When Endorsements Fades: VC Certification Under Misaligned Incentives in SPACs

ABSTRACT

When do prestigious intermediaries lose credibility? While Venture Capital (VC) backing is traditionally regarded as a credible signal of deal quality, I posit that this signal's credibility depends on whether governance keeps the certifier at arm's length from the transaction. Specifically, reputational capital generates value when intermediaries act primarily as screeners, but the signal is discounted when structural incentives tie the certifier's payoff to deal completion rather than deal quality.

I examine this argument in the Special Purpose Acquisition Company (SPAC) market, which decouples capital formation (IPO) from asset selection (merger). This setting allows me to separate reputational certification from conflicts that emerge when certifiers become deal participants. Using a dataset of 1,233 SPAC IPOs and 366 completed mergers (2019-2022), I exploit variation in board interlocks - cases in which VCs hold dual directorships on both the SPAC and the target firm - to test when certification loses credibility.

The results reveal a clear temporal pattern. At the SPAC's IPO stage, when there is no operating business to evaluate and investors rely on sponsor reputation, VC backing significantly enhances short-term returns. At the merger stage, however, VC backing alone yields no abnormal returns once a specific deal is proposed. Here, board interlocks are associated with significant post-merger underperformance, consistent with investors penalizing a perceived completion conflict. While VC-affiliated interlocks perform better than non-VC interlocks, the penalty persists, suggesting that reputational capital can cushion conflicted governance but cannot restore credibility when incentives shift from screening to closing the deal.

Together, these findings offer a framework for identifying when agency problems override reputational incentives, with implications for other markets in which intermediaries both certify quality and benefit from closing transactions, including crossover investing and private equity roll-ups.

Keywords:
VC Certification, Board Interlocks, Entrepreneurial Finance, SPACs, Conflicts of Interest, Information Asymmetry

1. INTRODUCTION

Investors often struggle to assess startup performance due to uncertainty and a lack of historical performance references. To mitigate this uncertainty, they often rely on signals from prominent backers like venture capitalists (VCs). VC certification is viewed as a positive indicator of startup quality as VCs conduct thorough due diligence and they are vetted in the firm's success (Certo, 2003; Hsu, 2004; Higgins & Gulati, 2006; Vanacker & Forbes, 2016). However, it remains underexplored how the certification benefits might be eroded under certain conditions, such as when the VCs prioritize short-term returns over the firm's growth potential. In such cases, certification may become a less reliable signal as the VCs' interest diverge from those of investors.

To address this gap, this study explores two research questions: (1) how does the market value prominent VC sponsorship in general, and (2) how does that relationship change when there is a conflict of interest between VCs and public investors? This paper proposes that both the quantity and quality of VC sponsorships matter, and that the certification benefits diminish in the case of board interlock, where the VC sits on the board of a financial vehicle it sponsors and use it to exit its own startup.

To explore this question, the study uses Special Purpose Acquisition Companies (SPACs) that are formed from 2019 to 2022 as the empirical setting. A SPAC is a publicly traded entity that is created to raise capital through an initial public offering with the sole purpose of acquiring a private company (startup) and taking it public later. A SPAC introduces varying degrees of information asymmetry across its life cycle. In the initial IPO phase, both sponsors and investors have limited information on whether the SPAC could be successful later when merging with a startup, creating a relatively level playing field. However, during the de-SPAC process, the asymmetries intensify for two reasons. One is that the sponsors have information about the intended target firm, but public investor do not have such information and often rely on forward-looking projections that are difficult to verify.

Another reason is that the sponsors 'compensation is contingent on completing a merger within a two-year deadline regardless of deal quality. This two-stage shift in information asymmetry, from shared uncertainty to sponsor-advantaged asymmetry, provides an ideal setting to examine whether and under what conditions the benefits of VC certification break down.

To explore the first research question, which is how the market values prominent VC sponsorship, this paper uses the SPAC's IPO process. I propose that both the quantity and quality of VC backing are positively valued. Specifically, having at least one VC sponsor, and having multiple sponsors, is expected to increase SPACs' post-IPO returns and overallotment amounts. Moreover, SPACs backed by more reputable VCs are expected to outperform those backed by lower-reputation sponsors. The rationale is that as the SPAC lacks historical performance records and disclose limited information during its IPO process, investors rely heavily on external signals like VC sponsorship.

For the second research question, which is how this relationship changes under potential conflicts of interest, this study uses the de-SPAC process, during which a SPAC find a private firm to merge with. I argue that when a VC-backed startup merges with the same VC sponsored SPAC (interlocked reverse merger), the market views it less favorably than those without such interlocks. The rationale is that even though VC sponsorship typically exerts a positive influence on post-merger performance, the presence of a shared board member introduces a potential conflict of interest that may erode the certification benefits.

For the first research question, this study analyzes a sample of 1,233 SPACs that filed IPOs between 2019 and 2022. The results show that having one and having more VC backing significantly improves short-term SPAC performance, as reflected in higher shorter terms post-IPO returns. However, the quality of the VC sponsor does not seem to matter as much. For the second research question, this study analyzes 366 startups that reverse-merged with SPACs. The results indicate that VC backing alone does not have a statistically significant effect on post-merger returns. However, the

impact of VC sponsorship depends on the presence of board interlock: interlock alone is associated with significantly lower post-merger performance, but VC sponsorship helps attenuate this negative effect. This moderating effect implies that although VC backing does not independently influence post-merger performance, it can partially offset the negative signaling associated with board interlocks.

This paper makes three contributions to the literature. First, it extends the VC certification literature (Certo, 2003; Hsu, 2004; Vanacker & Forbes, 2016) by identifying the governance-contingent boundary conditions under which the certification effect breaks down. While VC endorsement enhances value when the certifier operates at arm's length, the signal is discounted and potentially reversed when structural incentives tie the certifier to deal completion, which moves beyond prior work that treats certification as unconditionally positive. Second, the SPAC setting provides a rare opportunity to isolate the pure certification channel from the resource-provision channel that typically confounds VC value-added estimates. Because SPAC have no operating business at the time of IPO, the short-term returns reflect investor's assessment of sponsor's credibility rather than operating performance, which provides a cleaner test of the signaling mechanism than traditional IPO studies permit. Third, by documenting that board interlocks between SPACs and their targets predict significant post-merger underperformance, this study identifies a governance mechanism through which misaligned incentives erode certification value, contributing to the entrepreneurial finance literature on conflicts of interest (Masulis & Nahata, 2011) and the growing body of work on SPAC design and performance (Gahng et al., 2023; Klausner et al., 2022). Lastly, it also contributes to the SPAC research on how different elements within SPAC structures can affects their success and failure.

The paper proceeds as follows: Section 2 focuses on theory development, including literature review on certification effect and conflict of interest and SPAC background and why it provide a unique setting to examine the boundary conditions of the certification effect. Section 3 details the data,

measures, and empirical models. Section 4 presents the results. The final section discuses the study's contributions, limitations, and directions for future research.

2. THEORY DEVELOPMENT

2.1 Certification Effect & Conflict of interest

Initial public offerings are characterized by significant information asymmetry which exposes investors to two key risks: uncertainty about firm quality and concerns over insider alignment with shareholder interests (Sanders & Boivie, 2003; Stiglitz, 1985, 2000, 2002). One way to reduce this information asymmetry is by sending signals, which can increase new ventures' visibility and reduce uncertainty (Certo, 2003; Filatotchev &Bishop, 2002; Spence, 1979). Several characteristics can serve as signals (Connelly et al., 2011), including top management teams' characteristics (Certo et al., 2001; Certo, 2003; Higgins & Gulati, 2006) and affiliations with reputable third parties such as VCs, PEs, and angel investors (Rindova et al., 2005; Pollock & Gulati, 2007; Sorensen, 2007; Vanacker & Forbes, 2016). Extensive research demonstrates that VC-backed firms outperform their peers, largely due to the resources a VC provide, including funding, industry expertise, and information (Davila et al., 2003; Hsu, 2004; Megginson & Weiss, 1991; Vanacker & Forbes, 2016). Beyond these tangible benefits, a VC's endorsement also serves as a signal of firm quality. By conducting rigorous due diligence and selectively investing in high-potential ventures, VCs mitigate adverse selection risks inherent in opaque markets (Certo, 2003; Pollock & Gulati, 2007).

While a VC often lend credibility to portfolio firms, their endorsement carries inherent risks when its incentives diverge from those of public investors. A VC operate under fixed fund cycles, and it prioritizes timely exit to maximize returns for the limited partners. The focus on prioritize exit timing over sustained value creations could create an incentive mismatch from public investors who focus more on the firm's long-term growth. When a VC is exiting a high-quality portfolio firm, the incentive between VC and other investors of the firm aligns because both parties benefit from a strong market

valuation at exit. However, when exiting lower-quality firms, the incentive between VC and other investors of the firm diverges because VCs may prioritize short-term gains rather than sustained success. VC has superior information about its portfolio company, and it may exploit the IPO window to offload the underperforming assets. Consequently, the credibility of a VC's endorsement hinges on the firm's quality. It is a strong alignment in thriving ventures, but a red flag in weaker ones where exit timing may signal opportunism rather than confidence.

This tension is amplified when a VC hold multiple board seats across affiliated firms (Masulis & Nahhata, 2011). While board interlocks bring benefits like facilitating access to resources (Braun et al., 2019; Jiang et al., 2023; Lamb & Roundy, 2016; Noyes et al., 2013), improving oversight (Braun et al., 2019; Lamb & Roundy, 2016), strengthening elite social capital (Lamb & Roundy, 2016; Oehmichen et al., 2017), and enabling knowledge and expertise transfer (Jiang et al., 2023; Noyes et al., 2013), they also raise red flags about governance quality. Research on board composition highlights that diverse, independent boards signal sound governance and reduce IPO underpricing (Certo et al., 2001; Filatotchev & Bishop, 2002; Sanders & Boivie, 2004). In contrast, overlapping governance structures may create self-dealing or insider entrenchment risks (Lemley et al., 2022; Nili, 2021; Tao et al., 2019). Thus, board interlock introduces ambiguity to the VC certification interpretation, which could moderate or even erode the benefits of VC certification in SPAC deals.

2.2 SPAC as Context

This study examines VC's certification effect in Special Purpose Acquisition Company (SPAC) context, as it presents a unique case of information asymmetry, where both insiders and public investors possess limited information during SPAC's IPO stage and sponsors and insiders possess significantly more information about the potential merger targets than public investors during the de-SPAC stage.

A SPAC is a publicly traded blank-check company that is designed to raise capital through an IPO for the sole purpose of acquiring a private company and taking it public later. It operates through two main stages. The first stage involves the formation and IPO of the SPAC. A SPAC is created by a group of sponsors with target industries but without commercial operations. The sponsors put down initial capital to cover operating expenses and to hire an investment bank to underwrite the IPO. It raises capitals by issuing units consisting of a common share and a warrant, and the capital raised is held in an escrow account and invested in short-term U.S. government securities to cover administrative and legal expenses. At this stage, neither sponsors nor investors possess information about the eventual merger target, resulting in shared uncertainty (Naumovska & Harmon, 2024).

In the second stage, de-SPAC process, sponsors have 18 to 24 months to identify a private operating company to merge with. If a target is identified, the SPAC negotiates terms, secures additional capital through Private Investment in Public Equity (PIPE) to cover potential shareholder share redemption, executes the merger agreement, and announces the transaction. If this target is not approved, the SPAC returns to the target search process. If the SPAC fails to identify a target firm within the 18 to 24 month period, it liquidates, and the IPO proceeds and interest in the trust account are distributed back to public shareholders. In this stage, there is a high information asymmetry, as sponsors possess private information about the target's quality, while public investors remain uninformed (Feng et al., 2023; Klausner et al., 2022). This imbalance is compounded by misaligned incentives. Sponsors typically receive a 20% stake in the post-merger entity (known as the "promote") conditioned on when a deal is completed. If sponsors do not find and get a deal approved within the timeline, the SPAC liquidates, and the sponsors lose their compensation. Thus, some value-destroying acquisitions are approved because sponsors prioritize closing deals over the quality of the target firm (SEC, 2022). The sponsors' informational advantage enables opportunism, which could cost the public investor (Klausner et al., 2022).

2.3 Proposition 1 Development

The SPAC's IPO process is known for its lack of historical performance records, increased opacity, and fewer disclosure requirements (Blomkvist & Vulanovic, 2020; Lin et al., 2021). In the signaling literature, VC backing is seen as a signal of a firm's quality and potential future success (Davila et al., 2003; Hsu, 2004; Megginson & Weiss, 1991; Vanacker & Forbes, 2016). Some researchers have studied how the quality of sponsors affects SPAC performance (Giudice & Signori, 2023; Klausner et al., 2022; Lin et al., 2021; Pawliczek et al., 2024). They examined the role of VC and PE sponsors and found that PE sponsored SPACs have higher post-merger returns, a lower likelihood of mergers, decreased redemption rates, and more substantial PIPE transactions (Giudice & Signori, 2023; Klausner et al., 2022; Lin et al., 2021). Therefore, I argue that in the SPAC's IPO stage, investors facing high uncertainty and limited information will heavily depend on the SPAC sponsors composition, and I hypothesize:

Hypothesis 1a: *SPACs with VC sponsors perform better than SPACs without VC sponsors.*

Hypothesis 1b: *SPACs with more VC sponsors perform better than those with fewer VC sponsors.*

Moreover, studies suggest that the quality of a SPAC's sponsors' reputation matters (Lin et al., 2021; Pawliczek et al., 2024). Lin and his coauthors (2021) found that SPACs with sponsors with high network centrality in the VC and PE networks (measured by the connections a sponsor has with other VC and PE firms, raise more IPO proceeds) have a higher merger success rate, achieve better long-term returns, higher monthly abnormal returns, and improved operational performance. Pawliczek and her coauthors (2024) found that the celebrity status of SPAC (measured by the number of twitter followers) increases the fund raised in the IPO process. In this paper, I defined reputation as stakeholders' perception of the firm's capability (Lee et al., 2021; Lange et al., 2011). As the reputation of VCs derives from stakeholders' perceptions of their ability to create value compared to their peers (Lee et al., 2021; Rindova et al., 2005), VCs with higher reputation tend to have more industry

experience, networks, and thorough due diligence, resulting in higher valuations of their backed firms(Hsu, 2004; Lee et al., 2011). Therefore, I propose the following hypotheses:

> ***Hypothesis 1c:*** *Among VC sponsored SPAC, SPACs with more reputable VC sponsors perform better than SPACs with less reputable VC sponsors.*

2.4 Proposition 2 Development

The de-SPAC stage is characterized by high information asymmetry and incentive misalignment, making it difficult for public investors to evaluate the quality of target companies (Feng et al., 2023; Kolb & Tykvová, 2016; Klausner et al., 2022; SEC, 2022). In response, investors often rely on the credibility of SPAC sponsors and their due diligence efforts as signals of target firm quality. However, the reliance might be misplaced, as the compensation structure of SPACs creates strong incentives for sponsors to complete a deal regardless of the target's quality within a limited time frame (Gahng et al., 2022; Klausner et al., 2022). As a result, SPACs may push through mergers with lower-quality firms.

This problem is further exacerbated when a VC sponsors sits on the board of both the SPAC and its target company (VC board interlock). Such interlocks raise concerns about conflicts of interest, as they may compromise independent oversight and exacerbate the misalignment between sponsor and public investor interests (Jain et al., 2008; Filatotchev & Bishop, 2002). Thus, I argue that interlock undermines the VC's certification effect. When a startup shares at least one board member with its sponsoring SPAC, it reflects entangled incentives that may prioritize sponsor exit strategies over long-term firm performance. In such cases, VC sponsors may push for earlier exits to recoup their investments, potentially increasing the perceived riskiness and reducing the valuation of the startup. To test this argument, I first establish a baseline that VC sponsorship is generally beneficial. Then, I examine how board interlock moderates this effect. Thus, I hypothesize:

> ***Hypothesis 2a:*** *While VC sponsorship of startups exerts a positive influence on post-merger performance, sharing a board member between SPAC and its target startup would have a negative effect, and this cost would erode part of the benefits of VC sponsorship.*

Hypothesis 2b: *Startups with the same VC sponsorship as its SPAC have lower market valuation than the other startups.*

3. EMPIRICAL DESIGN

3.1 Data and Sample

The data has three parts: SPAC-level cross-sectional data, startup-level cross-sectional data, and VCs firm-level longitudinal data. The SPAC level data consists of 1,233 SPACs that filed IPOs on US stock exchanges from 2019 to 2022, excluding those traded on OTC markets to eliminate potential unobservable differences. The SPACs from 2019 to 2022 represents a boom (See Appendix A). The SPAC level data are obtained from two sources. The first is SPAC Research1, which is a commercial database widely used in SPAC literature (Giudice & Signori, 2024; Gofman & Yao, 2022; Lin et al., 2021) that includes data on deal structure and De-SPAC outcomes for all SPACs registered with the SEC. Using this source, I constructed the SPAC sample and cross-validated it with SPACs identified in S&P Capital IQ. The second data source is S&P Capital IQ, which offers additional data on board members' current and prior affiliation and historical pricing. I integrated data from these sources by matching the SPAC names to generate the SPAC data.

Among these SPACs, as of the end of 2023, 366 closed a deal, 262 liquidated, 156 entered live deals, 287 were in the pre-deal stage, 36 were in the pre-IPO stage, and 226 stalled. Thus, the startup-level data comprises 366 firms merged with SPACs. The startup-level data are obtained from two sources. First is S&P Capital IQ data for the board members' current and prior affiliation; Second is Crunchbase, a database known for keeping track of private firm's funding data and investor information. Using this database, I collected data on the startup's funding size and founding year. Then, I integrated data from these sources by matching the startup names to generate the startup data.

[1] https://www.spacresearch.com/

The VCs firm-level data comes from three sources. The VC firm and partner-level data are collected from Crunchbase. I identify the all the VC investors by filtering the investor types 2 as "Miro-VC" and "Venture Capital", and I also included the "Private Equity" investors in my dataset. The rationale behind including both VC and PE firms from Crunchbase data is that they share an interest in investing in startups. The certification effect operates similarly for both types of investors, as their reputations derive from stakeholders' perceptions of their ability to create value compared to their peers. This includes their industry experience, established networks, and rigorous due diligence processes (Lee et al., 2021; Rindova et al., 2005). Both types in the Crunchbase data actively manage and advise their portfolio startups, often securing board seats, veto rights, and other control mechanisms to influence company management. They also charge a management fee to their limited partners and receive carried interest, a percentage of the profits, upon successful exits.

Then, I collected VC reputation from two sources. The first source is the reputation index data provided by Giovanni Lolita, who collaborates with Tim Pollock to update the VC reputation index following the definition in Lee et al. (2011) from 2010 to 2019. Each year's sample consists of all institutional investors active in at least one VC deal that year. The reputation index is calculated as a z-score by tracking several metrics: the average total dollar amount of funds under management over the prior five years, the average number of investment funds under management in the prior five years, the number of startups invested in over the prior five years, the total dollar amount of funds invested in startups over the prior five years, the number of companies taken public in the prior five years, and the age of the VC firm in the current year. The second source is the CB Insights Top 100 VC Partner Ranking 2019, 3which ranks the top 100 partners based on exit success, network connectivity,

[2] https://support.crunchbase.com/hc/en-us/articles/115010624128-Glossary-of-Investor-Types

[3] https://www.cbinsights.com/research/top-venture-capital-partners/#head3

investment consistency, high-potential, ex-exited company value, and recent performance. Then, I integrated data from these three sources by matching on the VC firm names. The VC data is structured at the firm-partner level with the associated reputation index from 2010 to 2019 and the partner ranking if that partner is only identified for the VC firms.

To integrate the SPAC, startup, and VC data, I constructed a firm-level board interlock network by identifying overlapping board members among firms, using the SPAC data's board member names as the core linkage among datasets. I identified SPAC board members who are also VC partners by matching all board member names with VC data partner names, resulting in the identification of 596 SPAC firms that are VC - backed. Similarly, I identified startups with VC board members, each with a maximum of 15 board members, resulting in 183 startups with at least one VC board member.

Next, I determined interlocks between SPACs and startups by examining whether they shared a common board member or had board members from the same VC firm. This was done by matching the board member names in both SPACs and startups and the VC board members' firm names. 34 startups share at least one board member with their SPAC, and 4 share the same individual from a VC firm. Interlocks also occur at the VC firm level, with 46 startups sharing at least one board member from the same VC firm as their SPAC.

3.2 Measures

3.2.1 Measures for the first proposition

I measure the SPAC's IPO outcome in two ways: exercised overallotment option and post-IPO returns over different time horizons, totaling 7 measures. In a SPAC IPO, underwriters have an overallotment option, also called a "green shoe," to buy an extra 15% of the units sold at the IPO price within 30-45 days (Lakicevic and Vulanovic, 2013; Gofman & Yao, 2022). This mechanism lets underwriters support high demand without excessive risk. If the SPAC's price increases, the

underwriters exercise this option to cover short positions and earn fees. Conversely, if the SPAC's price drops, they buy back the extra shares. Thus, a higher exercised overallotment amount indicates strong demand and predicts better IPO performance for the SPAC. I obtained this variable from S&P Capital IQ, the nominal value of securities purchased through overallotment options. I took log of the exercised overallotment option because the distribution is skewed (Table 1.1). *Post-IPO returns* are measured over six different periods: one day, one week, one month, three months, six months, and one year. These measures are calculated as the ratio of the difference between the closing price on the listing day and the IPO price to the IPO price. By examining returns over these varying time frames, the study aims to assess both short-term and long-term effects of certification on the returns.

Independent variables include measures for the quantity and quality of certification. There are two measures for the quantity: a dummy variable indicating the presence of at least one VC board member of the SPAC, and the proportion of VC board members to the total number of board members in a SPAC has.

There are four measures for the VC certification quality, two from the Lee et al. (2011) reputation index and two from the CB Insight VC Partner ranking. The reputation index data is a z-score evaluating firms based on the average total dollar amount and number of funds under management, startups invested in, total funds invested, companies taken public, and firm age over the past five years (Lee et al., 2011). For each VC-affiliated board member of each SPAC, I start by calculating the average reputation of his or her VC firm across 2010 to 2019 to generate the reputation index for each board member. If the data is missing, I use the lowest reputation score among VCs who sponsored a SPAC, which is -0.341. This approach is taken because the VC reputation index only tracks data of institutional investors who made investments in a given year. If an investor did not invest within the 10-year window, it performs worse than its counterparts, thus having the lowest z-score. Next, I average the reputation index across all VC board members for the SPAC to generate

the SPAC's average reputation across all sponsors. Additionally, I determine the highest reputation among all sponsors by identifying the most reputable sponsor. I also create measures from CB Insights' 2019 Top 100 VC partners ranking to supplement this. The first measure is a dummy variable indicating whether a SPAC has at least one VC board member among the top 100 VC partners. The second measure is a dummy variable indicating whether a SPAC has at least one VC board member among the top 25 VC partners, to determine if having the best partners matters.

The control variables include a measure approximating SPAC's size, the IPO proceeds raised, and the total amount of money a SPAC generates from its initial public offering. To control for the sponsors' relevant experience in SPAC IPOs, I used the total number of prior SPAC experiences among board members, which counts the number of SPAC IPOs they have collectively participated in. Additionally, I control for year and industry fixed effects by including the year of the SPAC's IPO and the target sector focus of the SPAC.

3.2.2 Measures for the Second proposition

I employed a two-stage model in the second proposition, with the first stage controlling for the SPAC's condition. In the first stage, the dependent variable is a deal-closing dummy, which equals one if a SPAC closed a deal. The first independent variable is the proportion of VC sponsors. The second independent variable is the sponsors' prior de-SPAC experience. The third variable is the amount of cash remaining in the trust account in millions, representing the remaining IPO proceeds after any redemptions by shareholders and operating expenses. The fourth variable is the SPAC's original tenor, indicating the initial timeframe for completing a merger. The fifth variable is an additional tenor dummy, set to one if the SPAC has requested additional time to complete the merger. Additionally, I control for year and industry fixed effects by including the year of the SPAC's IPO and the target sector focus of the SPAC.

The dependent variables for the second proposition include post-merger returns over various periods, including one day, one week, one month, three months, six months, and one year. These returns are calculated by comparing the price of the SPAC's stock at the time the business combination closes to the redemption price, which is the price at which investors can redeem their shares. Empirically, this is calculated by taking the closing price one day before the deal closes, dividing it by the closing price one day after the deal is announced, and then subtracting one to find the percentage change.

I conducted two analyses to test the certification effect's boundary conditions. The first analysis examines whether interlocks affect the benefits of VC backing. I created three independent variables for this: an interlock dummy (set to 1 if the startup and its acquiring SPAC share at least one board member), a VC-backed dummy (set to 1 if there is at least one VC board member on the startup's board), and an interaction term between the interlock dummy and the VC -backed dummy. In the second analysis, I focused on examining the specific impact of VC interlocks on the benefits derived from such backing. I created a VC interlock dummy variable, set to 1 if the startup and its acquiring SPAC share at least one VC board member from the same VC firm.

The control variables for the second proposition include the redemption rate, which is the proportion of SPAC common shares redeemed compared to the total shares issued at the IPO; the proportion of VC sponsors of the SPAC; the amount of money left in the trust account in millions, representing the remaining IPO proceeds after redemptions and operating expenses; the number of days left until liquidation, indicating the time remaining until the SPAC's deadline; the total number of prior de-SPAC experiences across all board members; the amount of funding received by the startup; the startup's age at the deal closure year; the year in which the deal closed, and the startup sector.

3.3 Model Specification

3.3.1 Model for Proposition 1

The first research question of this study examines how the market values the sponsorship of prominent VCs in general. To study the relationship between SPAC's IPO performance and the VC sponsorship, I use all SPACs as samples and the following regression model:

$$\text{Performance}_i = \beta_0 + \beta_1 \text{SPAC VC Dummy}_i + \tau \text{Controls}_i + + \varepsilon_i \quad \text{(Model 1)}$$

Where i index SPAC. The dependent variable Performance_i are the SPAC's post-IPO returns over different time intervals and overallotment amount. The time intervals including one day, one week, one month, three months, six months, and one-year. The main independent variable, SPAC VC Dummy_i , indicate whether SPAC i is VC-backed. The Controls_i includes log of $IPO\ Proceeds_i$ measured in millions, log of $Sponsor's\ Prior\ SPAC\ Experience_i$, $\text{IPO Targeted Sector}_i$, and $IPO\ Year_i$. The logarithm of IPO proceeds raised to controls for SPAC size, as larger SPACs typically exhibit higher returns (Gahng et al., 2023). The total number of prior SPAC experiences among board members controls for relevant sponsor experience. The year of the SPAC's IPO controls for year-fixed effect and the target sector focus of the SPAC controls for industry-fixed effect. As I hypothesize in H1.a that SPACs with VC sponsors perform better than SPACs without such sponsors, I predict positive β_1 s for each Performance_i measure.

To study the relationship between SPAC's IPO performance and the amount of VC sponsorship, I use the following regression:

$$\text{Performance}_i = \beta_0 + \beta_1 \log(SPAC\ VC\ Ratio)_i + \tau \text{Controls}_i + \varepsilon_i \quad \text{(Model 2)}$$

Where i index SPAC. The dependent variable Performance_i are the same as those in model 1. The main independent variable, $\log(SPAC\ VC\ Ratio)_i$, is the number of VC sponsors divided by the total number of board members, and I take log because it is skewed. The Controls_i are the same as model 1 for same reasons. As I hypothesis in H1.b that SPACs with a greater number of VC

sponsors will exhibit better performance, I predict positive β_1 s for each Performance_i measure, indicating that SPACs performance improves with having more VC sponsors.

To study the relationship between SPAC's IPO performance and the quality of VC sponsorship, I use all the VC sponsored SPACs as sample, and employed the following regression models at the SPAC level:

$$\text{Performance}_i = \beta_0 + \beta_1 \text{ Average Reputation Across All Sponsors}_i + \tau\text{Controls}_i + \varepsilon_i \quad \text{(Model 3.1)}$$

$$\text{Performance}_i = \beta_0 + \beta_1 \text{ Highest Reputation Among All Sponsors}_i + \tau\text{Controls}_i + \varepsilon_i \quad \text{(Model 3.2)}$$

$$\text{Performance}_i = \beta_0 + \beta_1 \text{Top 100 VC Partner Dummy}_i + \tau\text{Controls}_i + \varepsilon_i \quad \text{(Model 3.3)}$$

$$\text{Performance}_i = \beta_0 + \beta_1 \text{Top25 VC Partner Dummy}_i + \tau\text{Controls}_i + \varepsilon_i \quad \text{(Model 3.4)}$$

The dependent variable Performance_i are the same as those in model 1. The main independent variables in each model are $\text{Average Reputation Across All Sponsors}_i$, which is the SPAC's average reputation across all sponsors, $\text{Highest Reputation Among All Sponsors}_i$, which is the highest reputation among all sponsors, The $\text{Top 100 VC Partner Dummy}_i$ which indicates whether SPAC i has at least one VC board member among the top 100 VC partners, and $\text{Top25 VC Partner Dummy}_i$, which indicates whether SPAC i has at least one VC board member among the top 25 VC partners, respectively. The Controls_i are the same as model 1 for same reasons.As I hypothesize in H1.c that SPACs with more reputable VC sponsors perform better than SPACs with less reputable VC sponsors, I predict positive β_1 s for each Performance_i measure for all models here, indicating that SPACs performance improves with having more reputable VC sponsors.

3.3.2 Model for Proposition 2

In the second research question, I test the boundary conditions of certification. The sample here is all the startups that merged with SPAC. In this part, I used a two-stage model to control for

potential selection bias regarding what type of SPAC is likely to enter the DeSPAC stage (Heckman, 1979). In the first stage, I predict what SPAC characteristics affect a deal closing likelihood by running a logit model on all startups:

$$Prob(Deal\ Closed_i) = \beta_0 + \beta_1 \log(SPAC\ VC\ Ratio_i) + \beta_2 \log(Sponsor's\ Prior\ DeSPAC\ Experience_i) + \beta_3 \log(Cash\ Remaing\ in\ Trust\ Account_i) + \beta_4\ Original\ Tenor_i + \beta_5\ Additional\ Tenor\ Dummy_i + \beta_6 IPO\ Year_i + \beta_7 \text{IPO Targeted Sector}_i + \varepsilon_i$$

(model 4)

Where i index the SPAC. I include $\log(SPAC\ VC\ Ratio)_i$ as VC-backed SPACs generally have a lower likelihood of closing deals (Cumming et al., 2014; Giudice & Signori, 2023; Kolb & Tykvová, 2016. $Sponsor's\ Prior\ DeSPAC\ Experience_i$ account for that SPACs with more experienced sponsors in the de-SPAC process are more likely to close a deal. Log of $Cash\ Remaing\ in\ Trust\ Account_i$ signals operational efficiency in deal approval (Cumming et al., 2014). The $Original\ Tenor_i$ is included because a higher tenor may signal a lower likelihood of deal closure, and $Additional\ Tenor\ Dummy_i$is a SPAC requesting more time to complete the merger could have a lower likelihood of closing the deal (Giudice & Signori, 2024; Gahng et al., 2023). I incorporate the year $IPO\ Year$ and Targeted Sector to control for the year and industry fix effects.

Then, I calculate the Inverse Mills Ratio (IMR) using the probability scores derived from the first-stage logistic regression model. The IMR serves as a tool to account for the selection bias that arises when SPACs with specific characteristics are more predisposed to close deals successfully. By including the IMR in the second-stage analysis, I account for the fact that some SPACs had a higher chance of merging due to their characteristics. This ensures that the results of post-merger performance are not biased by the initial likelihood of deal closure.

In the second stage, to test if interlock cost the certification benefits in the post-merger performance, I propose the following model:

$$\text{Performance}_j = \beta_0 + \beta_1 Interlock\ Dummy_j + \beta_2 Startup\ VC\ Backed\ Dummy_j + \beta_3 (Interlock\ Dummy * Startup\ VC\ Backed\ Dummy)_j + \beta_4 IMR_j + \tau \text{Controls}_j + \varepsilon_j$$ (model 5)

Where j indexes the startup (the merged entity). The dependent variable Performance_i represents post-merger returns over various time intervals and overallotment amounts, including one day, one week, one month, three months, six months, and one year.

The main independent variables are the $Interlock\ Dummy_i$, indicating whether the startup shares a board member with its SPAC; $Startup\ VC\ Backed\ Dummy_j$, indicating whether the startup is VC-backed; and $Interlock\ Dummy * Startup\ VC\ Backed\ Dummy_i$, the interacting term examining the combined effect for both interlocks and VC backing. The IMR_i controsl for selection bias. The Controls_i includes $Redemption\ Rate_j$, as higher redemption rates reduce the SPAC's cash pool (Feng et al., 2023; Gahng et al., 2023; Gofman & Yao, 2022); $\log(SPAC\ VCPE\ Ratio)_j$, as it is predicted to affect the SPAC's performance in the first proposition; $\log(Cash\ Remaing\ in\ Trust\ Account_j)$, indicating the financial resources available to complete the merger or acquisition, impacting investor confidence and the overall success of the transaction (Cumming et al., 2014); $Days\ Left\ Till\ Liquidation_j$, as shorter timeframe may pressure hasty merger with less favorable terms or lower-quality target(Giudice & Signori, 2024; Gahng et al., 2023); log of $Sponsor's\ Prior\ DeSPAC\ Experience_j$, accounting for the prior DeSPAC experiences; log of $Startup\ Funding_j$, indicating the startup's financial stability and market validation; and $Startup\ Age_j$ at the deal closed year, signaling the startup's track record and operational stability.

In H2.a, I hypothesize that while VC sponsorship positively influences post-merger performance, sharing a board member between the SPAC and its target startup will have a negative effect, eroding the benefits of the certification effect. Therefore, I predict a negative β1, which

indicates that interlock harm post-merger performance; A positive β2, which indicates that VC backing increases returns across all Performance_i.Then, I tested if the VC interlock would affect post-merger performance, and I used the following model:

$$\text{Performance}_j = \beta_0 + \beta_1 VC\ Interlock\ Dummy_j + \beta_2 IMR_j + \tau \cdot \text{Controls}_j + \varepsilon_j$$

(model 6)

Where j indexes the startup. The dependent variable Performance_i are the same as those in model 5. The main independent variable, $VC\ Interlock\ Dummy_i$, indicates whether a startup has a VC board member from the same VC firm as its SPAC. I included the IMR_i and same Controls_i as model 5 for same reasons. As in H2.b, I predict that startups with the same VC sponsorship as its SPAC have lower market valuation than the other startups, I expect negative β1s across all Performance_i.

4. RESULTS

4.1 Results for Proposition 1

In the first research question, I explored how the market values the certification effect provided by prominent VC backers. I proposed that both the quantity and the quality of certification matter. Table 1.1 - 1.3 (in Appendix B) reports on summary statistics; Tables 2 and 3 report the results on whether the quantity of certification matters; Tables 4.1 - 4.4 report the results on whether the quality of certification matters.

The sample includes 1,233 SPACs, with 596 backed by VCs and 637 not backed by VC. Compared to the full VC Reputation Index (where reputation is measured as a z-score relative to the mean), SPACs in this sample are generally backed by higher-reputation VCs. The average VC sponsor reputation in the sample is 0.57, compared to 0.03 across all VCs (Table 1.3). Figure 1.1 and Figure 1.2 (in Appendix A) show this distribution graphically. Additionally, 48 SPACs include at least one top 100 VC partner, with 21 of those featuring a top 25 partner.

I find support for certification quantity matters, as both the presence and density of VC sponsorship improve post-IPO returns. As predicted in Hypothesis 1a, SPACs with VC sponsors outperform those without, showing significantly higher post-IPO returns at one day ($\beta = 0.90$, $p < 0.1$), one week ($\beta = 1.04$, $p < 0.1$), and one month ($\beta = 0.95$, $p < 0.1$). This demonstrates that VC backing improves short-term returns, supporting the certification effect. Hypothesis 1b is also supported: among VC-backed SPACs, a higher proportion of VC sponsors is associated with stronger one-day ($\beta = 3.81$, $p < 0.1$) and one-week ($\beta = 4.09$, $p < 0.1$) returns (Table 3). These results underscore the short-term signaling value of both the presence and number of VC sponsors.

Hypothesis 1c, which posits that VC-backed SPACs with more reputable sponsors perform better than those with less reputable ones, is not supported. SPACs with higher average (Table 4.1: $\beta = 0.003$, $p < 0.1$) and maximum sponsor reputation (Table 4.2: $\beta = 0.003$, $p < 0.05$) show modest increases in overallotment. Reputable VCs also correlate with stronger medium-term performance: SPACs with top 100 VC partners have higher one-month ($\beta = 1.55$, $p < 0.1$) and three-month ($\beta = 4.46$, $p < 0.05$) returns (Table 4.3), while those with top 25 partners show higher three-month returns (Table 4.4: $\beta = 4.72$, $p < 0.1$).

4.2 Results for Proposition 2

The second research question explores the boundary conditions of the certification effect. Specifically, I proposed that while VC sponsorship can enhance post-merger performance, its benefits may be diminished when a SPAC and its target share a board member, signaling potential conflicts of interest. I also hypothesized that VC interlock - when both entities are backed by the same VC firm - would further reduce performance. Tables 5.1 - 5.5 present summary statistics and sample distributions; Table 6 presents first-stage results; Table 7, 8, and 9 presents second-stage results.

The first-stage sample includes 1,233 SPACs, and the second-stage sample includes 366 startups that completed reverse mergers. Among these, 183 are VC-backed, 34 share at least one board

member with their SPAC (interlocked), and 46 share a board member from the same VC firm (VC interlocked).

Descriptive statistics (Table 5.2) show that post-merger returns decline over time, with a slight positive return on day one (0.08%) but eventually turning negative at one year (-0.55%). When comparing VC-backed and non-VC-backed startups performance (Table 5.3), non-VC-backed startups initially outperform but the difference narrows over time. Interlocked startups underperform compared to non-interlocked ones across all time frames (Table 5.4), and VC interlocked startups perform only marginally worse (Table 5.5).

In the first-stage analysis, startup VC reputation does not significantly affect post-merger returns (Table 7), even when using alternative reputation measures described in proposition 1 as supplementary analysis. In H2.a, I hypothesize that VC sponsorship positively affects post-merger performance, and sharing a board member between SPAC and its target startup negatively impacts this performance, eroding some of the benefits of VC sponsorship. The results in Table 7 partially support this hypothesis. Contrary to the predicted positive baseline, conditional on going through a SPAC and the SPAC closing a deal, VC-backed startups do not perform differently than non-VC -backed startups. Interlocked startups (where the merged startup and the SPAC share at least one board member) have lower one-day (Table 8: $\beta = -0.34$, $p < 0.01$), one-week ($\beta = -0.25$, $p < 0.1$), three-month ($\beta = -0.33$, $p < 0.05$), and six-month ($\beta = -0.22$, $p < 0.05$) post-merger returns than non-interlocked startups. Conditioned on having an interlock, being VC-backed improves one-day ($\beta = 0.34$, $p < 0.05$), three-month ($\beta = 0.43$, $p < 0.05$), and six-month ($\beta = 0.22$, $p < 0.1$) returns. This indicates that while interlock decreases return by 0.34 to 0.22 percentage points, VC-backed startups with interlock see increases of 0.34 to 0.42 percentage points in their returns, suggesting that the monitoring role of VC can mitigate the negative impact of interlock.

In H2.b. I hypothesize that startups with the same VC sponsorship as their SPAC have lower market valuations than other startups. The analysis in Table 8 does not support this hypothesis. Conditioned on going through a SPAC and the SPAC closing a deal, the startups that share a board member from the same VC firm with their SPAC do not perform differently than other startups, as the coefficients are not statistically significant across all periods (Table 8). One possible explanation for this result is that the negative effect of interlock cancels out the positive effect of certification. Another explanation is that the sample size here only includes 46 instances of interlock, partly because this situation is a gray area under SEC regulation. Specifically, the sponsor cannot have a specific target firm to merge when the SPAC is formed. This small sample size reduces the statistical power of the analysis, making it more challenging to detect significant effects.

When it comes to what type of relevant experience that matters, one additional interesting finding in Tables 8 and 9 is that startups with sponsors with prior de-SPAC experience tend to be underpriced and have lower one-year returns compared to startups with sponsors who lack such experience.

Taken together, these results suggest that while the presence and number of VC sponsors generally enhance short-term SPAC performance, the dynamics of shared board members (interlock) present more nuanced effects in the de-SPAC process. While interlocks typically have a negative impact on post-merger returns, this effect is mitigated in VC-backed startups due to the monitoring role of these sponsors. Table 9 indicates that the dual certification provided by VC backing has no significant effect on market valuation, suggesting that the costs associated with interlock may offset the benefits of VC sponsorship. These key findings underscore the complex interplay of factors in the SPAC process and the need for further research to fully understand their implications.

5. DISCUSSION

This study examines how the market values certification by prominent venture capitalists, and how that value changes when these backers face incentive misalignment with public shareholders. The argument builds on the VC certification literature, which views VC involvement as a positive signal of startup quality because these investors conduct due diligence and have a stake in the venture's success (Certo, 2003; Hsu, 2004; Pollock & Gulati, 2007; Vanacker & Forbes, 2016). However, I argue that this certification value is not unconditional. Under conditions of high information asymmetry, certification may become less credible when the same VCs also have incentives that are tied to deal completion rather than investor protection. Using SPACs as the empirical setting, I find that SPACs with VC sponsorship achieve significantly higher short-term returns than non-sponsored SPACs, consistent with a certification effect. I also find that the number of VC sponsors matters, as SPACs with more VC sponsors exhibit stronger short-term returns, whereas VC quality appears to matter less. At the post-merger stage, however, the pattern becomes more conditional. VC backing alone does not have a statistically significant association with post-merger returns. However, the effect of VC sponsorship depends on whether shared board interlocks are present. Interlock alone is associated with significantly lower post-merger performance, while VC sponsorship attenuates this negative effect. Taken together, these findings suggest that the value of VC certification is conditional: it is strongest when investors can interpret VC involvement as independent screening, but weaker when overlapping governance roles create concerns about incentive misalignment.

This study contributes to the signaling and certification literature by showing that the value of certification depends not only on sponsor reputation, but also on whether the certifier faces conflicting incentives. In doing so, it extends prior work on the contingencies of certification, which has emphasized conditions such as venture stage (Certo, 2003; Filatotchev & Bishop, 2002), market sentiment (Gulati & Higgins, 2003), geographic proximity (Lee et al., 2011), and the reputation-conflict

interaction in financial intermediation (Benzoni & Schenone, 2010), by highlighting conflict of interest as a distinct boundary condition shaping when VC-backed certification remains credible. More specifically, I show that VC sponsorship is associated with better post-IPO performance when it is not accompanied by a shared board interlock, but this certification benefit weakens when the same VC is also tied to deal completion through overlapping governance roles

The study also contributes to the literature separating resource benefits from certification benefits (Certo, 2003; Hsu, 2004; Pollock & Gulati, 2007; Vanacker & Forbes, 2016). In most operating firms, these two effects are difficult to disentangle because sponsor prestige is often intertwined with value-adding involvement and firm development. The SPAC setting offers a cleaner test because SPACs have no operating business prior to the merger and limited standalone assets, allowing the performance effect of VC involvement at the IPO stage to be interpreted more directly as a certification effect. The finding that VC involvement improves short-term returns provides relatively clear evidence that certification alone can shape market outcomes.

Finally, this study contributes to entrepreneurial finance and the SPAC literature by showing that underperformance is shaped not only by SPAC structure in the aggregate, but also by variation in who sits on the board and how those directors are connected. Existing work has largely attributed SPAC underperformance to structural features such as dilution, embedded costs, and sponsor incentive misalignment (Cumming et al., 2014; Gahng et al., 2021; Klausner et al., 2020). My findings add a more governance-centered account by showing that board interlocks can condition whether sponsor affiliation serves as credible certification or becomes compromised by conflicts of interest.

This study opens several opportunities for future research. First, to address the potential selection bias in which SPACs reach the de-SPAC stage, I employ a two-stage correction model. A challenge of this approach is that some predictors plausibly affect both the first-stage likelihood of deal completion and the second-stage post-merger performance, making it difficult to identify

exclusion restrictions that are both theoretically and empirically credible. In this setting, variables such as whether the SPAC is VC-backed and whether cash remains in the trust account may shape both stages. I therefore retain these variables in both stages to reduce omitted-variable bias, but future research could strengthen causal identification by using instrumental-variable strategies or exploiting regulatory shocks that generate more plausibly exogenous variation in SPAC deal completion. Second, there could be several measurement extensions to strengthen the analysis. Updating the VC reputation index through 2022 would better capture reputation dynamics during the SPAC boom. In this version, because the Lee et al. (2011) reputation index is available only through 2019, I use VC reputation data from 2010 to 2019. I do not view this as a major concern, as the ten-year trend in the index is relatively stable, and I also supplement the analysis with CB Insights partner rankings. In addition, it would be helpful to incorporate warrant and rights prices alongside common share returns, which would provide a more comprehensive view of market expectations about future cash flows. Finally, future work could examine shareholder redemption or voting behavior as a complementary measure of investor confidence, particularly given the substantial voting power and board influence that VC firms may hold in these transactions.

Taken together, this study identifies conflict of interest as a key boundary condition on certification by showing that endorsement loses credibility when the certifier is no longer independent from the transaction. In doing so, it extends the signaling and certification literature by moving beyond the view that certification is carried primarily by the certifier's reputation and showing instead that certification also depends on the governance structure that shapes the certifier's incentives. These findings extends beyond SPACs to other settings in which intermediaries both certify quality and benefit from closing deals, such as crossover investing, M&A fairness opinions, private-equity roll-ups, and issuer-paid credit ratings.

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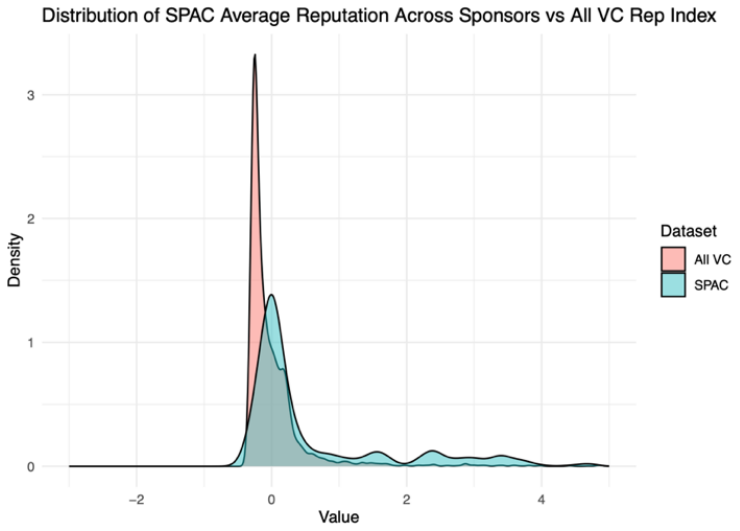
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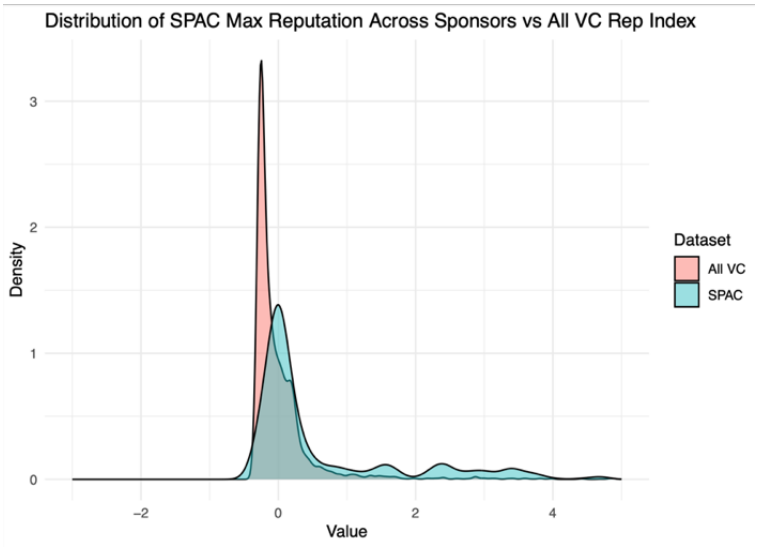
APPENDIX A. FIGURES

Figure 1.1 Distribution of SPAC Average Reputation Across Sponsors



Note: This figure shows the distribution of Average Reputation Across All Sponsors among VC-sponsored SPACs (SPACs with at least one VC-affiliated board member). VC reputation is based on the Lee et al. (2011) reputation index (a z-score). For each VC-affiliated sponsor, the VC firm's reputation index is averaged over 2010–2019, and then averaged across all VC-affiliated board members within the SPAC to construct the SPAC-level measure. If a sponsor's reputation data are missing, the value is imputed using the lowest observed reputation score in the VC-sponsored SPAC sample (-0.341).

Figure 1.2 Distribution of SPAC Max Reputation Across Sponsors



Note: This figure shows the distribution of Max Reputation Across All Sponsors among VC-sponsored SPACs. VC reputation is measured using the Lee et al. (2011) reputation index (z-score),

constructed by averaging each VC firm's reputation index over 2010–2019 for each VC-affiliated sponsor. The SPAC-level "max" measure is the highest reputation value among the SPAC's VC-affiliated board members. Missing sponsor reputation values are imputed using the lowest observed reputation score in the VC-sponsored SPAC sample (-0.341).

APPENDIX B. TABLES

Table 1.1: Summary Statistics for Variables in IPO Process

variable	mean	sd	min	max	N
Post IPO Return One Day	1.57	7.77	-98.60	154.51	909
Post IPO Return One Week	1.91	8.05	-98.85	155.00	909
Post IPO Return One Month	1.94	8.22	-99.00	160.50	900
Post IPO Return Three Month	4.55	19.63	-97.75	421.60	851
Post IPO Return Six Month	6.56	41.88	-4.10	1000.00	799
Post IPO Return One Year	2.46	15.20	-98.20	222.35	598
Log (Overallotment)	10.28	0.61	8.70	12.61	1152
Overallotment	34890.17	24175.47	6000.00	300000.00	1152
SPAC VC Dummy	0.48	0.50	0.00	1.00	1233
SPAC VC Ratio	0.14	0.19	0.00	1.00	1233
Log (SPAC VC Ratio)	0.12	0.15	0.00	0.69	1233
Average Reputation Across All Sponsors	0.52	1.48	-0.34	13.77	460
Max Reputation Across All Sponsors	0.74	1.81	-0.34	13.77	460
Top 100 VC Partner Dummy	0.10	0.31	0.00	1.00	462
Top 25 VC Partner Dummy	0.05	0.21	0.00	1.00	462
Log (IPO Proceeds)	5.35	0.58	3.71	6.89	1219
IPO Proceeds	244.20	136.19	40.00	977.50	1219
Log (Sponsors Prior SPAC Experience)	0.52	0.74	0.00	3.18	1233
Sponsors Prior SPAC Experience	1.38	2.64	0.00	23.00	1233

Note: This table reports summary statistics for the SPAC IPO sample (U.S.-listed SPAC IPOs, 2019-2022; excluding OTC). Post-IPO returns are computed relative to the IPO price over the stated horizons. Exercised overallotment ("greenshoe") is measured as the nominal value of securities purchased through the overallotment option and is log-transformed.

Table 1.2: Post IPO Returns Across SPACs Groups

	SPAC Without VC Sponsors		SPAC With VC Sponsors	
variable	mean	sd	mean	Sd
Post IPO Return One Day	0.79	7.34	2.29	8.10
Post IPO Return One Week	1.02	7.37	2.73	8.56
Post IPO Return One Month	1.12	7.57	2.70	8.72
Post IPO Return Three Month	3.60	22.96	5.39	16.08

Post IPO Return Six Month	6.75	53.73	6.40	27.33
Post IPO Return One Year	3.27	19.05	1.72	10.48
Log (Overallotment)	10.17	0.63	10.40	0.55
Note: Entries are group means and standard deviations of post-IPO returns (by horizon) and log exercised overallotment. VC sponsors indicates SPACs with at least one VC-affiliated board member (VC sponsor).				

Table 1.3: VC Reputation Distribution						
Variable	Min.	1st Qu.	Median	Mean	3rd Qu.	Max.
VC Rep Index Avg	-0.35	-0.25	-0.15	0.03	0.09	10.87
Average Reputation Across All Sponsors	-0.30	-0.05	0.0	0.57	0.68	10.60
Max Reputation Across All Sponsors	-0.30	0.0	0.0	0.79	0.82	10.87
Note: VC reputation is based on the Lee et al. (2011) reputation index (z-score). "Average reputation across all sponsors" and "max reputation across all sponsors" are constructed by aggregating reputation scores across VC-affiliated SPAC sponsors.						

Table 2: Effect of SPAC's VC Sponsorship on Performance							
	Post IPO Return						Log Overallotment
term	One Day	One Week	One Month	Three Month	Six Month	One Year	
Intercept	-7.63**	-7.99**	-5.17	-1.52	-12.53	19.32**	4.87***
	(3.53)	(3.64)	(3.75)	(9.16)	(20.93)	(8.68)	(0.02)
SPAC VC Dummy	0.90 *	1.04*	0.95*	0.51	-1.64	-1.08	0.00
	(0.53)	(0.55)	(0.56)	(1.37)	(3.08)	(1.28)	(0.00)
log (IPO Proceeds)	1.70***	1.79***	1.35***	1.69	2.45	-0.77	1.00***
	(0.49)	(0.51)	(0.52)	(1.27)	(2.88)	(1.24)	(0.00)
log (Sponsors Prior SPAC Experience)	0.13	0.06	0.03	0.81	0.61	-0.17	0.00
	(0.35)	(0.36)	(0.37)	(0.90)	(2.00)	(0.87)	(0.00)
R^2	0.06	0.06	0.06	0.08	0.04	0.08	0.99
# of Obs	900	900	891	843	792	594	895
Year and Industry Fix Effect	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Note: OLS regressions predicting post-IPO returns (by horizon) and log exercised overallotment. The key independent variable is a dummy for whether the SPAC is VC-backed (≥1 VC-affiliated sponsor). Controls include log IPO proceeds and log sponsors' prior SPAC experience; year and target-sector fixed effects are included. Robust standard errors are in parentheses; observations vary by horizon due to return availability. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.							

Table 3: Effect of Additional SPAC's VC Sponsorship on Performance							
	Post IPO Return						Log Overallotment
	One Day	One Week	One Month	Three Month	Six Month	One Year	
(Intercept)	-7.74**	-8.05**	-5.11	-1.59	-11.85	19.39**	4.87***
	(3.53)	(3.64)	(3.74)	(9.16)	(20.92)	(8.67)	(0.02)
log (SPAC VC Ratio)	2.95	3.81*	4.09*	1.51	-3.08	-3.66	0.00
	(2.01)	(2.08)	(2.13)	(5.19)	(11.62)	(4.70)	(0.01)
log (IPO Proceeds)	1.74***	1.81***	1.35***	1.71	2.30	-0.80	1.00***
	(0.49)	(0.50)	(0.52)	(1.27)	(2.87)	(1.23)	(0.00)
log (Sponsors Prior SPAC Experience)	0.14	0.07	0.04	0.82	0.56	-0.19	0.00
	(0.35)	(0.36)	(0.37)	(0.90)	(2.00)	(0.87)	(0.00)
R^2	0.07	0.08	0.10	0.31	0.16	0.19	0.99
# of Obs	370	370	366	351	331	243	368
Year and Industry Fix Effect	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Note: OLS regressions predicting post-IPO returns (by horizon) and log exercised overallotment. The key independent variable is the (log) proportion of VC sponsors (VC-affiliated board members divided by total board members). Controls include log IPO proceeds and log sponsors' prior SPAC experience; year and target-sector fixed effects are included. Robust standard errors are in parentheses; observations vary by horizon due to return availability. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.							

Table 4.1: Effect of SPAC's VC Reputation Averaged Across All Sponsors on Performance							
	Post IPO Return						Log Overallotment
	One Day	One Week	One Month	Three Month	Six Month	One Year	
(Intercept)	-5.07	-5.80	-3.95	-13.07	-13.15	10.04	4.87***
	(3.52)	(4.11)	(4.22)	(9.89)	(26.51)	(7.27)	(0.04)
Average Reputation Across All Sponsors	0.07	0.05	0.15	0.25	-0.14	0.14	0.00*
	(0.14)	(0.16)	(0.16)	(0.38)	(0.91)	(0.31)	(0.00)
log (IPO Proceeds)	1.49***	1.86***	1.52***	2.86**	2.38	-0.75	1.00***
	(0.45)	(0.52)	(0.53)	(1.26)	(3.12)	(1.03)	(0.01)

log (Sponsors Prior SPAC Experience)	-0.05	-0.16	-0.22	1.16	1.23	-0.51	0.00
	(0.29)	(0.34)	(0.35)	(0.81)	(2.00)	(0.62)	(0.00)
R^2	0.07	0.08	0.10	0.31	0.16	0.19	0.99
# of Obs	370	370	366	351	331	243	368
Year and Industry Fix Effect	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Note: OLS regressions estimated on the VC-sponsored SPAC subsample. The key independent variable is the SPAC's average sponsor reputation (aggregated across VC-affiliated sponsors). Controls include log IPO proceeds and log sponsors' prior SPAC experience; year and target-sector fixed effects are included. Robust standard errors are in parentheses; observations vary by horizon due to return availability.
* p < 0.10; ** p < 0.05; *** p < 0.01.

Table 4.2: Effect of SPAC's VC Reputation Highest Across All Sponsors on Performance

	Post IPO Return						Log Overallotment
	One Day	One Week	One Month	Three Month	Six Month	One Year	
(Intercept)	-5.05	-5.77	-3.96	-13.16	-12.93	9.95	4.87***
	(3.52)	(4.11)	(4.22)	(9.88)	(26.51)	(7.27)	(0.04)
Highest Reputation Among All Sponsors	0.03	0.01	0.11	0.30	-0.32	0.20	0.00**
	(0.11)	(0.13)	(0.13)	(0.31)	(0.75)	(0.24)	(0.00)
log (IPO Proceeds)	1.49***	1.86***	1.53***	2.87**	2.37	-0.73	1.00***
	(0.45)	(0.52)	(0.54)	(1.25)	(3.12)	(1.03)	(0.01)
log (Sponsors Prior SPAC Experience)	-0.05	-0.16	-0.22	1.15	1.22	-0.52	0.00
	(0.29)	(0.34)	(0.35)	(0.81)	(1.99)	(0.62)	(0.00)
R^2	0.07	0.08	0.10	0.30	0.16	0.19	0.99
# of Obs	370	370	366	351	331	243	368
Year and Industry Fix Effect	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Note: OLS regressions estimated on the VC-sponsored SPAC subsample. The key independent variable is the maximum reputation among the SPAC's VC-affiliated sponsors. Controls include log IPO proceeds and log sponsors' prior SPAC experience; year and target-sector fixed effects are included. Robust standard errors are in parentheses; observations vary by horizon due to return availability.
* p < 0.10; ** p < 0.05; *** p < 0.01.

Table 4.3: Effect of Top 100 VC Partner Dummy on Performance

	Post IPO Return	Log Overallotment

	One Day	One Week	One Month	Three Month	Six Month	One Year	
(Intercept)	-4.69	-5.34	-3.38	-11.45	-14.44	9.93	4.87***
	(3.51)	(4.09)	(4.20)	(9.81)	(26.42)	(7.24)	(0.04)
Top 100 VC Partner Dummy	1.02	1.31	1.55*	4.46**	-4.16	-1.47	0.01
	(0.72)	(0.84)	(0.86)	(2.03)	(4.84)	(1.54)	(0.01)
log (IPO Proceeds)	1.44***	1.79***	1.45***	2.64**	2.54	-0.73	0.99***
	(0.44)	(0.52)	(0.53)	(1.25)	(3.11)	(1.02)	(0.01)
log (Sponsors Prior SPAC Experience)	-0.01	-0.11	-0.18	1.23	1.12	-0.52	0.00
	(0.29)	(0.34)	(0.35)	(0.80)	(1.99)	(0.62)	(0.00)
R^2	0.07	0.08	0.10	0.31	0.17	0.20	0.99
# of Obs	372	372	368	353	333	244	370
Year and Industry Fix Effect	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Note: OLS regressions estimated on the VC-sponsored SPAC subsample. The key independent variable is an indicator for whether the SPAC includes at least one sponsor ranked in the Top 100 VC partners list. Controls include log IPO proceeds and log sponsors' prior SPAC experience; year and target-sector fixed effects are included. Robust standard errors are in parentheses; observations vary by horizon due to return availability.
* $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

Table 4.4: Effect of Top 25 VC Partner Dummy on Performance

	Post IPO Return						Log Overallotment
	One Day	One Week	One Month	Three Month	Six Month	One Year	
(Intercept)	-4.68	-5.39	-3.24	-11.27	-14.81	9.68	4.88***
	(3.53)	(4.12)	(4.22)	(9.87)	(26.53)	(7.27)	(0.04)
Top 25 VC Partner Dummy	0.80	0.85	1.53	4.72*	-3.97	-1.82	0.01
	(1.02)	(1.19)	(1.22)	(2.80)	(6.68)	(2.46)	(0.01)
log (IPO Proceeds)	1.44***	1.80***	1.43***	2.60**	2.61	-0.68	0.99***
	(0.45)	(0.52)	(0.54)	(1.26)	(3.13)	(1.03)	(0.01)
log (Sponsors Prior SPAC Experience)	-0.04	-0.14	-0.22	1.12	1.25	-0.49	0.00
	(0.29)	(0.34)	(0.35)	(0.80)	(1.98)	(0.62)	(0.00)
R^2	0.07	0.08	0.10	0.30	0.17	0.20	0.99
# of Obs	372	372	368	353	333	244	370
Year and Industry Fix Effect	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Note: OLS regressions estimated on the VC-sponsored SPAC subsample. The key independent variable is an indicator for whether the SPAC includes at least one sponsor ranked in the Top 25 VC partners list. Controls include log IPO proceeds and log sponsors' prior SPAC experience;

year and target-sector fixed effects are included. Robust standard errors are in parentheses; observations vary by horizon due to return availability.
* p < 0.10; ** p < 0.05; *** p < 0.01.

Table 5.1: Board Interlock Distribution						
Number of Interlocks	1	2	3	4	5	6
For All Interlocked Firms	25	6	1	0	1	1
For VC interlocked firms	41	5	0	0	0	0

Note: This table summarizes the distribution of the number of interlocks between the SPAC and its merger target among completed de-SPAC transactions. VC interlocked refers to interlocks involving VC-affiliated directors/shared VC affiliation as defined in the measures.

Table 5.2: Summary Statistics for Variables in De-SPAC Process					
	mean	sd	min	max	N
Post Merger Return One Day	0.08	0.47	-0.69	3.39	358
Post Merger Return One Week	-0.02	0.59	-0.90	3.59	358
Post Merger Return One Month	-0.06	0.78	-0.94	10.48	358
Post Merger Return Three Month	-0.18	0.65	-0.96	4.76	358
Post Merger Return Six Month	-0.40	0.51	-0.99	3.20	358
Post Merger Return One Year	-0.55	0.62	-1.00	4.71	356
Deal Closed Status	0.30	0.46	0.00	1.00	1233
Predicted Deal Closure	0.30	0.32	0.00	1.00	1233
IMR	2.28	2.12	0.00	8.25	1233
Startup VC Backed Dummy	0.50	0.50	0.00	1.00	366
Interlock Dummy	0.20	0.40	0.00	1.00	366
VC Interlock Dummy	0.13	0.33	0.00	1.00	366
Log (SPAC VC Ratio)	0.12	0.13	0.00	0.69	366
Sponsors Prior DeSPAC Experience	1.18	2.43	0.00	18.00	366
Log (Sponsors Prior DeSPAC Experience)	0.44	0.72	0.00	2.94	366
Cash Remaining in Trust Account	178.43	175.08	0.3	977.5	362
Log (Cash Remaining in Trust Account)	4.49	1.45	0.26	6.89	366
Days Left till Liquidation	431.59	168.10	108.00	756.00	366
Startup Funding	599.67	1628.89	0.00	21745.78	301
Log (Startup Funding)	5.57	1.64	0.00	9.99	366
Startup Age at DeSPAC	13.91	17.28	0.00	133.00	366

Note: Summary statistics for the de-SPAC analysis. Post-merger returns are computed around deal completion using the pricing definition described in the measures section (reported by horizon). The deal-closure indicator and the inverse Mills ratio (IMR) correspond to the first-stage selection model.

Table 5.3: Post Merger Performance for Startup with/without VC Backing				
	VC Backed Startups		Non-VC Backed Startups	
	mean	sd	mean	sd
Post Merger Return One Day	0.05	0.42	0.11	0.52
Post Merger Return One Week	-0.06	0.42	0.01	0.72

Post Merger Return One Month	-0.09	0.49	-0.03	0.99
Post Merger Return Three Month	-0.20	0.53	-0.17	0.74
Post Merger Return Six Month	-0.40	0.52	-0.40	0.50
Post Merger Return One Year	-0.53	0.71	-0.57	0.52
Note: Entries are group means and standard deviations of post-merger returns by horizon for VC-backed vs non-VC-backed targets, where VC-backed indicates at least one VC-affiliated director/investor on the target's side as defined in the measures.				

Table 5.4: Post Merger Return for Startups that are interlocked vs non-interlocked with its merged SPAC				
	Interlocked Startups		Non-Interlocked Startups	
	mean	sd	mean	sd
Post Merger Return One Day	0.00	0.42	0.11	0.48
Post Merger Return One Week	-0.10	0.46	0.00	0.62
Post Merger Return One Month	-0.16	0.49	-0.04	0.84
Post Merger Return Three Month	-0.21	0.57	-0.18	0.67
Post Merger Return Six Month	-0.42	0.41	-0.39	0.53
Post Merger Return One Year	-0.60	0.33	-0.54	0.68
Note: Entries are group means and standard deviations of post-merger returns by horizon for interlocked vs non-interlocked transactions, where interlock indicates the SPAC and target share at least one board member.				

Table 5.5: Post Merger Performance for Startups that share a VC board member with its merged SPAC (VC interlocked) vs Startups that share a non-VC board member with its merged SPAC (non-VC interlocked)				
	VC interlocked Startups		Non-VC interlocked startups	
	mean	sd	mean	sd
Post Merger Return One Day	0.07	0.50	0.09	0.47
Post Merger Return One Week	-0.06	0.43	-0.02	0.61
Post Merger Return One Month	-0.11	0.43	-0.05	0.82
Post Merger Return Three Month	-0.17	0.45	-0.18	0.67
Post Merger Return Six Month	-0.38	0.42	-0.40	0.52
Post Merger Return One Year	-0.59	0.32	-0.54	0.65
Note: Entries are group means and standard deviations of post-merger returns by horizon comparing VC interlocked transactions (shared VC-affiliated board member/shared VC affiliation) to non-VC interlocked transactions				

Table 6: First Stage Analysis - What Affects Deal Closing Likelihood	
	Deal Closed
(Intercept)	8.62 ***
	(1.50)
log (SPAC VC Ratio)	-0.31
	(0.68)
log (Sponsors Prior DeSPAC Experience)	0.45 ***

	(0.12)
log (Cash Remaining in Trust Account)	-0.56 ***
	(0.08)
Original Tenor	-0.05
	(0.03)
Additional Tenor Dummy	-2.27 ***
	(0.25)
McFadden's R^2	0.46
# of Obs	1233
Year and Industry Fix Effect	Yes
Note: First-stage logit model predicting whether a SPAC closes a deal. Coefficients are log-odds; robust standard errors are in parentheses. Year and target-sector fixed effects are included. * p < 0.10; ** p < 0.05; *** p < 0.01.	

Table 7: Effect of VC Reputation on Post Merger Return						
	Post Merger Return					
	One Day	One Week	One Month	Three Month	Six Month	One Year
(Intercept)	0.19	0.5	0.96	-0.71	1.04*	2.83***
	(0.43)	(0.50)	(0.60)	(0.68)	(0.54)	(0.76)
Startup VCRep Max	0.01	0.01	-0.01	-0.01	0	0
	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)	(0.02)
Redeemed	-0.29**	-0.43***	-0.39**	-0.26	-0.29*	-0.02
	(0.12)	(0.14)	(0.17)	(0.19)	(0.15)	(0.21)
log (Cash Remaining in Trust Account)	0.03	0.02	-0.01	0.07	0.10**	0.11*
	(0.03)	(0.04)	(0.04)	(0.05)	(0.04)	(0.06)
Days Left till Liquidation	0	0	0	0	0	0
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
log (Sponsors Prior DeSPAC Experience)	-0.02	0.01	-0.01	-0.05	-0.08*	-0.09
	(0.04)	(0.04)	(0.05)	(0.06)	(0.05)	(0.07)
log (Startup Funding)	0.01	0.01	0	0.01	0.02	0.04
	(0.02)	(0.02)	(0.03)	(0.03)	(0.02)	(0.03)
Startup Age at DeSPAC	0	0	0	0	0	0
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
IMR	-0.06	-0.01	-0.06	-0.12	-0.14	-0.15
	(0.08)	(0.10)	(0.12)	(0.13)	(0.11)	(0.15)
R^2	0.35	0.42	0.36	0.32	0.52	0.54
# of Obs	145	145	145	145	145	145
Year and Industry Fix Effect	Yes	Yes	Yes	Yes	Yes	Yes
Note: Second-stage OLS regressions predicting post-merger returns by horizon as a function of startup-side VC reputation (as measured/constructed in the paper). All models include the IMR from the first-stage selection equation to adjust for deal-closing selection, plus the stated controls and year/sector fixed effects. Robust standard errors are in parentheses.						

* p < 0.10; ** p < 0.05; *** p < 0.01.

Table 8: Effect of Interlock and VC-backed on Post Merger Return						
	Post Merger Return					
	One Day	One Week	One Month	Three Month	Six Month	One Year
(Intercept)	0.51	0.43	0.32	-0.38	1.35***	3.47***
	(0.48)	(0.60)	(0.77)	(0.59)	(0.43)	(0.53)
Interlock Dummy	-0.34***	-0.26*	-0.16	-0.33**	-0.22**	-0.17
	(0.12)	(0.15)	(0.20)	(0.15)	(0.11)	(0.14)
Startup VC Backed Dummy	-0.06	-0.11	-0.06	-0.06	-0.02	0.06
	(0.05)	(0.07)	(0.09)	(0.07)	(0.05)	(0.06)
Interlock Dummy*Startup VC Backed Dummy	0.34**	0.25	0.12	0.42**	0.22*	0.07
	(-0.14)	(0.18)	(0.23)	(0.18)	(0.13)	(0.16)
Redemption Rate	-0.42***	-0.39***	-0.43***	-0.58***	-0.47***	-0.28***
	(0.09)	(0.12)	(0.15)	(0.11)	(0.08)	(0.10)
log (SPAC VC Ratio)	-0.18	-0.14	-0.33	-0.37	-0.03	0.18
	(0.19)	(0.24)	(0.31)	(0.24)	(0.17)	(0.22)
log (Sponsors Prior DeSPAC Experience)	-0.07**	-0.06	-0.04	-0.04	-0.05	-0.07*
	(0.03)	(0.04)	(0.06)	(0.04)	(0.03)	(0.04)
log (Cash Remaining in Trust Account)	0.00	0.04	0.01	0.00	0.05**	0.05*
	(0.02)	(0.03)	(0.04)	(0.03)	(0.02)	(0.03)
Days Left till Liquidation	-0.00**	0.00	0.00**	0.00**	0.00	0.00*
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
log (Startup Funding)	0.01	0.00	0.03	0.00	-0.01	-0.01
	(0.02)	(0.02)	(0.03)	(0.02)	(0.01)	(0.02)
Startup Age at DeSPAC	0.00	0.00	0.00	0.00	0.00***	0.00**
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
IMR	0.01	-0.13*	-0.14	-0.07	-0.13**	-0.13*
	(0.06)	(0.08)	(0.1)	(0.08)	(0.06)	(0.07)
R^2	0.21	0.20	0.24	0.36	0.46	0.43
# of Obs	358	358	358	358	358	356
Year and Industry Fix Effect	Yes	Yes	Yes	Yes	Yes	Yes
Notes: Second-stage OLS regressions predicting post-merger returns by horizon. Key variables are the interlock indicator, the startup VC-backed indicator, and their interaction. All models include the IMR from the first stage, the stated deal/firm controls, and year/sector fixed effects. Robust standard errors are in parentheses. * p < 0.10; ** p < 0.05; *** p < 0.01.						

Table 9: Effect of VC Interlock on Post Merger Return						
	Post Merger Return					
	One Day	One Week	One Month	Three Month	Six Month	One Year
(Intercept)	0.49	0.42	0.33	-0.42	1.33***	3.47***
	(0.48)	(0.60)	(0.77)	(0.59)	(0.43)	(0.53)
VC Interlock Dummy	0.02	0.00	0.00	0.03	-0.02	-0.11
	(0.08)	(0.10)	(0.13)	(0.10)	(0.07)	(0.09)
Redeemed	-0.41***	-0.38***	-0.43***	-0.56***	-0.46***	-0.28***
	(0.09)	(0.12)	(0.15)	(0.11)	(0.08)	(0.10)
log (SPAC VC Ratio)	-0.17	-0.12	-0.35	-0.31	0.01	0.22
	(0.20)	(0.25)	(0.32)	(0.25)	(0.18)	(0.22)
log (Sponsors Prior DeSPAC Experience)	-0.06*	-0.05	-0.04	-0.04	-0.04	-0.07*
	(0.03)	(0.04)	(0.05)	(0.04)	(0.03)	(0.04)
log (Cash Remaining in Trust Account)	0.00	0.04	0.01	0.00	0.06***	0.05*
	(0.02)	(0.03)	(0.04)	(0.03)	(0.02)	(0.03)
Days Left till Liquidation	-0.00**	0.00	0.00**	0.00**	0.00	0.00*
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Startup VC Backed Dummy	-0.04	-0.09	-0.06	-0.02	0.00	0.06
	(0.05)	(0.07)	(0.08)	(0.06)	(0.05)	(0.06)
log (Startup Funding)	0.02	0.00	0.03	0.01	-0.01	0.00
	(0.02)	(0.02)	(0.03)	(0.02)	(0.01)	(0.02)
Startup Age at DeSPAC	0.00	0.00	0.00	0.00	0.00***	0.00**
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
IMR	0.01	-0.13*	-0.14	-0.06	-0.12**	-0.13*
	(0.06)	(0.08)	(0.10)	(0.08)	(0.06)	(0.07)
R^2	0.19	0.19	0.24	0.35	0.45	0.43
# of Obs	358	358	358	358	358	356
Year and Industry Fix Effect	Yes	Yes	Yes	Yes	Yes	Yes

Note: Second-stage OLS regressions predicting post-merger returns by horizon. The key independent variable is a VC interlock indicator (shared VC-affiliated board member/shared VC affiliation between SPAC and target). All models include the IMR from the first-stage selection equation, the stated controls, and year/sector fixed effects. Robust standard errors are in parentheses

* $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.