

ASK THE EXPERTS WEBINAR

*Navigating the SPAC Lifecycle Part 2:
De-SPAC Process & Organizational
Readiness Phase*

May 20, 2021

GUIDING COMPANIES THROUGH THE FULL SPAC LIFECYCLE

SPAC LIFECYCLE

Formation financial reporting and IPO support

Guiding companies through the complex accounting and reporting matters including preparation of first-time financial statements, audit support, S-1 filing, and related SEC comment letter support.

Operating as a public company and SEC registrant

Achieving sustainable operations to support public company requirements across the close-to-report cycle requires a holistic approach.



Diligence and organizational readiness for post-close merger success

Vetting potential targets through integrated diligence and readiness assessments increases the likelihood of close and ensures alignment to investment strategy.

Preparing for SEC audit & required merger filings

Navigating a SPAC merger requires expertise and resources to collaborate with third party advisors and lay the groundwork for SEC-compliance once public.

MODERATED BY:



Bill Maloney

EXECUTIVE MANAGING DIRECTOR

Expertise: accounting advisory, accounting and finance operations, and capital markets and divestitures

PRESENTED BY:



Tony Doesburg

MANAGING DIRECTOR

Expertise: sell-side due diligence, buy-side due diligence, and integration services



Scott Gorrell

MANAGING DIRECTOR

Expertise: Capital Markets, technical accounting, and audit readiness



Sasha Morozova

MANAGING DIRECTOR

Expertise: Capital Markets, technical accounting, and SEC reporting



Josh Motter

SENIOR MANAGER

Expertise: IPO preparation and readiness, audit readiness

KEY REMINDERS

- ▶ Riveron webcasts – past and upcoming
- ▶ 4 polling questions must be answered to obtain CPE
- ▶ If you have questions, feel free to ask in Q&A option in Zoom
- ▶ Webinar evaluation form & CPE certificate will be emailed to you
- ▶ On demand video is not eligible for CPE
- ▶ You will receive a follow up email including:
 - ▶ Access to this webinar recording and deck
 - ▶ The ability to join our Webinars Mailing list to receive future invites
 - ▶ Presenter contact info

Polling Question # 1

Where is your company in the SPAC process?

- A. Operating company thinking about going public
- B. Currently looking for a SPAC
- C. In discussions with SPACs
- D. Not looking



CAPITAL MARKET'S HOTTEST TREND

The Rise of SPACs

Companies have turned to SPACs as an attractive alternative to access capital markets. The popularity of the vehicle has reduced the perceived risk profile for these transactions and made them more inviting. However, companies still need to be prepared and aware of the complexities and potential pitfalls before choosing this route.

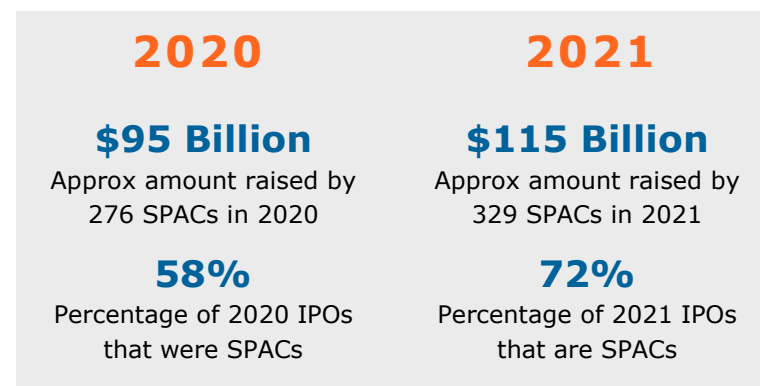
2021 Riveron-led SPAC projects

60+
SPAC
formations

15+
SPAC
mergers

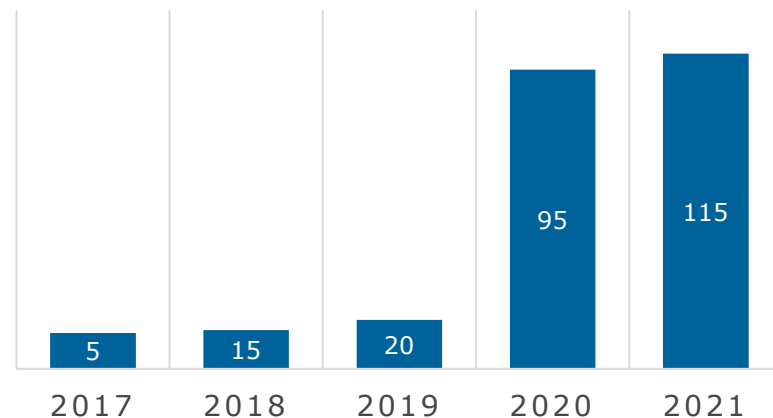
20+
Partnerships with top
legal and audit firms

Source: PitchBook, Nasdaq.com, Stock Analysis



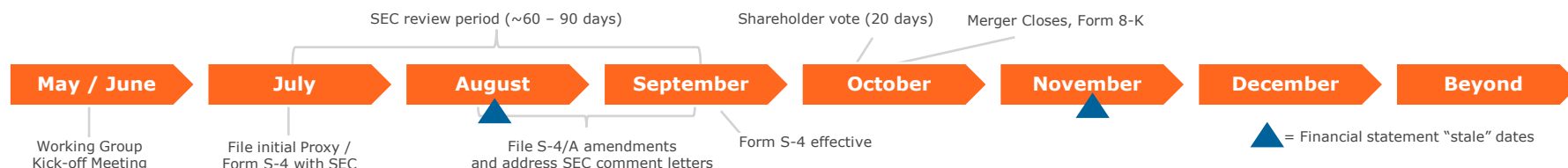
2021 SPACS ALREADY OUTPACE RECORD 2020

■ Approx capital raised from U.S. blank-check deals (\$bn)



SPAC MERGER

ILLUSTRATIVE FINANCIAL REPORTING TIMELINE



S-X Compliant Financial Statements	Initial Proxy Statement / Form S-4
<ul style="list-style-type: none"> ▶ Update historical financial statements to comply with SEC accounting regulations, <ul style="list-style-type: none"> ▶ segment reporting ▶ earnings per share ▶ ASC 606 revenue ▶ income tax ▶ fair value disclosures ▶ Prepare technical accounting whitepapers ▶ Historical quarterly data for interim periods 	<ul style="list-style-type: none"> ▶ Prepare year end Opco PCAOB-audited Predecessor S-X financial statements (and interim financial statements as needed) ▶ Auditor to perform PCAOB audit procedures and global PCAOB independence on Opco ▶ Management's Discussion & Analysis (MD&A) for Opco for all financial statement periods ▶ Article 11 annual pro forma financial statements ▶ Build PIPE materials ▶ S-X 3-05, 3-09 financial statements, if any
Updated Proxy Statement / Form S-4	Forms 8-K/A, 10-Q & 10-K Filings
<ul style="list-style-type: none"> ▶ Update Opco S-X financial statements ▶ Auditor reviews interim financial statements ▶ Update Opco MD&A ▶ Update SPAC interim financial statements ▶ Update Article 11 pro forma financial statements ▶ Update management comfort dataroom ▶ Note: Auditor comfort letter not required if not an underwritten transaction 	<ul style="list-style-type: none"> ▶ File Form 8-K within 4 business days of merger closing ▶ File "Super Form 8-K" - establishes the "Opco" as the surviving SEC registrant ▶ Recasts all periods as if Opco was the SEC registrant for all periods ▶ SOX 302 / 906 certifications to be included in first 1934 Act filing

Polling Question # 2

Does your audit firm do any additional work for you?

- A. Yes – they help us think through technical accounting matters
- B. Yes – they help us prepare our taxes
- C. No – we use another firm for all other workstreams
- D. No – all other work is performed in-house



REPORTING UNDER PCAOB STANDARDS

Key topics to consider when preparing for an audit under PCAOB standards

AUDITOR INDEPENDENCE

- ▶ Consider any existing relationship that may affect auditor's objectivity
- ▶ Firm independence policies must be documented
- ▶ Communication with audit committee on independence matters will require review
- ▶ Must comply with independence preapproval rules for significant non-audit services

EPS

- ▶ EPS calculations must be performed for all periods presented by the target company
- ▶ Analysis of basic and diluted EPS

SEGMENTS

- ▶ Operating segments must be properly identified
- ▶ Areas of the business that are analyzed separately by the Chief Operating Decision Maker (CODM)
- ▶ Have discrete financial information for reporting purposes

PRIVATE COMPANY ALTERNATIVE REMOVAL

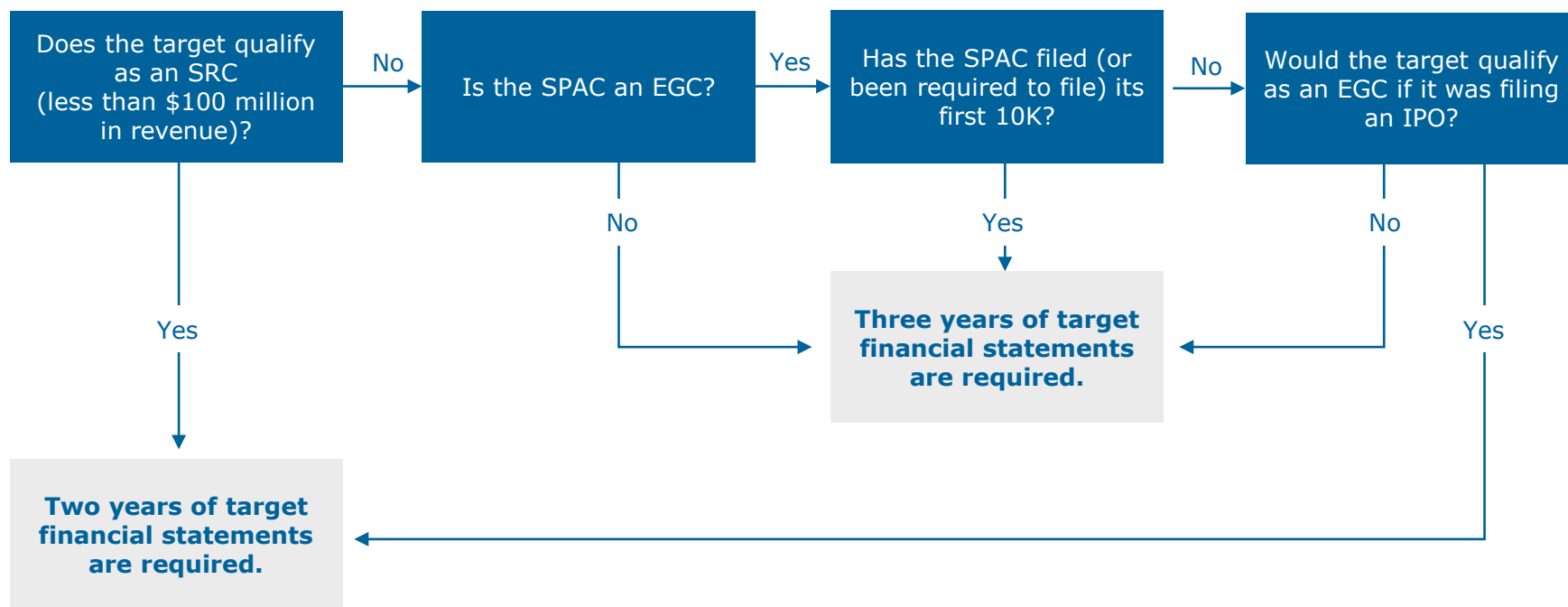
- ▶ Company must now comply with all requirements of public companies
- ▶ Compliance will be required as of the initial filing
- ▶ Adoption of new accounting standards can be deferred to the private company adoption timeline, depending on qualification as an EGC

RECENT AMENDMENTS TO MD&A, SELECTED AND SUPPLEMENTARY FINANCIAL INFORMATION

SECTION	PREVIOUS RULE	NEW RULE
Contractual obligations table	Required in tabular format by certain registrants	Not required in tabular format, but must disclose material cash requirements from known contractual and other obligations
Selected financial data	Required for last five years for certain registrants	Not required, but encouraged for years prior to financial statement periods, if valuable
Selected quarterly financial data	Required for each quarter for last two years, variances and effect of disc ops and infrequent/unusual items	Not required, unless a material retrospective change for any prior quarters in past two years
Interim results of operations	Required quarter- to-date and comparative prior year quarter	Comparative quarter can instead be immediately preceding quarter
Net sales and revenues – results of operations	Focus discussion on increases	Focus discussion on changes, both quantitatively and qualitatively

DETERMINE NUMBER OF YEARS TO BE REPORTED

The number of years of target financial statements presented in the S-4 depends on classification as a Smaller Reporting Company (SRC) and as an Emerging Grown Company (EGC)



Polling Question # 3

Is your company currently considering an acquisition?

- A. Yes – we have a target identified
- B. Maybe – we have been thinking about it
- C. No – we are not looking



MARKET CHANGES AND COMPLEXITIES

April 12th, 2021, the SEC issued accounting guidance related to the accounting treatment of the private and public warrants in a SPAC.

"The evaluation of the accounting for contracts in an entity's own equity, such as warrants issued by a SPAC, requires careful consideration of the specific facts and circumstances for each entity and each contract."

Financial Instrument	Accounting considerations on Debt vs. Equity treatment	Alternative A	Alternative B
PUBLIC WARRANTS	<ul style="list-style-type: none">▶ Tender provisions▶ Multiple classes of shares▶ Preferred shares with voting rights	<ul style="list-style-type: none">▶ If equity – no impact to financial statements	<ul style="list-style-type: none">▶ If liability – break out warrants▶ third party valuation▶ Evaluate for possible restatement
PRIVATE WARRANTS	<ul style="list-style-type: none">▶ Penny call feature▶ Holder of the warrants result in changes to the settlement amount	<ul style="list-style-type: none">▶ If equity – no impact to financial statements	<ul style="list-style-type: none">▶ If liability – break out warrants▶ third party valuation▶ Evaluate for possible restatement

Other financial instruments should also be considered carefully:

- ▶ Founder Earnout Shares
- ▶ Convertible Debt (Working Capital Notes)
- ▶ Private Investment in Public Equity (PIPE)
 - ▶ PIPE is used as incremental financing to close the deal
 - ▶ Used to mitigate redemption risk of SPAC shareholders

RULE 3-05: MODIFICATION OF SIGNIFICANCE TESTS

Rule 3-05

- ▶ Evaluates the significance of acquired businesses. Outcome will determine reporting requirements.
- ▶ The income test now has two components
- ▶ Public Companies will use an “aggregated worldwide market value” (AWMV) as the denominator in the investment test
- ▶ A registrant’s total assets will be used when its common equity is not publicly traded

	RULE 3-05 GUIDANCE
INCOME TEST	Evaluates significance using the lower of the comparison of: <ul style="list-style-type: none">▶ Total revenue and▶ Pre-tax income or loss
INVESTMENT TEST	Allows public entities to evaluates significance by comparing purchase price of target to the aggregate worldwide market value (AWMV) of the registrant. For private entities, no change.
ASSET TEST	No change

RULE 3-05: HOW TO APPLY THE TEST

Application of the Significance Tests

- ▶ The greatest of the three tests determines the filing requirements. Thresholds and requirements under 2020-118 are summarized below:

SIGNIFICANCE TEST THRESHOLD	S-X 3-05 FINANCIAL STATEMENTS
▶ Does NOT exceed 20%	▶ No Financial Statements are required
▶ Exceeds 20%, but not 40%	▶ Financial Statements for: <ul style="list-style-type: none">▶ Most recent fiscal year (audited) and;▶ Latest interim period (unaudited)
▶ Exceeds 40%	▶ Financial Statements for: <ul style="list-style-type: none">▶ Two most recent fiscal years (audited)▶ Latest interim period preceding the acquisition and comparative period(unaudited)

S-X ARTICLE 11: RECENT CHANGES TO PRO FORMA INFO

Revisions to Article 11 Under 2020-118

The SEC has revised Article 11 to simplify requirements to depict the accounting for the transaction. Also allows the option to depict synergies or dis-synergies.

Pro forma adjustments will now be in three categories:

1. Transaction Accounting Adjustments
2. Autonomous Entity Adjustments, and
3. Management Adjustments

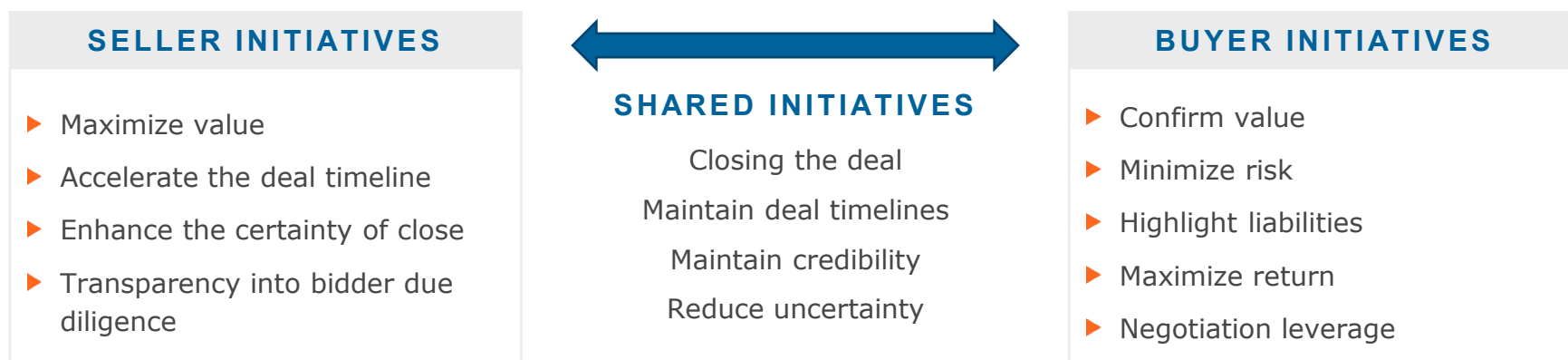
- ▶ Management adjustments:
 - ▶ Significant change current requirements
 - ▶ Could result in wider-ranging pro forma results
- ▶ Management will need to consider:
 - ▶ The accounting for those judgements
 - ▶ Potential impacts of not meeting those disclosed synergies
- ▶ Elimination of the nonrecurring concept:
 - ▶ Could provide more confusion regarding the ongoing nature of the combined business

REVERSE MERGER – ACCOUNTING ACQUIRER SCENARIOS

BUSINESS ACQUISITION	REVERSE RECAPITALIZATION	REVERSE ACQUISITION
<ul style="list-style-type: none"> ▶ SPAC is Shell or Business ▶ SPAC – both Legal and Accounting Acquirer 	<ul style="list-style-type: none"> ▶ SPAC is Shell ▶ SPAC – Legal Acquirer ▶ OPCO – Accounting Acquirer 	<ul style="list-style-type: none"> ▶ SPAC is Business ▶ SPAC – Legal Acquirer ▶ OPCO – Accounting Acquirer
<ul style="list-style-type: none"> ▶ Accounted for as Business Combination 	<ul style="list-style-type: none"> ▶ Accounted for as Capital Transaction 	<ul style="list-style-type: none"> ▶ Accounted for as Business Combination
<ul style="list-style-type: none"> ▶ Purchase Price Allocation; Goodwill, if necessary 	<ul style="list-style-type: none"> ▶ No Goodwill or Other intangible Assets Recorded 	<ul style="list-style-type: none"> ▶ Purchase Price Allocation; Goodwill, if necessary

THE VALUE OF SELL-SIDE DILIGENCE

Buyers and sellers can have conflicting initiatives when it comes to pursuing a transaction. Riveron teams help prepare the seller for buyer questions, unforeseen issues during the bidding process, and provide a clearer understanding of EBITDA in order to maximize the value of the transaction.



BENEFITS OF SELL-SIDE DILIGENCE

- ▶ Reduce uncertainty
- ▶ Address risks and issues early on
- ▶ Avoid costly delays and accelerate closing timeline
- ▶ Preserve the value of the transaction
- ▶ Maintain seller credibility
- ▶ Minimize tax impact and establish efficient structure

PHASES THROUGH THE SELL-SIDE PROCESS



ACCOUNTING & REPORTING READINESS

- ▶ Assist with audit completion to accelerate diligence process
- ▶ Create basis for the financial model and ad hoc analyses
- ▶ GAAP conversions and quantify exposures from inter-month technical accounting
- ▶ Support management presentations and CIM from an independent perspective
- ▶ Bridge historical operating results to valuation basis and future state

FINANCIAL DUE DILIGENCE

- ▶ Pre-emptive Quality of Earnings analysis, setting investor and buy-side diligence expectations
- ▶ Identify financial uncertainties and implement action plans
- ▶ Perform forward-looking working capital trend analysis in support of purchase agreement negotiations
- ▶ Develop schedules to support “management adjusted EBITDA”
- ▶ M&A tax advisory including validation of NOL’s, compliance, and corporate structure

INFORMATION FLOW TO BUYERS

- ▶ Provide strategy on positioning diligence findings and accounting considerations
- ▶ Serve as primary contact for questions related to accounting and financial reporting
- ▶ Coach management for expected buyer diligence questions, and prepare supported responses
- ▶ Negotiation support
- ▶ Coordinate with transaction attorneys and other third parties

Polling Question # 4

What are the top areas your company needs to address prior to a potential SPAC merger?

- A. Articulating our value and market coverage
- B. Supporting projected growth
- C. Development of processes and procedures
- D. All of the above



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Q & A

OUR THOUGHT LEADERSHIP



[SPAC Phases: Ensuring Successful Financial Reporting](#)



[SEC Revisits SPAC Accounting](#)



[SPACs, DPOs, and Other Trends Shaping Capital Markets](#)



[Q3 2020 Capital Markets Update](#)



[Webinar: SPACS are Back: Financial Reporting and Organizational Readiness Insights](#)



[Key Takeaways from the 2020 SPAC Conference](#)



[SPAC Mergers: Navigating the Latest Trend in the Capital Markets](#)



[Exploring Capital Markets Options: SPACs vs IPOs](#)



[Webinar: Exploring Capital Markets Options in the Energy Sector](#)



[Three Ways to Hit Your IPO Pricing Window](#)

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NEXT SEGMENT IN THIS SERIES

Part 3: Post-Close & Being a Public
Company

Thursday, June 10th
@ 12pm EST