEED MORE INFOMATION ON EGC RULES?
Contact a member of the SPAC Services Team or visit withum.com to learn more.