



The SEC's View on SPAC Warrants

The Securities and Exchange Commission is stepping up scrutiny of special-purpose acquisition companies ("SPACs"). In various statements released over the last few weeks, the SEC has highlighted several financial reporting and governance issues raised by the merger of a SPAC and target company. Most recently, on April 12th, the SEC provided surprising guidance on the accounting for warrants issued in connection with a SPAC's formation and initial registered offering.

Per the SEC, it seems that many special-purpose acquisition companies have improperly accounted for warrants sold or given to investors. SPACs have typically classified the warrants as equity on their balance sheets. Under common circumstances, however, they should be classified as a liability measured at fair value. Many existing SPACs may have to restate their financial results to comport with the SEC new view, and all SPACs yet to file Form S-1 will need to carefully consider whether their warrants should be accounted for as a liability measured at fair value after issuance.

How Houlihan Capital Can Help

Houlihan Capital is here to help any companies now being required to value their warrants. We have extensive experience appraising a wide variety of financial derivatives, including non-standard warrants such as those issued by SPACs. The core of our business is providing objective, independent and defensible opinions of value that meet accounting and regulatory requirements. Our clients include some of the largest asset managers around the world, including top tier '40 Act funds, private equity funds and hedge funds. Houlihan Capital is SOC-compliant, a Financial Industry Regulatory Authority (FINRA) and SIPC member, and committed to the highest levels of professional ethics and standards.

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