



“SPAC”

**Special Purpose
Acquisition Corporation**

EGS
Ellenoff Grossman & Schole LLP



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
- SPAC seeks to leverage the strength and recognition of the management team within an industry or geographic location to secure propriety 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 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 5% of IPO) who have industry expertise
- Structure and Limited Risk
 - Capital held in a trust account pending approval of business combination
 - 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 and leverage initial investment
 - Grants investors voting rights to approve or reject the business combination
 - 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	▪ \$7.50
▪ Warrant Exercise Period	▪ 4 year life from the date of the IPO
▪ Call Provision	▪ \geq \$14.25 for any 20 trading days within a 30 day period
▪ Liquidation Value per Share	▪ \$9.85+



Features

Feature

- **Third Party Escrow**
- **Target Enterprise Value must be 80% of net assets**
- **Shareholder Approval**
- **Management Ownership and Concurrent Investment**
- **Escrow of Insider's Shares**
- **Deal Deadline**

Significance

- **98.5% + of cash held in trust**
- **Ensures that only targets of a minimum size are proposed**
- **Only well-received transactions get approved**
- **Incentivizes management to find and close a deal**
- **Insiders do not participate in a liquidating distribution for interests held prior to IPO**
- **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)



Trends

- Concurrent Private Placement/Sponsor Loan
- AIM SPAC's
- Private SPAC's
- Business Combinations with Simultaneous PIPE's

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													

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| <p>9-10</p> <p>11-12</p> <p>[Day before Closing Date]</p> <p>[Closing Date →</p> <p>3 days after pricing or next business day]</p> | <ul style="list-style-type: none"> ○ 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
 ○ 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 | <ul style="list-style-type: none"> ○ UC, CC ○ S, U ○ S, U ○ S, U ○ S, U, CC
 ○ S, U ○ UC, CC ○ S, U ○ S, U ○ All ○ All ○ All ○ All |
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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
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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
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The Firm has over 20 securities professionals specializing in a range of activities, including:

- PIPEs
- Public Offerings (IPOs and Secondaries) – Including SPACs
- Mergers and Acquisitions
- Exchange Act reporting (Form 10-Ks, 10-Qs and Proxies)
- FINRA (formerly NASD), AMEX, NASDAQ and OTC compliance
- Broker-dealer regulations
- Rule 144 transactions
- Section 16 compliance

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- Joan Adler
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- Kathleen Cerveny



SPAC Practice

Ellenoff Grossman & Schole LLP

During the course of the last two years, Ellenoff Grossman & Schole LLP has been involved at various stages in over 40 proposed SPACs. 17 of those financings were successfully consummated and resulted in the raising of over \$1,500,000,000. We have several others on file with the Securities and Exchange Commission awaiting their road shows and numerous others in the pre-filing preparation stages. At present, we have 20 securities professionals who are engaged in our SPAC practice. Ellenoff Grossman & Schole represented 6 of the issuers listed below and 5 underwriters (Merrill Lynch, Citigroup Capital Markets, Morgan Joseph, Roth Capital Partners, and Maxim Group).

FMG Acquisition Corp.	(\$36,000,000)	Seenergy Maritime Corp.	(\$220,000,000)
Vantage Energy	(\$270,000,000)	Key Hospitality	(\$48,000,000)
Energy Infrastructure Acq. Corp.	(\$202,500,000)	Alpha Security	(\$40,000,000)
HD Partners Acquisition Corp.	(\$150,000,000)	China Growth North	(\$36,000,000)
Boulder Specialty Brands, Inc.	(\$102,086,720)	China Growth South	(\$36,000,000)
Dekania Corp.	(\$97,000,000)	TransTech	(\$36,000,000)
Healthcare Acquisition Corp.	(\$75,200,000)	PinPoint Advance	(\$36,000,000)
Echo Healthcare Acquisition Corp.	(\$50,000,000)	Affinity Media Int'l	(\$18,975,000)



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