I-Bankers SECURITIES INCORPORATED

Electronic Submission

June 24, 2022

Ms. Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: Special Purpose Acquisition Companies, Shell Companies and Projections
Release Nos. 33-11048; 34-94546; IC-34549 (March 30, 2022); File No. S7-13-22

Dear Ms. Countryman:

I-Bankers Securities, Inc. submits this comment letter to the Securities and Exchange Commission ("the SEC") in response to the request for public comments with respect to the above-referenced release published in the Federal Register on May 13, 2022, at 87 Fed. Reg. 29,458 (the "Proposing Release") proposing new rules and certain amendments (the "Proposed Rules") applicable to special purpose acquisition companies ("SPACs") and shell companies (the "SPAC proposal").

I-Bankers Securities, Inc. is an investment bank registered with the Commission as a broker-dealer and is a member in good standing of FINRA & SIPC. I-Bankers Securities, Inc. has underwritten 170 SPAC IPOs and been involved in several SPAC related transactions over the past two decades. Given the firm's extensive background and involvement in the SPAC market through several cycles, we feel our comments are warranted and supported by our experience. At the outset, we would like to offer our endorsement in full of the comments submitted by the Federal Regulation of Securities Committee of the Business Law Section of the American Bar Association (the "ABA Letter") on June 17th, 2022, and we offer the additional commentary set forth in this letter in support of the positions taken in the ABA Letter.

Importantly, it's worth noting that our stance is not one of objecting to the Commission's review of the rules regulating SPACs; to the contrary we endorse it. Given the substantial increase in activity in the sector over the preceding 24 months, the review and potential revisions to the existing regulatory framework is warranted and expected. Furthermore, we do support certain aspects of the SPAC proposal, namely those related to increased disclosure, as this is a fundamental principle to the SPAC product - fair and equal information dissemination to all investors and stakeholders involved in a transaction. We are very simply advocating for a fair and appropriate re-tooling of the regulations, and not an overbearing alteration to the product and environment that would have the unintended consequences of fundamentally altering, and potentially eradicating, the SPAC product. We are fortunate in this respect to have current, real-world examples to look to, namely international SPAC markets (or lack thereof) across Europe and Asia - the SPAC product is nearly nonexistent across these foreign markets due to over-regulation of the product by local regulatory bodies. We believe the eradication of the product would be a detriment to US based investors (retail in particular), market participants, and businesses. To this end, we think it's worthwhile to highlight a few of the key benefits arising from the SPAC market:

1. **Inherent investor protection:** SPACs offer a unique risk/reward profile unlike any other equity product. As stated in a standard SPAC prospectus, "we will provide our public stockholders the opportunity to redeem all or a portion of their shares, payable in cash, including interest, upon business combination". As such, investor capital remains in the SPAC trust, invested in US treasuries, until the redemption period upon business combination. Furthermore, investors benefit from the additional value attributable to derivatives that are part of a SPAC unit (warrant and/or rights) which are retained by the investor even if they elect to redeem their shares for cash. These features are available to all public SPAC investors, regardless of investment size.
2. **Democratization of finance:** SPACs can provide access to investment opportunities typically reserved for private equity & venture capital investors. As the median age of companies going public via traditional IPOs has increased from 6 years old to 11 years old from 2000 to 2021, retail investors are potentially missing out on the highest growth and return periods for businesses.[1] A great example of this is Uber; in the first eight years of the company's existence the value increased from $60 million to $75 billion, at which point the company went public resulting in returns of over 1,000x for certain private investors. Over the eight years between company formation and IPO, Uber raised additional capital in over 25 separate private market transactions which were only accessible to institutional, private equity investors. These exclusive, inaccessible transactions offered countless opportunities which resulted in significant returns for a small group of investors. Since Uber's IPO in May of 2019, which was the first time retail investors had the opportunity to invest in the company, the stock has returned -49.3% and holders since IPO have lost half their money.[2] Therefore, the utilization of SPACs by small-cap, earlier stage companies provides retail investors with unique, and potentially lucrative, investment opportunities that historically have been reserved for an exclusive group of private institutions. Lastly, the deSPAC transaction allows for equal distribution of information and materials to all public investors, unlike the traditional IPO process which often results in asymmetric information distribution favoring institutional investors at the expense of retail. This unbalanced information distribution can include crucial information such as company projections.
3. **Promotion of capital formation and marketplace competition:** By utilizing SPACs smaller businesses can access public markets and capital, increasing competition within their respective sectors. For reference, there has been $30 billion

[1] *Initial Public Offerings: Median Age of IPOs Through 2021*, Jay R. Ritter, Cordell Professor of Finance, University of Florida, June 17, 2022.
[2] *Bloomberg,* as of June 23, 2022.

of capital raised for small-cap companies (less than $5b in enterprise value) since 2021 entirely via SPAC trust, post-redemptions.[3] This does not include any additional funding that was raised for the companies outside of trust in conjunction with SPAC transactions, i.e. PIPEs, convertibles, etc. Offering various paths to public markets will serve to increase company participation, counteracting the stark decline in public market listings from 7,300 in 1996 to just 4,800 today (over the same period the number of private US companies backed by private equity has grown exponentially from 1,600 to 10,100).[4] Fewer options for accessing public markets will only drive businesses to remain in the opaque, less-accessible, and less-regulated private markets.

4. **Driving innovation:** As illustrated throughout the recent increase in SPAC activity, the product has been particularly suited for those companies at the forefront of their respective industries (i.e. cutting-edge healthcare, new technologies, ESG trends, etc.).

In addition to these benefits, we thought it worthwhile to illustrate recent deSPAC performance as compared to traditional IPOs for the purpose of dismissing the misconception that deSPAC companies have contributed to outsized losses and increased volatility for investors. Two separate datasets below offer the same conclusion: the poor performance of deSPAC companies is not unique to the SPAC sector and not a result of lower quality transactions or lackluster diligence processes, but instead can be attributed to broader market trends that have affected newly listed public companies equally, regardless of listing method.

The DeSPAC, VC IPO, and PE IPO indexes below were created by PitchBook, a third-party data provider, while the Renaissance IPO Index was created by Renaissance Capital. The table below provides an unbiased, factual insight into the recent performance of companies that have gone public via deSPAC and those that went public via a traditional IPO, as of June 23, 2022.

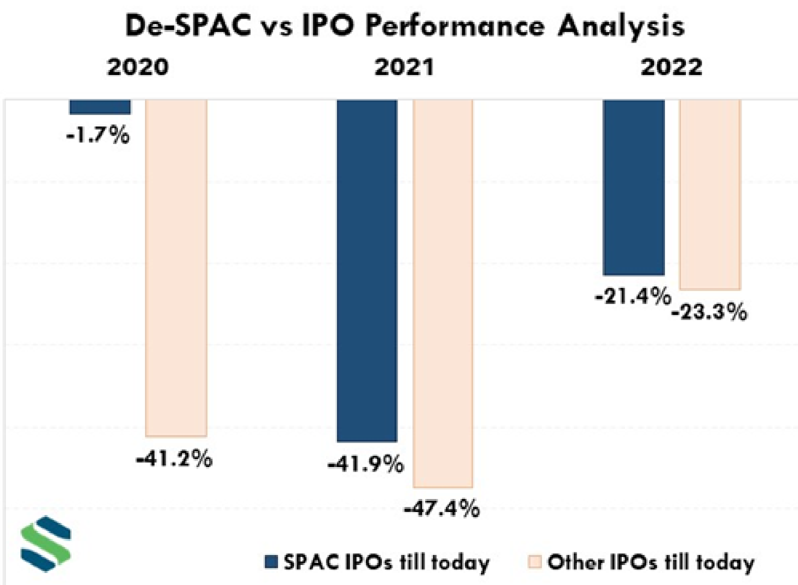
Index	% Chg. YTD	% Chg. Trailing 1-year
DeSPAC Index	-51.9%	-62.3%
VC-Backed IPO Index	-54.2%	-60.2%
PE-Backed IPO Index	-34.7%	-42.6%
Renaissance IPO Index	-45.2%	-51.9%
Median	-48.6%	-56.1%

Source: Bloomberg, PitchBook as of June 23rd, 2022

Additionally, the chart on the following page provided by SPAC Research illustrates that when including the return from warrants (which have been included in ~94% of SPACs since

[3] *SPAC Analytics*
[4] *Annual Report 2021 JPM,* April 4, 2022.

2019)[5] the return to investors of 'deSPAC'd' companies has outperformed those that invested in companies that went public via traditional IPO.



Performance analysis is based on:

- We compared the performance of all IPOs in a given year to de-SPACs in the same year.
- IPOs are marked from offer price to closing price on Apr 27, 2022.
- De-SPACs are marked from SPAC IPO to closing price on Apr 27, 2022 assuming investors held all unit components, and that any warrants were monetized if and at the time they were redeemed.
- Source: SPAC Research, Renaissance Capital. Past performance does not guarantee future results

Clearly, deSPAC performance has been in line with comparable companies from the traditional IPO sector. It's also worth repeating that exposure to the depicted volatility is only after the well-informed decision of the investor once they've been provided an opportunity to evaluate the transaction and offered the return of their original investment plus interest via the redemption feature. Again, the value ascribed to warrants/rights remain with the investor even if they decide to redeem all of their shares for cash. All investors (whether institutional or retail) are provided the same information and time to digest and evaluate deSPAC transactions.

The last point worth noting as we evaluate the SPAC rule changes proposed by the Commission in response to the surge in SPAC activity in 2020 and 1H 2021, is the clear slowdown in the SPAC market during 2H 2021 throughout 2022. For example, SPAC IPOs have slowed to 69 YTD in 2022 from 345 over the same time period in 2021, average redemptions have increased to 80% in May 2022 from 25% in May 2021, and there have been 25 deal

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[5] *SPAC Analytics.*

terminations and 8 SPAC liquidations so far this year.[6] We believe the evident slowdown in activity is, in part, a reflection of the SPAC market self-correcting (similar to the IPO market). As such, we advise caution to avoid over-regulating an already cooled market that has shown the ability to self-regulate without the proposed regulatory changes, which may come with unintended consequences to the product and market.

In conclusion, we encourage the Commission to consider the points laid out in the aforementioned ABA Letter, as well as the benefits and performance statistics discussed above. We advocate caution in overregulating an already subdued market, and hope the Commission considers the potential long-term effects on the SPAC product and resulting implications to retail investors, financial markets, and companies seeking capital formation. We appreciate the opportunity to participate in the comment process and respectfully request that the Commission consider our comments and recommendations. We are available to discuss these comments or any questions the Commission and the Staff may have, which may be directed to the individuals listed below.

Very truly yours,

I-Bankers Securities, Inc.

[6] *SPAC Track*, https://spactrack.io/ , June 21, 2022.