

The equilibrium of a SPAC



There is an inherent equilibrium in the SPAC structure – constant input by the buy-side refined the structure, which has become a careful balance between investor protections and an effective acquisition tool

Recent structural innovations have improved the sponsor's ability to execute an acquisition, while maintaining the same investor protections

Benefits to investors

- ✓ Private equity-like investment with downside protection
- ✓ Liquidity through publicly traded securities
- ✓ Downside protections from ring-fenced trust account providing dissenting investors with the right to redeem, underpinned by ≥100% cash proceeds from IPO
- ✓ Automatic liquidation if no acquisition within specified timeframe
- ✓ Equity exposure through cash investment ('bear market trade')
- ✓ Upside through warrants
- ✓ Alignment of interest through sponsor capital at risk and tranching of promote
- ✓ Access to incentivized best-in-class sponsors ('scarcity value')
- ✓ No management fees or salaries paid

Benefits to sponsors

- ✓ Opportunity to monetize proprietary deal flow in relatively quick time frame
- ✓ SPAC has a public acquisition currency and does not rely on debt financing
- ✓ Potential for future serial issuances
- ✓ Attractive entrepreneurial economics if acquisition is completed
 - equity promote tranching to align interests with investors
 - opportunity to capture further upside as shareholder and warrant holder
- ✓ Allows sponsor team to focus on one material acquisition with affiliate/sidecar structure

Benefits to sellers

- ✓ 'Fast track' IPO
- ✓ Sponsor stamp of approval and other benefits/synergies
- ✓ Reverse merging under managed/non core business into publicly traded SPAC to partner with well-known sponsor team
- ✓ Potential for seller to retain majority of upside by being paid in stock (with opportunity for earn-out equity)
- ✓ Private equity input without private equity dominance
- ✓ Much less disruptive to seller/company and employees than traditional IPO
- ✓ Ability to structure complex transactions to meet seller's specific needs
- ✓ Flexible capital