Special Purpose Acquisition Companies:
Risk Disclosure Statement

We are furnishing this document to you to provide some basic facts about investing in special purpose acquisition companies, or "SPACs," and to alert you to the risks involved with trading in SPAC common stock. SPAC investments may not be suitable for everybody.

In evaluating an investment in a SPAC, there are a number of issues to consider:

SPACs are a type of blank check company and a vehicle for transitioning a company from a private company to a publicly traded company. It is important to understand the investment objectives and unique risk profile of a SPAC as it moves through its shell company stage and initial business combination, as well as the financial interests of the SPAC sponsors and related persons.

Unlike an operating company that becomes public through a traditional initial public offering ("IPO"), a SPAC is a shell company when it becomes public. This means that it does not have an underlying operating business and does not have assets other than cash and limited investments, including the proceeds from the IPO which are placed "in trust."

If you invest in a SPAC at the IPO stage, you are relying on the managing sponsors that formed the SPAC as the SPAC looks to acquire or combine with an operating company. A SPAC may identify in its IPO prospectus a specific industry or business that it will target as it seeks to combine with an operating company, but it is not obligated to pursue a target in the identified industry. If the SPAC fails to acquire or combine with an operating company (usually within 24 months of the initial SPAC offering), the SPAC will be liquidated; shareholders at the time of the liquidation will be entitled to their pro rata share of the aggregate amount then on deposit in the trust account

In the IPO, SPACs are typically priced at a nominal $10 per unit. Unlike a traditional IPO, the SPAC IPO price is not based on a valuation of an existing business. When the units, which generally consist of common stock and warrants, begin trading, their market prices may fluctuate, and these fluctuations may bear little relationship to the ultimate economic success of the SPAC.

Prospectus and Reports

You should carefully read the SPAC's IPO prospectus as well as its periodic and current reports filed with the Securities and Exchange Commission (SEC) pursuant to its ongoing reporting obligations. It is important to understand the terms of your investment. While SPACs often are structured similarly and may be subject to certain minimum exchange listing requirements, it is important to understand the specific features of an individual SPAC, including

- The equity interests held by the sponsor, which may have been obtained for nominal consideration.
- The business background of SPAC management and sponsors given that the SPAC does not have an operating history to evaluate.
- The terms of the trust account used to hold SPAC IPO proceeds, including your redemption rights and the circumstances in which cash may be released from the account. SPACs generally invest IPO proceeds in relatively safe, interest-bearing instruments, but you should carefully review the specific terms of an offering as there is no rule requiring that the proceeds only be invested in those types of instruments.
- The economic interests and motivations of the SPAC sponsors, which (i) often differ from the economic interests of public shareholders and (ii) may lead to conflicts of interests as the sponsors recommend business combination transactions to shareholders. SPAC sponsors generally purchase SPAC equity at more favorable terms than investors in the IPO or subsequent investors on the open market and may have an incentive to complete a transaction on terms that may be less favorable to you. In addition, the SPAC may require additional financing to fund the initial business combination. Additional funding from the sponsors may dilute your interest in the combined company or may be provided in the form of a loan or security that has different rights from your investments.
- Important details about the initial business combination transaction as set forth in the proxy, information or tender offer statement such as information about the company that the SPAC intends to acquire, the financial statements of the company, interests of the transaction parties, including the SPAC sponsors, and the capital structure of the combined entity. You can review a SPAC's proxy, information or tender offer statement in the SEC's EDGAR database.

- Fees that the underwriter of the IPO will receive upon completion of the business combination transaction, any additional services provided by the underwriter, and whether services are conditioned on the completion of the business combination transaction.

Additional Resources

For additional investor educational information, see the SEC's Office of Investor Education and Advocacy (OIEA) Investor Bulletin about investing in SPACs.