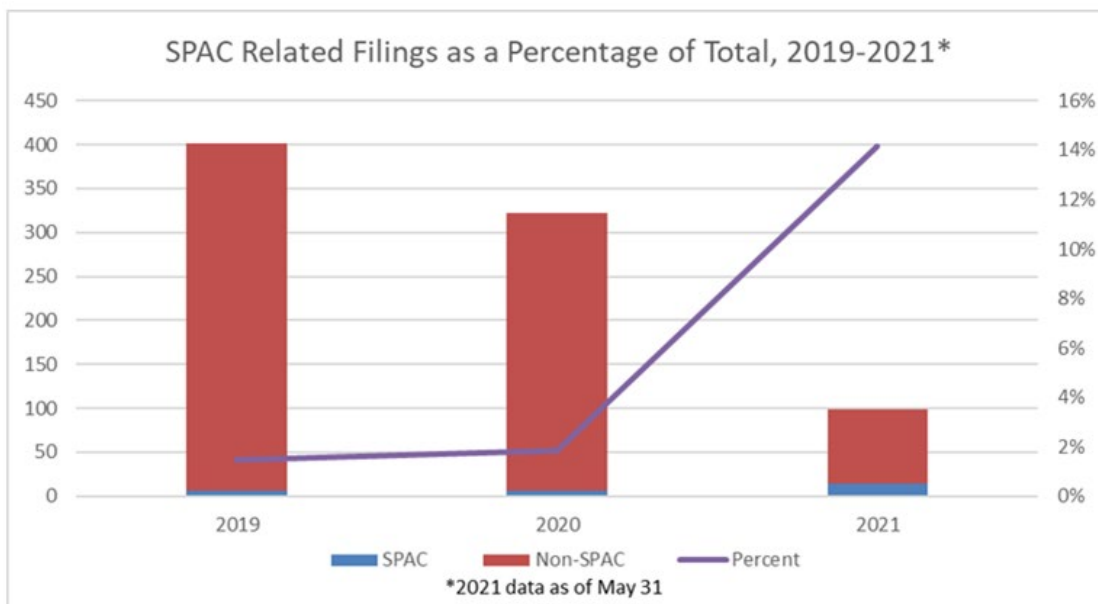


## SPAC Related Filings on the Rise

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The recent securities class action lawsuit filed against [Virgin Galactic Holdings, Inc.](#) would be fairly unremarkable but for one key fact: Virgin Galactic went public in 2019 after merging with Social Capital Hedosophia Holdings Corp., a special purpose acquisition company (“SPAC”). This lawsuit is already the [fourteenth action](#) involving a SPAC that the Clearinghouse has identified in the first five months of 2021. By comparison, there were only six SPAC-related cases filed in each of 2019 and 2020.

The rise in SPAC-related litigation is even more apparent when viewed as a percentage of total litigation. After hovering at a miniscule 1-2 percent of total filings in 2019 and 2020, SPAC-related cases comprise 14 percent of all securities class action lawsuits filed between January 1 and May 31 of 2021



With many SPAC mergers still in the pipeline, additional SPAC-related lawsuits are almost certain to follow. Fears about a wave of SPAC-related litigation has led insurance carriers that write policies to shield company directors and executives against shareholder lawsuits to increase premiums for those affiliated with SPACs, as noted in a recent article by The Information. On the plus side, the risk of litigation could encourage SPAC boards, their counsel and financial advisors to more thoroughly review financial projections before they are disseminated to ensure that they are accompanied by sufficient disclaimers and cautionary statements.

The Clearinghouse will continue to monitor and track SPAC-related securities class action filings and to disseminate information about interesting trends and developments.

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