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SPACs, de-SPACs, and Sponsor Liability: Conflicts of Interest, Mismanagement Claims, Disclosure Obligations

TUESDAY, JUNE 8, 2021

1pm Eastern | 12pm Central | 11am Mountain | 10am Pacific

Today's faculty features:

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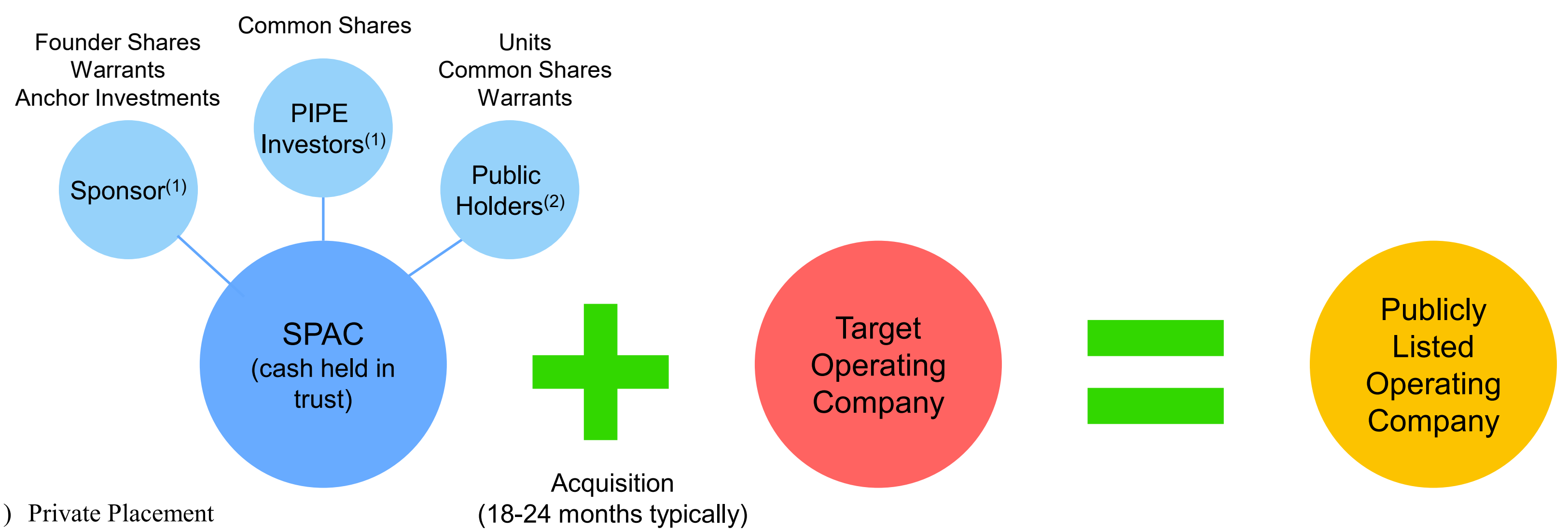
Key Features of a SPAC

A Special Purpose Acquisition Company is a shell company that raises money from the public markets to acquire a private company.

The SPAC conducts an IPO shortly after its formation and attracts public investors based largely on the track record and reputation of its sponsor and management team.

The SPAC uses its capital, including the proceeds of its IPO and private placements, to search for and acquire a private operating company (the initial business combination, or "IBC"). The target becomes a public company upon merging with the SPAC.



(1) Private Placement
(2) Initial Public Offer

SPACs 101: How does a SPAC work?

What do investors get?

A unit including

1 Share

1 fraction of a warrant

What do sponsors get?

20% of the SPAC shares (but only if they find a deal) plus private placement warrants

What does it cost?

$10.00

(but you can ask for it back at the IBC or if there is no deal)

What does it cost?

2% of funds raised + $2-4 million

("At-Risk Capital")

You don't get it back – and you need it when you do your IPO

But, why (SPAC Participants)?

SPONSORS	— Retain 20% of the post-IPO SPAC with downside exposure typically limited to IPO expenses (including upfront underwriting discount) — Provides access to public markets and offers faster capital-raising relative to private fund-raising
PUBLIC SPAC INVESTORS	— Allows mainstream investors to get involved in private equity/VC deals — Investors hold the right to vote on potential business combinations and can choose to redeem their public shares — If redeemed, investors get their money back (plus a small return) *and* can retain exposure to future upside (via warrants)
POTENTIAL TARGETS	— For private companies, going public by merging with a SPAC (vs. doing an IPO), avoids price discovery uncertainty / pricing volatility — IPOs often take longer to complete than reverse mergers with a SPAC — A SPAC merger can provide immediate liquidity and access to management expertise — Downsides include dilution from the Sponsor's "promote" and uncertainty from SPAC shareholder approval and redemptions
PIPE INVESTORS	— Are able to participate to (i) evaluate the initial business combination and (ii) perform limited diligence before committing to invest — Locked in the price (typically $10 per share) and fund the transaction shortly before closing

But, why (now)?

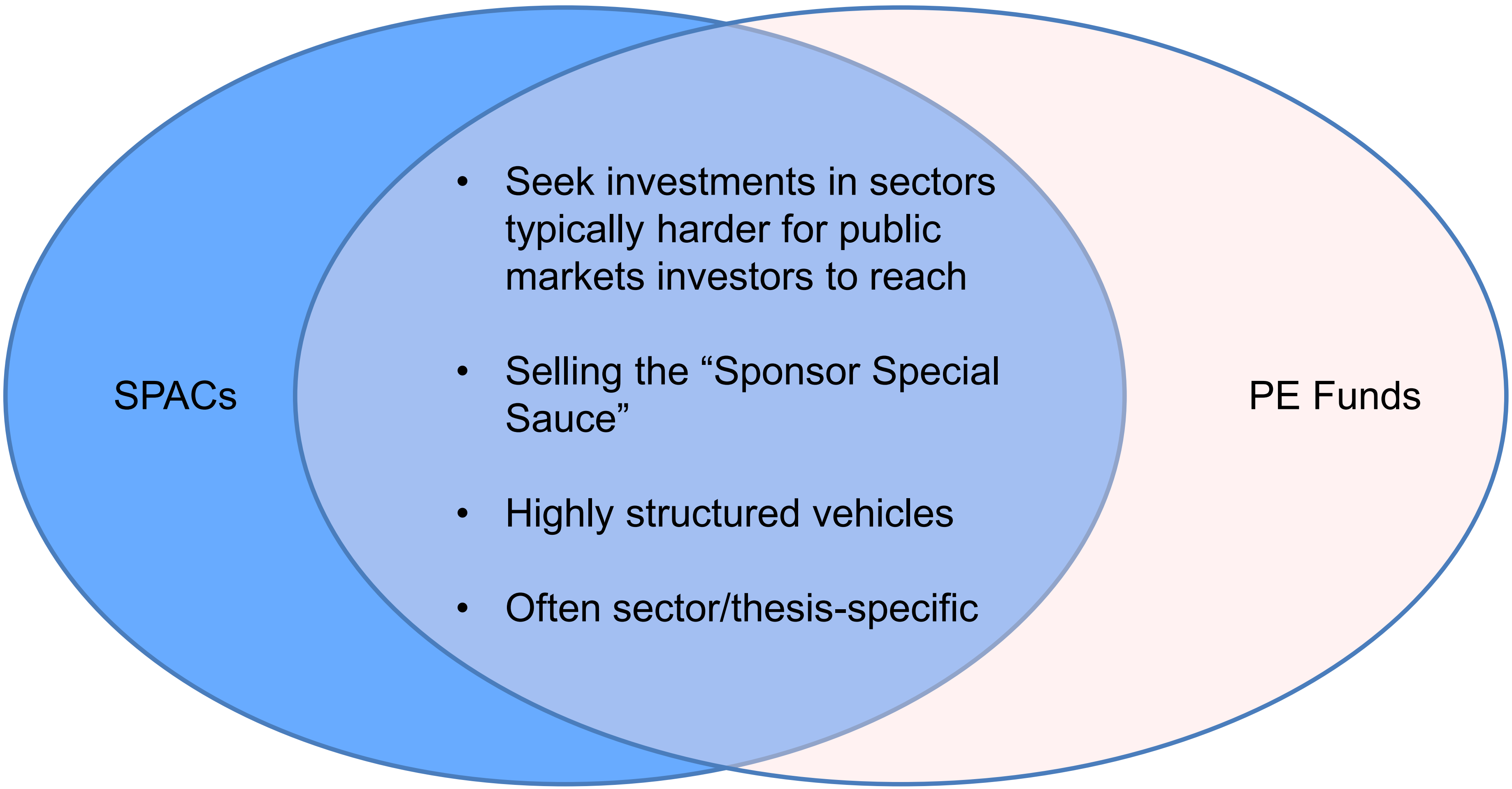
Low interest rate environment makes locking up $$$ for 24 months less disadvantageous

Recent history of public markets “busts” for VC-backed companies

Recent track record has erased a previously shady reputation

Momentum / pandemic boredom

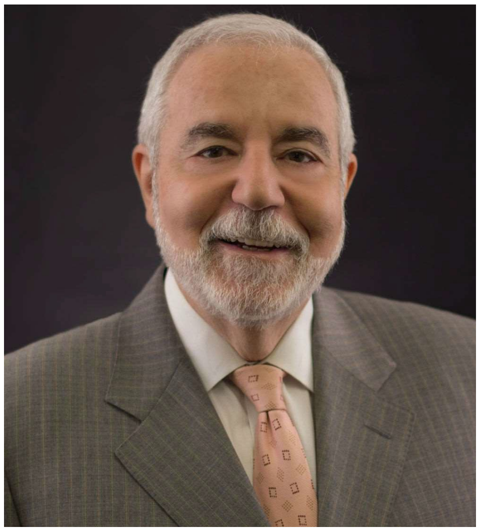
Where do SPACs and PE Funds/Alternative Investment Funds Overlap?



*** Please refer to Reference Document for this portion of the webinar

Index of Written Materials

Thank You



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