MEMORANDUM

To: Members of the SPAC Association

From: SPAC Association

Date: November 17, 2021

Re: House Financial Services Committee Markup of H.R. 5910 and H.R. 5913

Across the country, innovative companies have been able to access capital, provide retail investors with new opportunities, and create jobs and unleash innovation because of the SPAC construct. For the past three weeks, the SPAC Association has engaged over 50 congressional offices, including those on the House Financial Services Committee, to discuss how SPACs have played a critical role in advancing innovation and growth across key industries including healthcare, energy, financial technology, and more.

In the run up to the House Financial Services Committee Markup on November 16, 2021, the SPAC Association shared recommendations with members of the committee to reorient H.R. 5910, the "Holding SPACs Accountable Act of 2021 and H.R. 5913, the "Protecting Investors from Excessive SPACs Fees Act of 2021."

We are encouraged to see a broad-based willingness from Democrats and Republicans to engage the SPAC Association on these issues. For more information on how to join and be involved in the SPAC Association, please reach out to our team. Below, please find a summary of the markup:

On Tuesday, November 16, the House Financial Services Committee held a markup hearing for H.R. 5910 ("Holding SPACs Accountable Act). **Rep. Michael San Nicolas (D-Guam)** introduced the bill, which aims hold SPACs accountable under rule 10(b)(5) for making fraudulent forward-looking statements to investors.

Among the Republican opposition to H.R. 5910, **Rep. Blaine Luetkemeyer (R-MO-03)** noted how H.R. 5910 aims to solve a problem that has yet to truly manifest while failing to realize its real-world consequences. **Rep. Luetkemeyer** explained that H.R. 5910 risks the further tightening of America's already overwhelmed IPO pipelines, as well as reduces investment choices for the American consumers without evidence supporting a problem regarding forward-looking statements made by SPACs. Accordingly, **Rep. Bill Huizenga (R-MI-02)** proposed his own amendment to the bill, which would require the SEC to conduct a 180-day study on SPAC forward-looking statements before the Committee implements new regulations. In support of **Rep. Luetkemeyer's** amendment, **Rep. Tom Emmer (R-MN-**

06) and **Rep. Tony Gonzalez (R-OH-16)** each contended that H.R. 5910 would "essentially kill SPACs." The amendment was not agreed to by a roll call vote (22 Ayes – 27 Noes).

Subsequently, **Rep. Bryan Steil (R-WI-01)**, proposed an additional amendment, which sought to extend "emerging growth company" (EGC) status for early-stage and startup companies. **Rep. Steil** explained that such an extension would allow the continued growth of young companies so that they may remain competitive as they enter the public markets. **Rep. French Hill (R-AR-02)** and **Rep. Bill Huizenga (R-MI-02)** supported the amendment. Both noted that it would reduce regulatory costs and streamline the compliance process for emerging companies. After objections by both **Rep. San Nicolas (D-Guam)** and **Chairwoman Maxine Waters (D-CA-43)**, this amendment was also not agreed to by a roll call vote (22 Ayes – 27 Noes). Following votes on both these amendments, H.R. 5910 was voted in favor (27 Ayes – 23 Noes). Notably, **Rep. Jake Auchincloss (D-MA-04)** voted against the bill.

In addition to H.R. 5910, the markup hearing also addressed H.R. 5913, ("Protecting Investors from Excessive SPACs Fees Act of 2021"), which was introduced by **Rep. Brad Sherman (D-CA-30)**. This bill would require the SEC to update its disclosure process for taking companies public via a SPAC by requiring disclosure of a SPAC's promote compensation structure in order to help investors make more informed decisions. After pushback from republican Committee members, the bill was ultimately advanced out of committee by a roll call vote (29 Ayes – 23 Noes).

The U.S Senate and the House of Representatives, as well as the Biden Administration and the Securities and Exchange Commission, will continue to keep SPACs, and the SPAC Association looks forward to continuing our advocacy on behalf of the entire spectrum of participants in the ecosystem. Please reach out to us at info@spacassociation.org or (202) 838-9742.

Sincerely,

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