By **Tom Zanki**

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Law360 (March 5, 2019, 7:25 PM EST) -- Special purpose acquisition company Tuscan Holdings Corp., represented by Graubard Miller, on Tuesday priced an upsized $240 million initial public offering that will fuel its hunt to acquire a cannabis-related company, while Ellenoff Grossman & Schole LLP advised the underwriters.

New York-based Tuscan sold 24 million units at $10 each, raising $240 million, according to a news release. The final share count was increased from earlier plans to offer 20 million units. Tuscan's deal also provides an underwriters a 45-day option to buy an additional 3.6 million units at the IPO price, which could ultimately raise proceeds to $276 million.

Special purpose acquisition companies, or SPACs, also known as blank check companies, are shell entities that raise money through IPOs in order to acquire a business and take it public. SPACs typically target a particular sector based on the expertise of their management.

Tuscan is led by CEO Stephen Vogel, who has led prior SPACs including Forum Merger Corp., which raised $172.5 million in 2017 and the following year acquired an information technology company that was renamed ConvergeOne. Vogel and Tuscan Chief Financial Officer Ruth Epstein also have experience investing in cannabis companies, the company said.

"Our management believes its understanding of both the broader [mergers and acquisitions] market and of the legal cannabis industry — through direct involvement in investing in and working with cannabis companies — gives us a unique ability to successfully identify, evaluate, price, negotiate and close an attractive acquisition in this industry," Tuscan said in its registration statement filed with the U.S. Securities and Exchange Commission.

Money raised in blank-check IPOs goes into a trust, where the funds are set aside for potential acquisitions. Tuscan said it plans to find a target within 21 months, otherwise investors are promised their money back.

Tuscan told regulators that it believes cannabis companies are undercapitalized and rely heavily on private money from friends and family, as institutional investors shy away from the industry. Tuscan said it will consider acquiring domestic and international businesses that provide ancillary services to cannabis companies as well as those that directly cultivate the plant.

Tuscan also acknowledged certain risks with investing in cannabis, which remains a controlled substance under U.S. federal law despite being legal for medical and recreational purposes in many states. Tuscan noted that the cannabis industry is "extremely speculative and its legality is uncertain."

"Changes in the current policies of the Trump administration and the Department of Justice resulting in heightened enforcement of federal cannabis laws may negatively impact our ability to pursue our prospective business operations and/or generate revenues," Tuscan said in its registration statement.

Tuscan's units will trade on the Nasdaq. Each unit consists of one share of Tuscan stock, plus one warrant entitling the shareholder to purchase additional shares at $11.50 each.

Tuscan is going public amid a wave of blank check companies, which are forming a steady niche in the IPO market. SPACs have generated about 20 percent of all IPOs in the past two years.

EarlyBirdCapital Inc. was the lead underwriter on the IPO. I-Bankers Securities Inc. also worked on the deal.

Tuscan is respresented by a Graubard Miller team led by partners David Alan Miller and Jeffrey Gallant.

The underwriters are represented by an Ellenoff Grossman team led by partners Douglas Ellenoff and Stuart Neuhauser.

--Editing by Alanna Weissman.