

“SPAC”

Special Purpose Acquisition Corporation

EGS
Ellenoff Grossman & Schole LLP

Ellenoff Grossman & Schole LLP

Ellenoff Grossman & Schole LLP is a New York-based law firm with over 50 professionals offering its clients legal services in a broad range of entrepreneurial business related matters. The Firm specializes in many areas of commercial law: Corporate, Securities, Venture Capital, Broker-Dealer Regulations, Hedge Funds, Real Estate, Litigation, Tax and Estate Planning.

The Firm has over 30 Securities professionals specializing in a range of activities, including:

- » Venture Capital
- » Public Offerings (IPOs and Secondaries) – Including SPACs
- » PIPEs
- » Mergers and Acquisitions
- » Exchange Act reporting (Form 10-Ks, 10-Qs and Proxies)
- » NASD, AMEX, NASDAQ and OTC compliance

SPAC IPO Practice

Ellenoff Grossman & Schole LLP

We are one of the leading SPAC law firms in the U.S.

- During the course of the last five years, we have been involved at various stages in over 50 SPACs.
- 19 of those financings were successfully consummated and resulted in the raising of nearly \$2,000,000,000.
- In 2010, we were issuer's counsel to 57th Street General Acquisition – the 1st SPAC with a No Vote/Tender Offer structure.

SPAC M&A Assignments

In addition to our IPO experience with SPACs, we have been involved with nearly 20 SPAC M&A assignments, which includes a couple as special SPAC counsel to other law firms. The combined transaction value of all of these deals exceeds \$2,000,000,000.

Closed:

- Boulder/GFA - \$465 million – purchaser’s counsel
- FMG Acquisition Corp. - \$105 million - purchaser’s counsel
- StarMaritime/TMT - \$345 million – seller’s counsel
- HAQ/PharmAthene - \$100+ million - purchaser’s counsel
- Vantage Energy Services/OGIL - \$800+ million - purchaser’s counsel
- Community Bankers Acq./Trans Community Financial \$48.5 million – purchaser’s counsel
- Camden Learning/NAV - \$100 million purchaser’s counsel
- Alternative Asset Management/Great American - \$150+ million – purchaser’s counsel

What is a SPAC?

- Newly formed corporation by prominent and qualified sponsor/management team for the purpose of raising capital in an IPO in anticipation of identifying and consummating a business combination
- A SPAC seeks to leverage the strength and recognition of the management team within an industry or geographic location to secure proprietary deal flow and identify attractive acquisition candidates
- Provides public company transparency to investors with full disclosure and voting rights with respect to approving the proposed business combination
- Public shareholders are able to sell their securities in the open market
 - Structure permits an investor to:
 - Approve the business combination
 - Reject the business combination and elect to receive a pro rata portion of the amount held in the trust account (even if the majority of holders approve the business combination)

What are the Advantages to the Investor?

- Access to investments in acquisitions and buy-outs typically restricted to private equity funds
- Investing with Sponsor (investing their own capital-up to 3% of IPO) who have industry expertise
- Structure and Limited Risk
 - Capital held in a trust account pending approval of business combination via a shareholder vote or return of capital via tender offer
 - Benefits from liquidity of publicly-traded security and ability to control timing of exit
 - Pending business combination, no cash compensation to Sponsor/Management Team
 - Warrants included in Units offered in IPO enable holder to invest more capital at a pre-determined price (below the IPO price) and leverage initial investment
 - Provides a minimum liquidation value per share in the event no business combination is effected

What Are Advantages To Sponsor/Management?

- Pre-funding an acquisition strategy
- Greater flexibility than with traditional private equity
- Better economics for sponsor/management
- More credibility with seller with cash in trust

Offered Securities*

Offerings consist of units comprised of common shares and warrants that are registered with the SEC and trade freely

Traditional SPAC Structure \$10.00 Unit

| | |
|-------------------------------|--|
| ▪ Composition of Units | ▪ 1 common share ▪ 1 warrant ▪ Trade separately |
| ▪ Warrant Strike Price | ▪ \$11.00 |
| ▪ Warrant Exercise Period | ▪ 5 year life from the date of the IPO |
| ▪ Call Provision | ▪ \geq \$16.50 for any 20 trading days within a 30 day period |
| ▪ Liquidation Value per Share | ▪ \$10.00+ |

Features

Feature

Significance

| | |
|---|---|
| ▪ Third Party Escrow | ▪ 100% + of cash held in trust |
| ▪ Target Enterprise Value must be 80% of net assets | ▪ Ensures that only targets of a minimum size are proposed |
| ▪ Shareholder Approval/Tender offer | ▪ Only well-received transactions get approved |
| ▪ Management Ownership and Concurrent Investment | ▪ Incentivizes management to find and close a deal |
| ▪ Escrow of Insider's Shares | ▪ Insiders do not participate in a liquidating distribution for interests held prior to IPO |
| ▪ Deal Deadline | ▪ Limits the time capital is invested |

SPAC Regulatory History – Disruptive Events

- Concern with identification of deal prior to IPO - International Shipping (February - July 2005)
- Warrant Purchase Obligation/Regulation M - Key Hospitality (EGS/Underwriter Counsel) (November 2005)
- Amending Charter-Great Wall Acquisition (January 2006)
- Delaware Dissolution-HD Partners (EGS - Issuer Counsel) (May 2006)
- Warrant EITF 0019 Cash Settlement Value of Warrants - Energy Infrastructure (EGS - Underwriters Counsel) (July 2006)
- Tender offer v. Shareholder Vote (EG&S – Issuer’s counsel) (May 2010)

Historic Trends

- Concurrent Private Placement/Sponsor Loan
- Emerging Market SPACs
- Private SPACs
- Business Combinations with Simultaneous PIPEs
- Increase no vote percentage to liquidate/Tender offer
- Opportunist investors – Management SPAC redemptions
- Corporate sponsor for SPAC

Timing and Responsibilities

| Month 1 | | | | | | | Month 2 | | | | | | | Month 3 | | | | | | | Month 4 | | | | | | |
|---------|----|----|----|----|----|----|---------|----|----|----|----|----|----|---------|----|----|----|----|----|----|---------|----|----|----|----|----|----|
| S | M | T | W | TH | F | S | S | M | T | W | TH | F | S | S | M | T | W | TH | F | S | S | M | T | W | TH | F | S |
| | 1 | 2 | 3 | 4 | 5 | 6 | | | | | 1 | 2 | 3 | | | | | | | 1 | | | 1 | 2 | 3 | 4 | 5 |
| 7 | 8 | 9 | 10 | 11 | 12 | 13 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| 14 | 15 | 16 | 17 | 18 | 19 | 20 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 13 | 14 | 15 | 16 | 17 | 18 | 19 |
| 21 | 22 | 23 | 24 | 25 | 26 | 27 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 20 | 21 | 22 | 23 | 24 | 25 | 26 |
| 28 | 29 | 30 | 31 | | | | 25 | 26 | 27 | 28 | 29 | 30 | | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 27 | 28 | 29 | 30 | | | |
| | | | | | | | | | | | | | 30 | 31 | | | | | | | | | | | | | |

Sponsor Team S
 Company Counsel CC
 Underwriters U
 Underwriter's Counsel UC

Week

Objectives

Primary Responsibility

- | | | |
|---|---|--|
| 1 | <ul style="list-style-type: none"> ▪ Organizational Meeting ▪ Complete working group list ▪ Execute Engagement ▪ Engage Underwriter Counsel and Issuers Counsel ▪ Set up corporation | <ul style="list-style-type: none"> ▪ S, CC, U, UC ▪ All ▪ All ▪ S, U ▪ CC |
|---|---|--|

Timing and Responsibilities

| Month 1 | | | | | | | Month 2 | | | | | | | Month 3 | | | | | | | Month 4 | | | | | | |
|---------|----|----|----|----|----|----|---------|----|----|----|----|----|----|---------|----|----|----|----|----|----|---------|----|----|----|----|----|----|
| S | M | T | W | TH | F | S | S | M | T | W | TH | F | S | S | M | T | W | TH | F | S | S | M | T | W | TH | F | S |
| | 1 | 2 | 3 | 4 | 5 | 6 | | | | | 1 | 2 | 3 | | | | | | | 1 | | | 1 | 2 | 3 | 4 | 5 |
| 7 | 8 | 9 | 10 | 11 | 12 | 13 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| 14 | 15 | 16 | 17 | 18 | 19 | 20 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 13 | 14 | 15 | 16 | 17 | 18 | 19 |
| 21 | 22 | 23 | 24 | 25 | 26 | 27 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 20 | 21 | 22 | 23 | 24 | 25 | 26 |
| 28 | 29 | 30 | 31 | | | | 25 | 26 | 27 | 28 | 29 | 30 | | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 27 | 28 | 29 | 30 | | | |
| | | | | | | | | | | | | | | 30 | 31 | | | | | | | | | | | | |

Week

Objectives

Primary Responsibility

- | | | |
|-----|--|-------------------------------------|
| | <ul style="list-style-type: none"> ▪ Begin first draft of registration statement | ▪ S, U |
| 2 | <ul style="list-style-type: none"> ▪ Finalize Board of Directors positions ▪ Commence Blue Sky qualification and NASD approval process ▪ Finalize registration statement | ▪ S ▪ UC ▪ All |
| 3 | <ul style="list-style-type: none"> ▪ File registration statement ▪ Apply to Exchange NASDAQ Bulletin Board | ▪ All ▪ All |
| 4 | <ul style="list-style-type: none"> ▪ Begin preparation of management presentations | ▪ S, U |
| 5-6 | <ul style="list-style-type: none"> ▪ Plan road show and management presentations (chosed cities) ▪ Distribute draft of underwriting agreement | ▪ All ▪ UC |
| 7-8 | <ul style="list-style-type: none"> ▪ Receive comments from the SEC ▪ Respond to comments from the SEC ▪ Preliminary Blue Sky Memorandum (if applicable) ▪ Print preliminary prospectus ("red herring") | ▪ All ▪ All ▪ UC ▪ Printer |

Timing and Responsibilities

| Month 1 | | | | | | | Month 2 | | | | | | | Month 3 | | | | | | | Month 4 | | | | | | |
|---------|----|----|----|----|----|----|------------|----|----|----|----|----|----|------------------------|----|----|----|----|----|----|---------|----|----|----|----|----|----|
| S | M | T | W | TH | F | S | S | M | T | W | TH | F | S | S | M | T | W | TH | F | S | S | M | T | W | TH | F | S |
| | 1 | 2 | 3 | 4 | 5 | 6 | | | | | 1 | 2 | 3 | | | | | | | 1 | | | 1 | 2 | 3 | 4 | 5 |
| 7 | 8 | 9 | 10 | 11 | 12 | 13 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| 14 | 15 | 16 | 17 | 18 | 19 | 20 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 13 | 14 | 15 | 16 | 17 | 18 | 19 |
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| 28 | 29 | 30 | 31 | | | | 25 | 26 | 27 | 28 | 29 | 30 | | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 27 | 28 | 29 | 30 | | | |
| | | | | | | | | | | | | | | 30 | 31 | | | | | | | | | | | | |
| Week | | | | | | | Objectives | | | | | | | Primary Responsibility | | | | | | | | | | | | | |

9-10

- Underwriters' sales force meeting ("teach in")
- Company presentation to institutional sales force
- Finalize road show presentation schedule
- Company presentation to retail sales force
- Send out red herrings

- UC, CC
- S, U
- S, U
- S, U
- S, U, CC

11-12

- Institutional meetings (Domestic and European)
- Negotiate underwriting agreement
- Agree on final terms of offering
- Price offering, sign underwriting agreement
- Go effective (delivery of comfort letter and CC opinion)
- File final prospectus
- Print and distribute final prospectus
- Closing. Securities delivered and payment is made to the Company minus the underwriters' discounts
- Closing documents exchanged

- S, U
- UC, CC
- S, U
- S, U
- All
- All
- All
- All

[Day before Closing Date]
[Closing Date=
3 days after pricing or next business day] →

Disclaimer

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