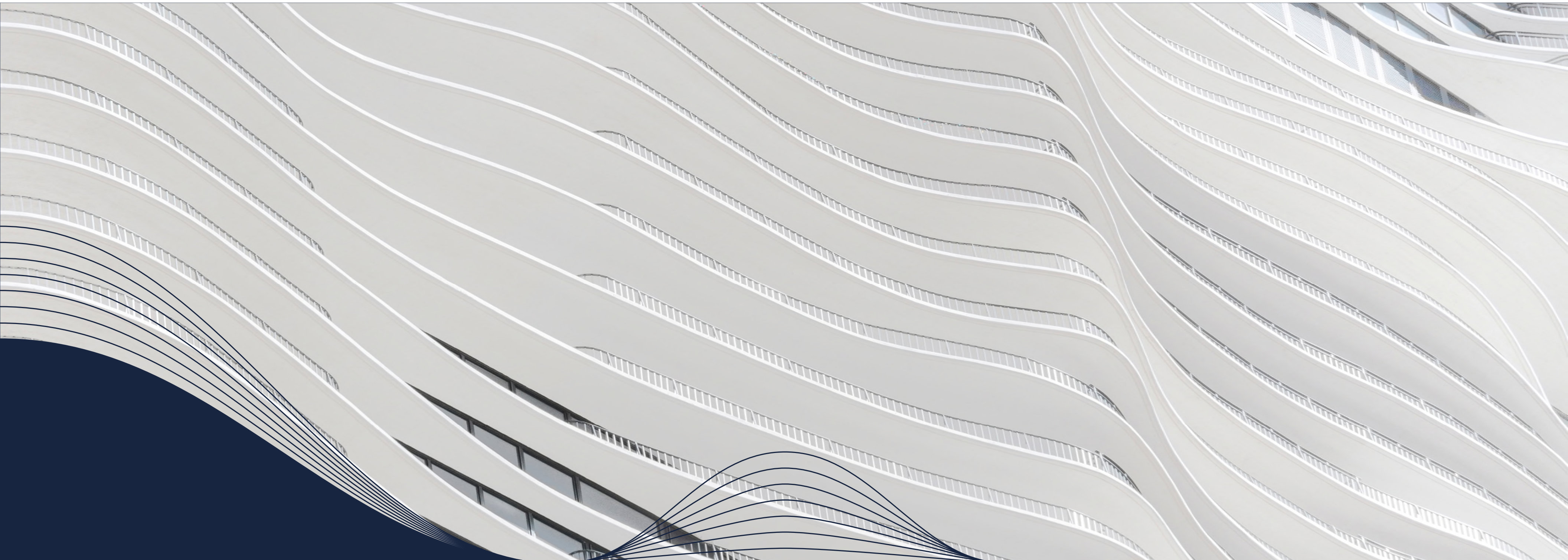


SPAC Overview

Jeffrey C. Selman

October 6, 2020

DLA PIPER

Special Purpose Acquisition Company (SPAC) Overview

Sponsors Form SPAC

- SPAC sponsor forms a **private** shell company and engages legal counsel to begin the IPO
- Sponsor has the ability to draft and **confidentially** file its S-1 with the SEC in as few as 2 weeks from its formation
- Upon clearing SEC Comments (typically 30-60 days) the sponsor can **publicly** re-file its S-1 Registration Statement

SPAC IPO

- Post a 15 day “quiet period,” the SPAC launches its 5-7 day roadshow
- The SPAC is declared “effective” by the SEC and begins to publicly trade on the NYSE or NASDAQ

Acquisition Search

- The **publicly** traded SPAC sponsor begins to source, diligence, structure and close its acquisition
- IPO proceeds remain in the trust account for the duration of the search
- The sponsor typically has between 18-24 months to find an acquisition

Proxy Period

- Once a target is identified and a business combination is agreed upon, details of the transaction are publicly filed and announced
- Existing shareholders will vote on the merger, and a majority of shareholders are required to approve a transaction
- A proxy will be filed with the SEC, during which time the Sponsor and target conduct an extensive roadshow

“De-SPAC” Completed

- 3-6 months post announcement and pending shareholder approval, the transaction can close
- Upon closing, the SPAC structure disappears, and the acquired business continues its existence as a publicly-traded company on the NYSE / NASDAQ

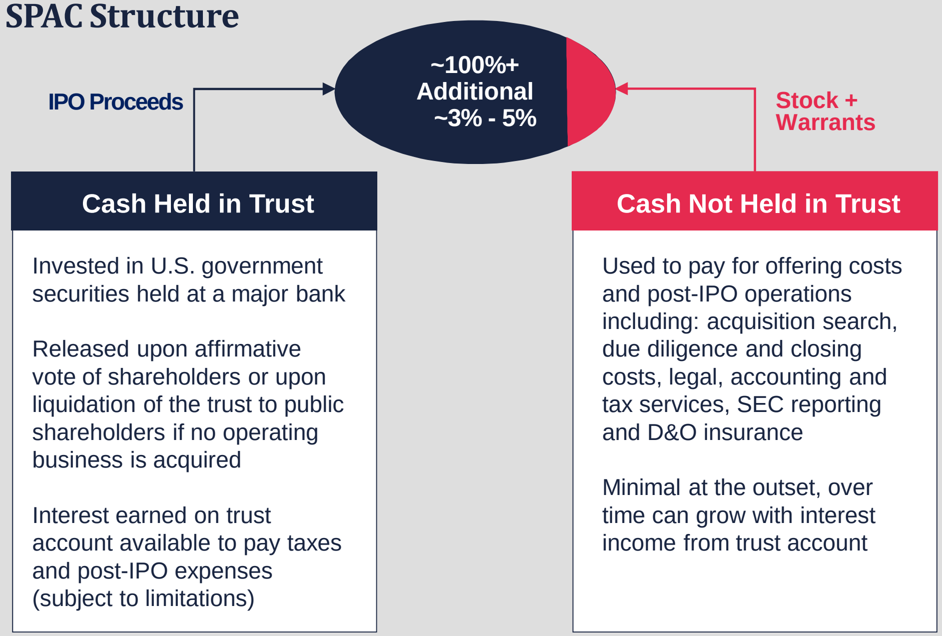
- A SPAC is a publicly listed acquisition vehicle, whereby a sponsor raises a blind pool of capital with the specific purpose of acquiring a private operating business.
- The sponsor’s role is to generate value for its shareholders and partners, by sourcing, structuring, and transacting at an attractive price.
- Following the completion of the business combination, the SPAC structure effectively falls away, and the entity continues to trade and operate as a traditional public company.

What Is a SPAC?

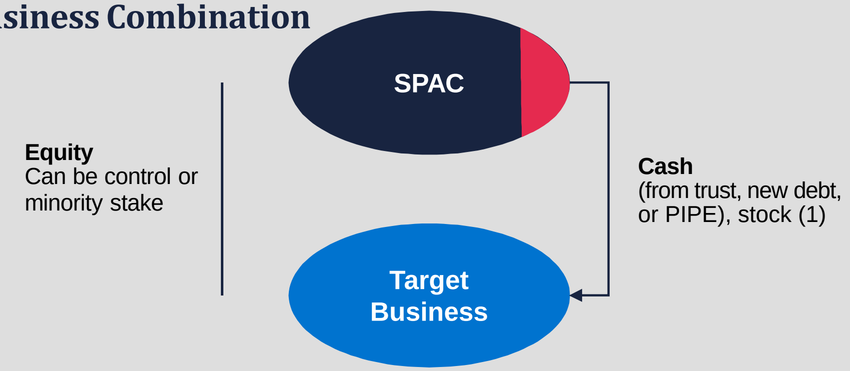
Overview of a SPAC Transaction

- SPACs are publicly-traded vehicles formed to raise “blind pool” capital for the purpose of acquiring a single, public-market ready operating business
- Investors effectively park their capital for up to 2 years in exchange for downside protection (redemption rights) and additional upside (fractional warrants)
- In return for sourcing the deal, negotiating the transaction, bringing the company public, and potentially providing ongoing expertise, the SPAC sponsor earns promote, which can amount to up to ~20% of the total capital raised at IPO
- To fund the IPO expenses and working capital, the SPAC sponsor purchases additional private placement warrants for proceeds representing 2.5% to 6% of the offering, depending on the IPO size
- A successful SPAC transaction can be a lucrative opportunity for a sponsor who gains equity in the pro forma business (via the promote), additional upside (private placement warrants) and potential governance rights in the operating company
- However, key risks to the SPAC sponsor include opportunity cost, reputational risk and the loss of at-risk capital in the case of a liquidation or a sub-optimal deal that causes the economic benefits of the SPAC to deteriorate

SPAC Structure



Business Combination



Notes:
1. Stock considerations enables SPAC to acquire targets much larger than the amount in trust

SPAC Participants

	SPAC Sponsors	SPAC IPO Buyers	Seller of the Asset	Post SPAC Investor
Key Participants	• Former executives with deep sector expertise and public market experience • Private Equity/Banking professionals who understand capital raising and M&A structure and process • Financial institutions including private equity firms and hedge funds • Investors skilled at identifying undervalued companies in overlooked sectors	• Arbitrage hedge funds interested in value of the warrants and ability of management to close a transaction • Sector dedicated institutional funds looking for underappreciated companies in their space • Yield focused funds interested in downside protected investments • Founders' "friends and family"	• Company, financial sponsor or other shareholders seeking exit or valuation mark • Company seeking to raise equity capital/IPO	• Fundamental investors, mutual funds, hedge funds and retail investors looking for attractive public equity investment
What is Their Investment?	• Initial at-risk investment equal to ~3-5% of public offering size	• Purchase units in IPO for $10.00	• N/A (transaction expenses)	• Amount of shares bought in open market
Return on Investment	• Warrants or units via initial at-risk investment • Automatic base promote of ~20% of shares outstanding	• 1 share at $10.00 • Warrant struck at $11.50 • Voting rights • Redemption rights at acquisition • Downside protection until acquisition is consummated • After-tax interest income accrued on cash in trust	• Cash and/or equity consideration • Potential contingent consideration/earnout • Opportunity for upside through rollover equity	• Ability to buy share at prevailing price
Motivation	• Consummate the deal within 18 – 24 months • Maximize IRR on sponsor investment	• Maximize return by selecting teams who will provide greatest potential warrant value in shortest term	• Additional capital • Liquidity for founders/investors • Access to public markets	• Establish equity position at attractive value with upside after accounting for founder dilution and warrant overhang

SPAC Considerations

What Opportunities Should a SPAC be Used For?

What Is a SPAC Used For?	What Is a SPAC Not Used For?
• Businesses that will trade on operating metrics • Public-ready corporate entity • Companies that can benefit from SPAC dynamics • Businesses that are not a fit for private equity whether due to size, cash flow, or other aspects	• Companies with a clear path to a traditional IPO • Businesses that will trade on NAV (real estate) • Single investments subject to '40 Act restrictions • Private equity opportunities

Key Benefits of a SPAC Merger

- Ability to access public market investors today in differentiated form, thereby de-risking the public market debut
- Potential to raise additional cash/monetize vs. a regular-way IPO, or combination of cash & equity (including secondary if needed)
- Certain SPAC sponsors may add value and operational expertise which in turn can support valuation
- A more intimate and detailed marketing process, combined with ability to show up to 3 years of projections, can lead to better investor engagement
- Highly targeted PIPE process marketed only to select long-term partners, creating a more mature shareholder register and stabilizing aftermarket trading
- PIPE process also gives fundamental IPO investors ability to buy larger positions vs. in an IPO

SPAC Considerations

Criteria for Evaluating Whether a SPAC is the Right Opportunity

- Companies with a tough IPO story (*e.g.*, slow growth, high leverage, etc.) but could have public market success post-IPO
- Companies that could benefit from premier management expertise
- Companies where the sponsor/owner has experienced a failed IPO or sale process
- Companies where ownership group has different monetization objectives
- Companies where sponsor/owner wants to sell larger percentage than an IPO may support
- Companies with at least one directly relevant public comparable
- Companies having been held for a meaningful period (*e.g.*, greater than 4 years)

De-SPAC Process

Identification, negotiation and documentation (1-2 months) → Announce merger → **Regulatory review and Marketing (2–4 months)** → Mail final proxy → **Shareholder approval and close (1-month)**

- Select financial advisor
- Identify SPAC
- Detailed due diligence
- Preliminary term sheet
- Merger agreement
- Draft investor presentation
- Draft company disclosure
- Investor wall cross/PIPE, as necessary

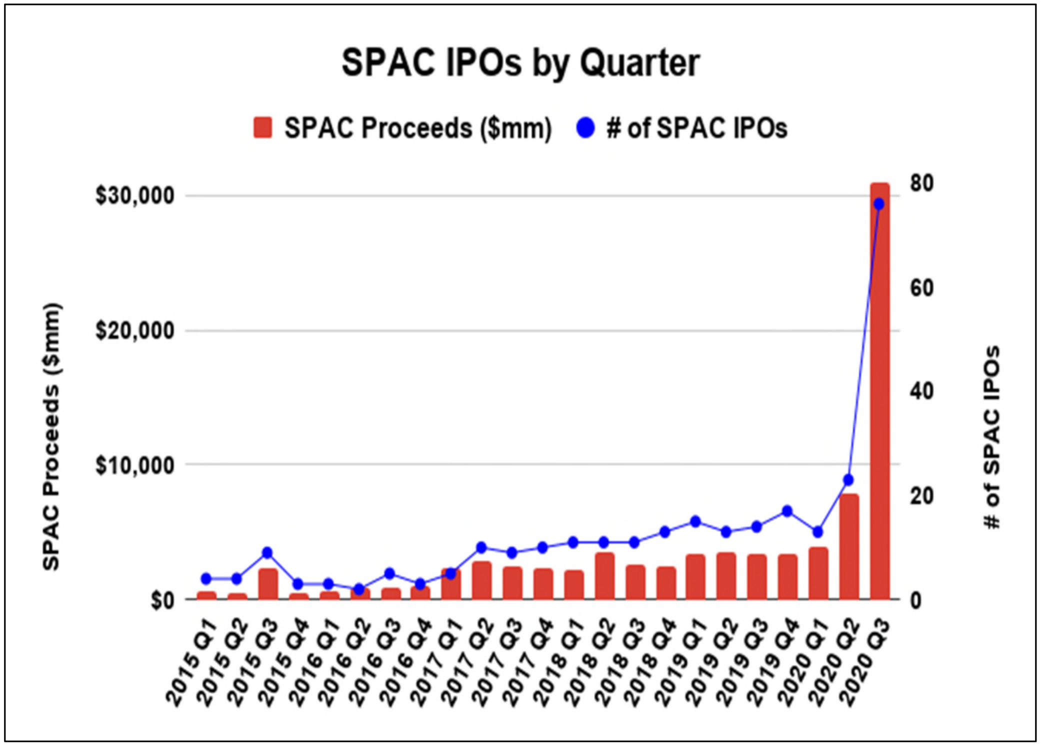
- Draft proxy and audited financials
- File preliminary proxy statement
- SEC review and comments
- File definitive proxy statement
- Announce PIPE (if relevant)
- Investor outreach

- SPAC shareholder vote
- SPAC redemption vote
- Closing
- File closing 8-K

Trends & Analytics

Record Number of SPAC IPOs in Q3 2020

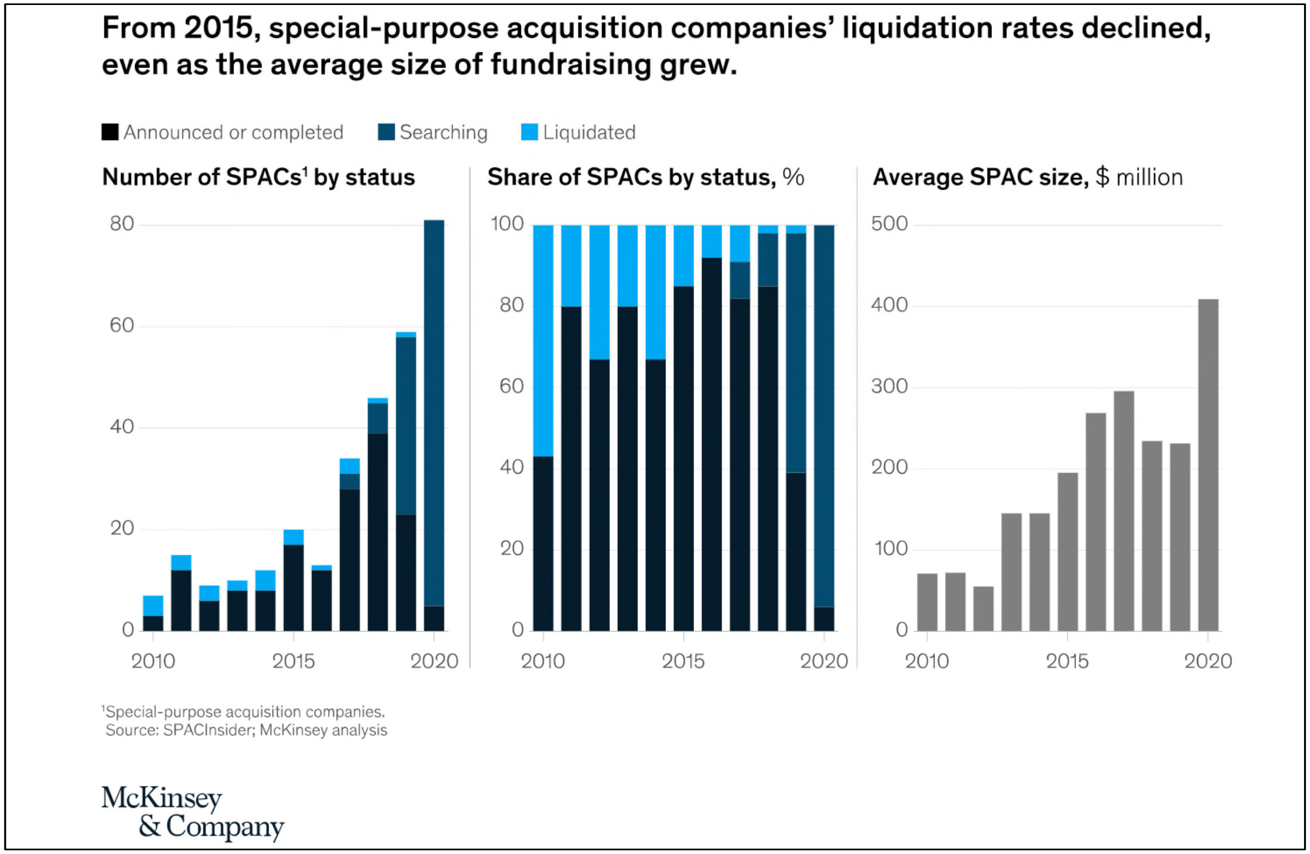
- 2019 was record year with 59 SPAC IPOs
- 2020 will far exceed 2019
  - Q1 – 13
  - Q2 – 24
  - Q3 – 83
  - Q4 – 7
- 60 SPACs publicly filed waiting to price



SPAC Research (September 28, 2020)

Trends & Analytics

Declining SPAC Liquidation Rates



(September 23, 2020)

Trends & Analytics

Recent SPAC Business Combinations

NOMURA

SPAC M&A Summary

15 Most Recent SPAC M&A Announcements and Closings [1]

SPAC		Target		SPAC IPO		Business Combination		Days		Unit Price Performance Since IPO (% Change) [3]				Current Unit Price [3]
Name	Ticker	Name	Ticker	Trust Start Date	Gross Size ($m)	Announce Date	Approval Date [2]	IPO to Announce	Announce to Close	M&A Announce	M&A Close	Closing +1 Month	Current	
Oaktree	OAC	Hims	-	7/17/19	$201	10/1/20	TBD	442	-	31.5%	-	-	28.0%	$12.80
Novus	NOVS	AppHarvest	-	5/15/20	$100	9/29/20	TBD	137	-	54.3%	-	-	41.9%	$14.19
Sw itchback Energy	SBE	ChargePoint	-	7/25/19	$300	9/24/20	TBD	427	-	63.0%	-	-	99.6%	$19.96
Gores IV	GHIV	United Wholesale Mortgage	-	1/23/20	$425	9/24/20	TBD	245	-	19.9%	-	-	17.1%	$11.71
AMCI	AMCI	Fuel Cell Technology Company (LOI)	-	11/15/18	$221	9/22/20	TBD	677	-	5.8%	-	-	10.4%	$11.04
Pivotal II	PIC	XL Fleet	-	7/11/19	$230	9/18/20	TBD	435	-	58.6%	-	-	40.5%	$14.05
Social Capital Hedosophia II	IPOB	Opendoor	-	4/27/20	$414	9/15/20	TBD	141	-	129.7%	-	-	136.1%	$23.61
Conyers Park II	CPAA	Advantage Solutions	-	7/17/19	$450	9/8/20	TBD	419	-	21.8%	-	-	16.0%	$11.60
Kensington Capital	KCAC	QuantumScape	-	6/26/20	$230	9/3/20	TBD	69	-	142.6%	-	-	102.0%	$20.20
Flying Eagle	FEAC	Skillz	-	3/5/20	$690	9/2/20	TBD	181	-	83.9%	-	-	63.0%	$16.30
Graf Industrial	GRAF	Velodyne Lidar	VLDR	10/15/18	$244	7/2/20	9/30/20	626	90	144.7%	135.8%	-	110.3%	$21.03
Tortoise	SHLL	Hyliion	HYLN	2/27/19	$233	6/19/20	9/28/20	478	101	80.9%	619.9%	-	484.2%	$58.42
Collier Creek	CCH	Utz Quality Foods	UTZ	10/4/18	$440	6/5/20	8/28/20	610	84	63.0%	112.9%	128.6%	146.6%	$24.66
Far Point	FPAC	Global Blue	GB	6/14/18	$633	1/16/20	8/25/20	581	222	38.0%	29.3%	(26.5%)	(19.6%)	$8.04
Pure	PACQ	HighPeak Energy	HPK	4/17/18	$414	5/4/20	8/24/20	748	112	15.1%	(24.0%)	(20.8%)	(22.1%)	$7.79
		High			**$690**			**748**	**222**	**144.7%**	**619.9%**	**128.6%**	**484.2%**	**$58.42**
		Median			**$300**			**435**	**101**	**58.6%**	**112.9%**	**(20.8%)**	**41.9%**	**$14.19**
		Low			**$100**			**69**	**84**	**5.8%**	**(24.0%)**	**(26.5%)**	**(22.1%)**	**$7.79**

Source: Bloomberg and SPAC Research as of October 2, 2020.
Note: Shading indicates changes for the week ended October 2, 2020.

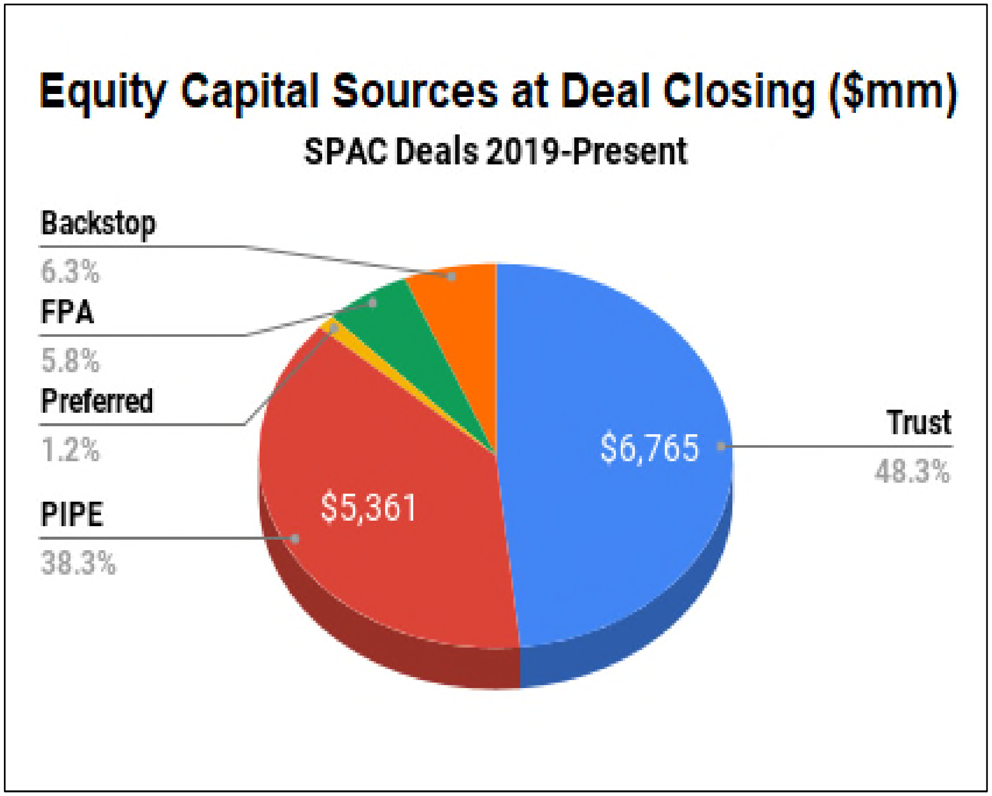
1. *Includes the most recent SPACs with IPO value of at least $75m that have announced or closed business combinations.*
2. *Closing date of the business combination or the first date with available trading price post closing of the business combination.*
3. *Unit price calculated as the sum of the warrant and common stock trading prices.*

(October 5, 2020)

Trends & Analytics

Use of PIPEs at Closing of Business Combination

- Various mechanisms for bringing capital into closing in addition to trust account proceeds
  - Includes PIPEs, Forward Purchase Arrangements and Backstops
  - Trend towards concurrent usage of PIPEs

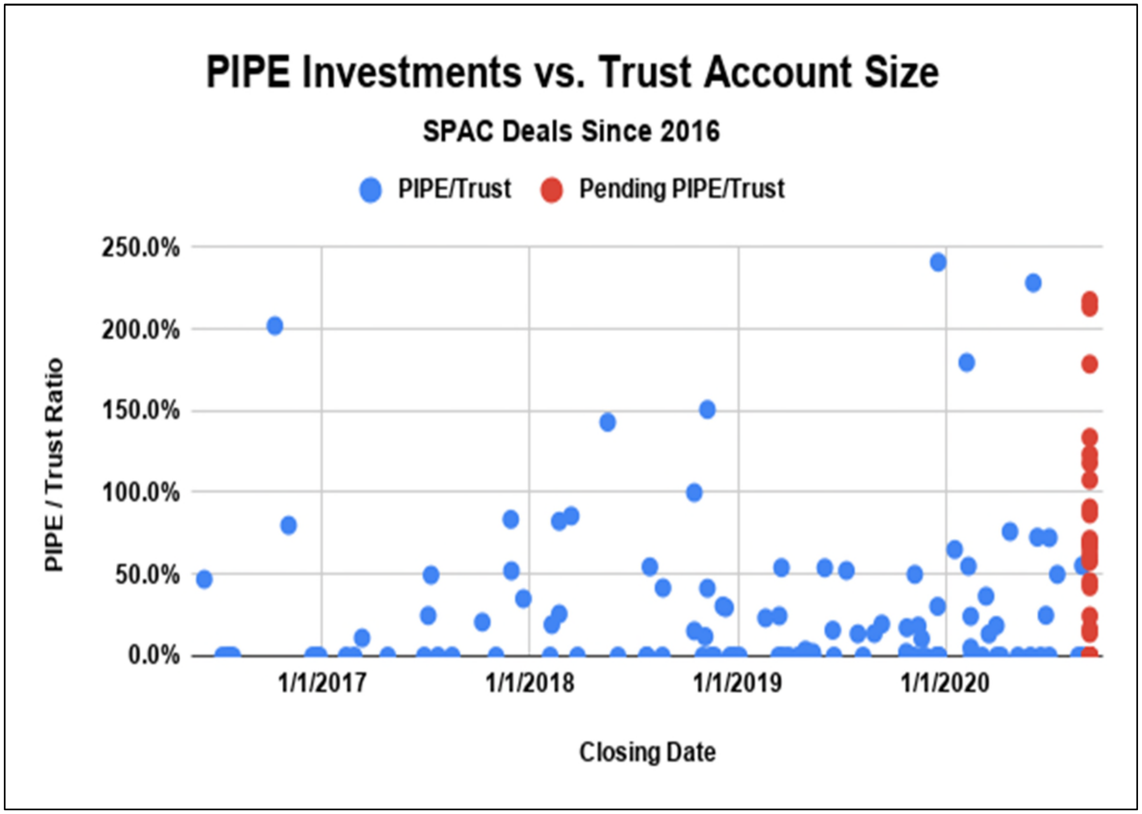


SPAC Research (September 14, 2020)

Trends & Analytics

PIPE Size Relative to SPAC Trust Account

- Trend in 2020 to have larger PIPEs, including in excess of amount in trust account

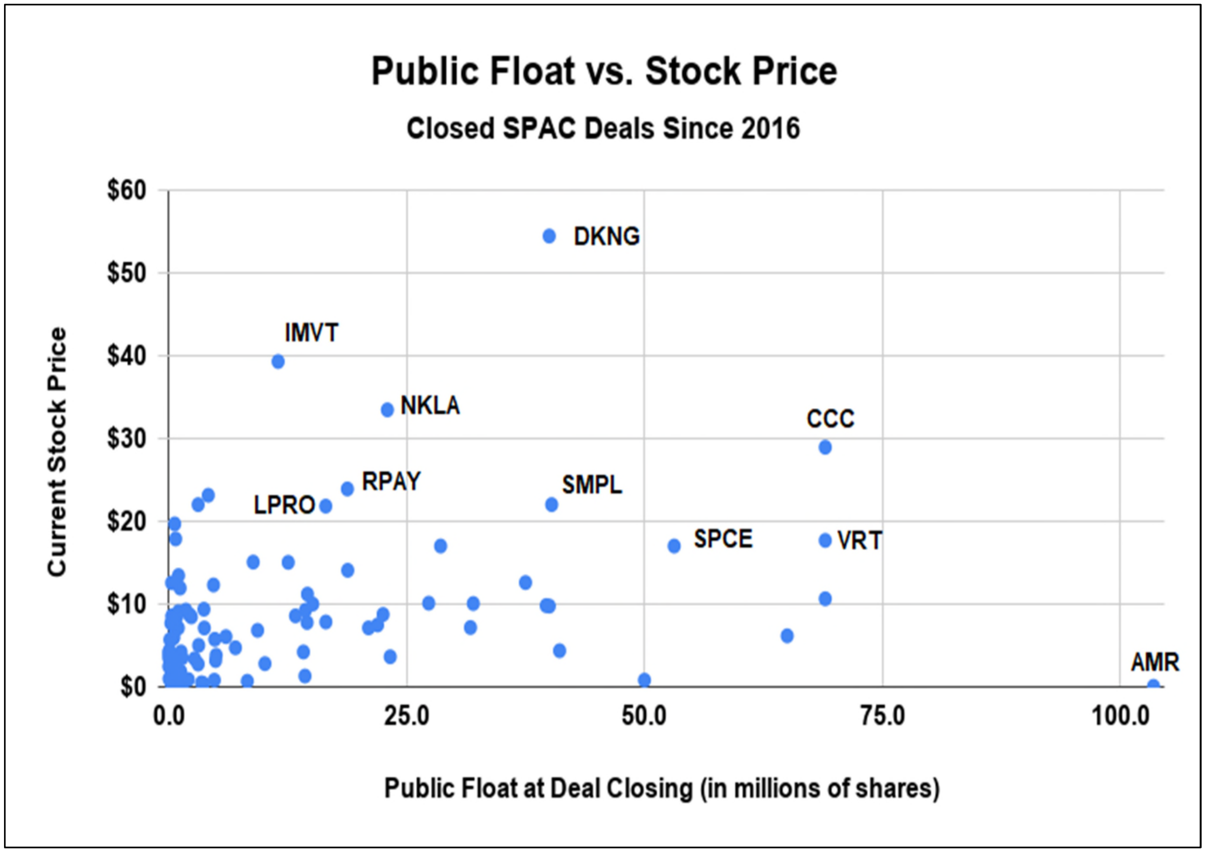


SPAC Research (September 14, 2020)

Trends & Analytics

Post-Closing Performance

- Measured against public float representing non-redeemed shares



SPAC Research (September 21, 2020)

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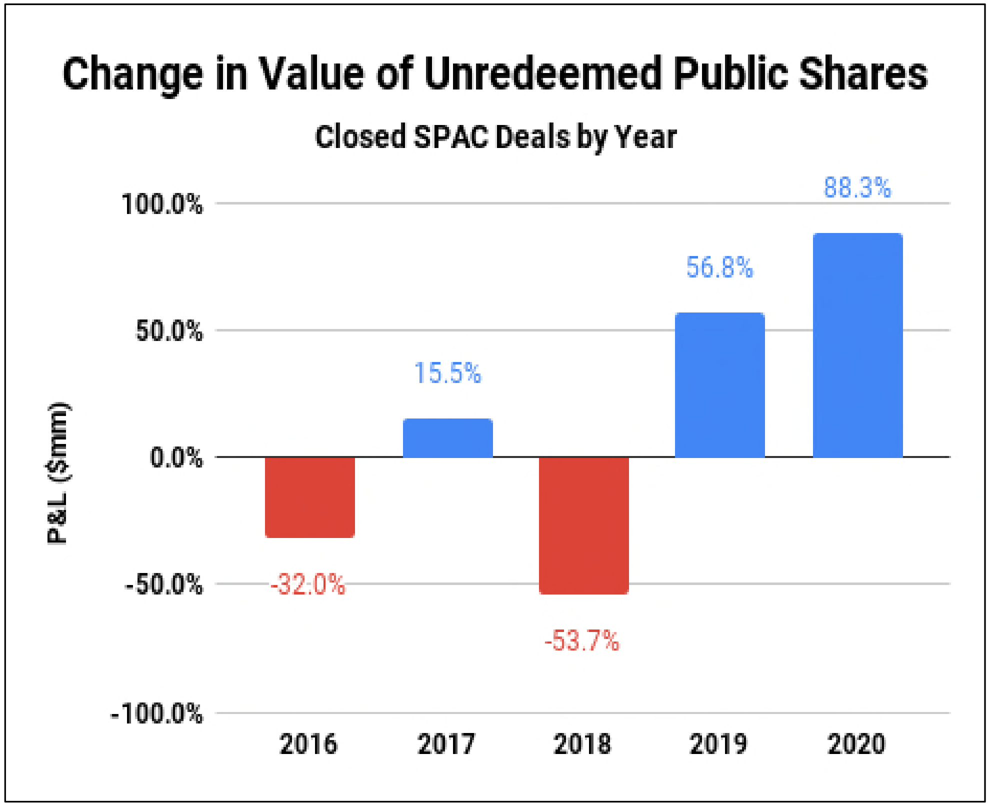
Post-Closing Performance (Cont.)

- Improving returns as better deals come to market

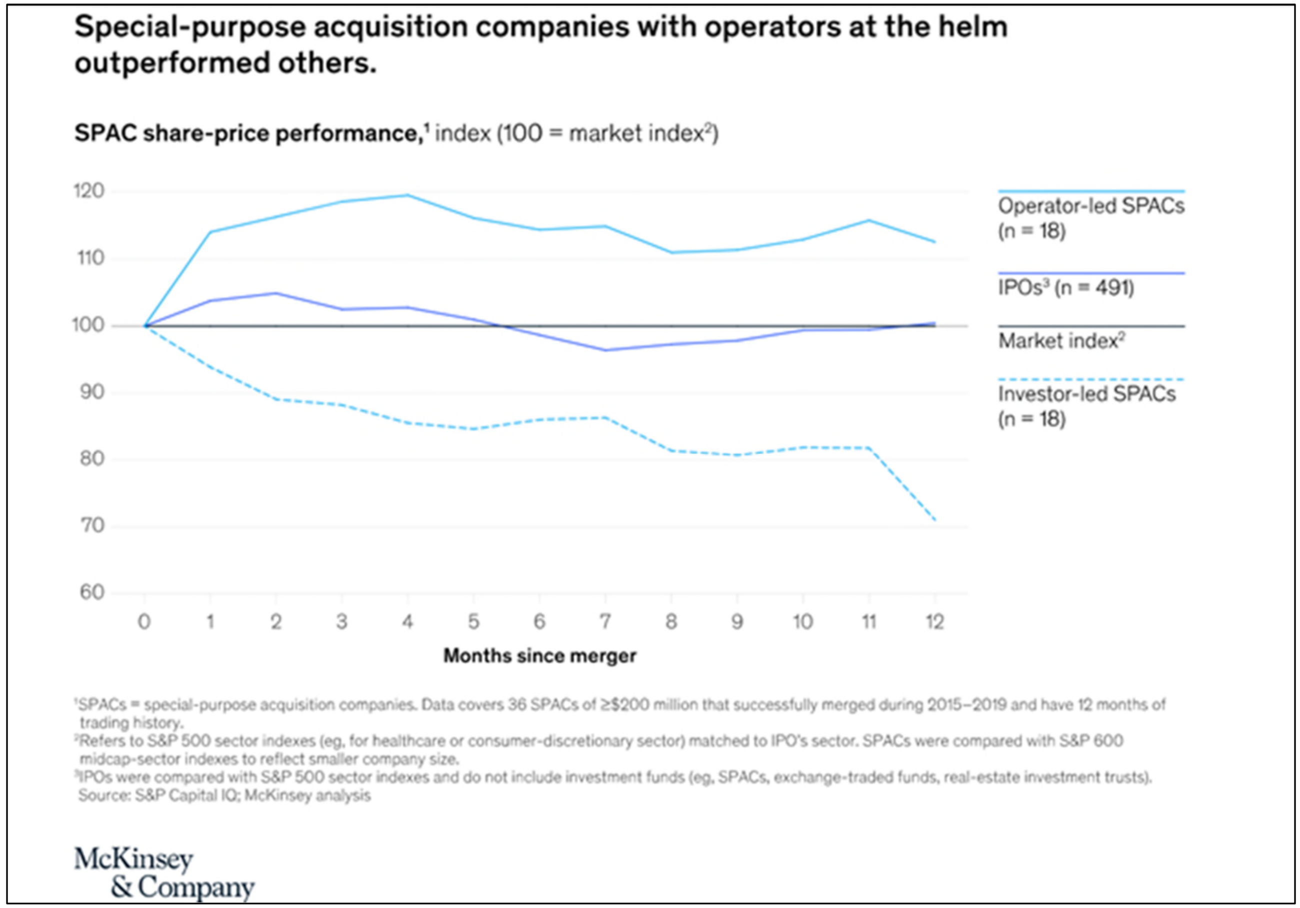


SPAC Research (September 21, 2020)

Trends & Analytics

Operator-Led SPACs Enhancing Performance

- Indications are that sector focus and increased post-combination involvement lead to better returns compared to general, investor-led SPACs

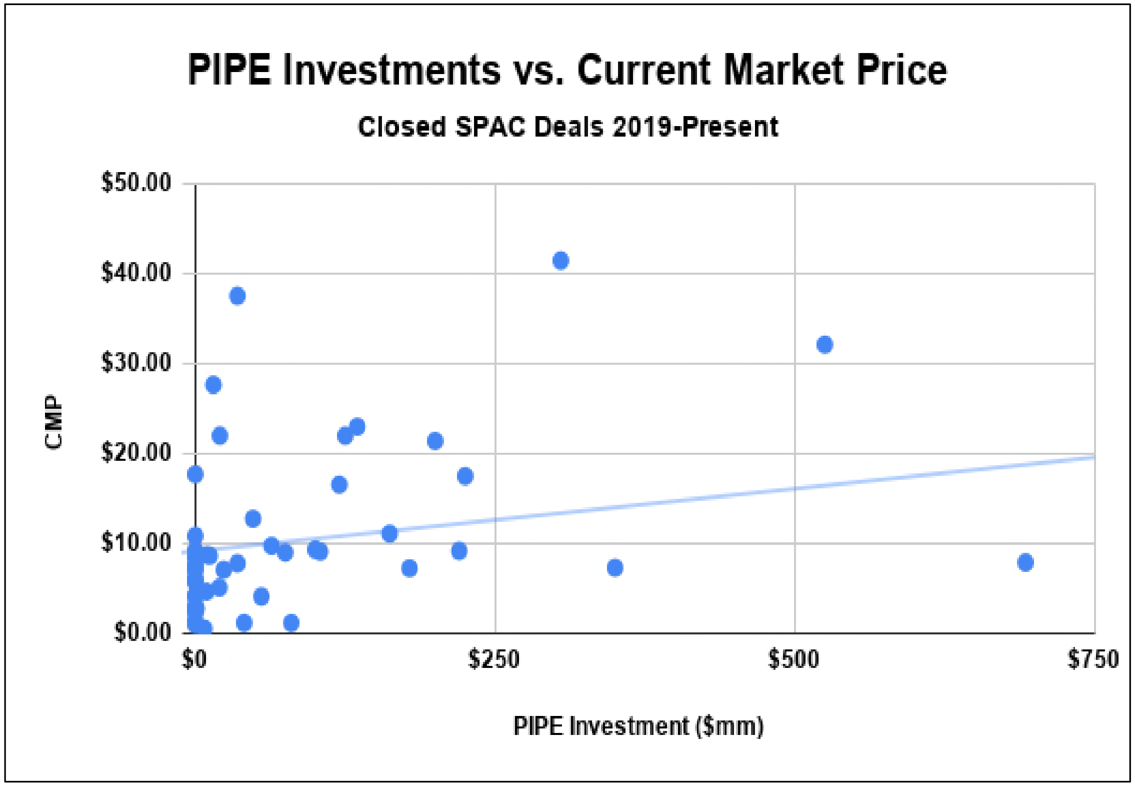


(September 23, 2020)

Trends & Analytics

Impact of PIPEs on Performance

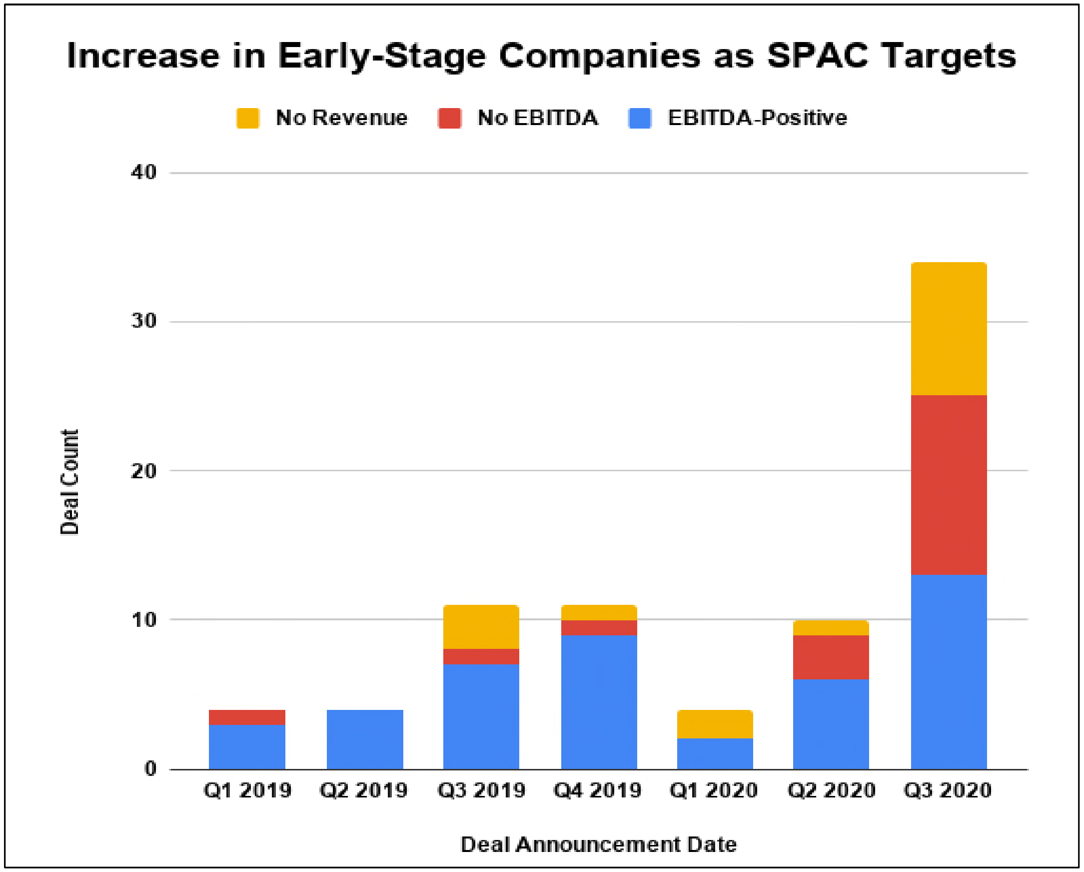
- Larger PIPEs tend to be associated with better post-combination performance



SPAC Research (September 14, 2020)

Trends & Analytics

Shift Towards Venture Capital-Style Deal Flow



SPAC Research (October 5, 2020)

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Jeffrey C. Selman represents emerging and middle-market public and private technology and life sciences companies and investors on their formation, equity and debt financing, mergers and acquisitions, licensing, restructurings, board and management issues, and general corporate and commercial transactional matters. He has particular experience advising on the creation and funding of special purpose acquisition companies (SPACs), as well as advising on the use of SPACs as a means of taking companies public.

He has represented companies in a wide range of industries, including software, social networking, mobile device applications, interactive gaming and entertainment, media, semiconductor, network equipment, biotech, medical devices, geothermal, solar, battery, energy storage, metals and emerging automotive technology.

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