Special Purpose Acquisition Companies - From Start To Merger

THE MILESTONES OF A SPAC

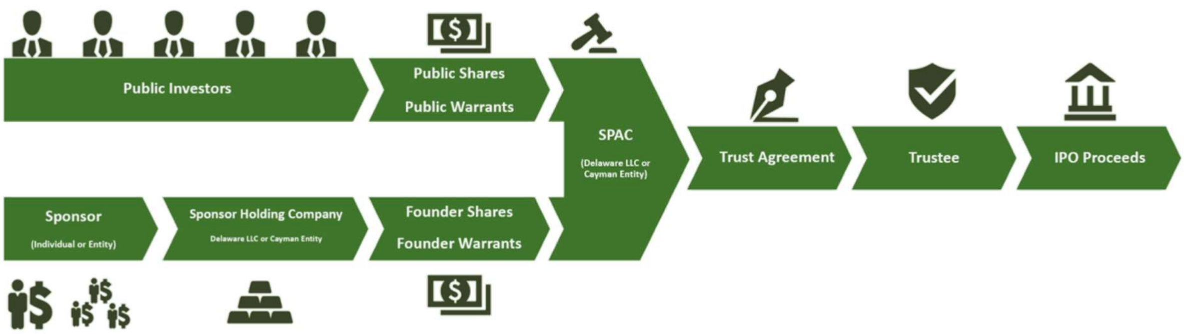
A Special Purpose Acquisition Company is a **new company going public (IPO) to raise capital** from institutional investors to fund an acquisition. The acquired company should have an enterprise value of 2 to 4 times of the SPACs capital after the IPO (**leveraged buy-out**). The SPAC should acquire a significant majority of the company taken over. A complete transfer of shares by a merger is preferred although, other forms of a business combinations is possible, e.g. as holding company or a joint venture. The acquisition could be compensated in cash, debt or (issuing new) shares of the SPAC.

PRE-IPO

The process is governed by the SPAC management team in accordance with the company's shareholders. **No cash compensation** is paid to the management team, but they are rewarded with initial shares of the SPAC before the IPO – so called Founder Shares. These executives should have a positive track record in public listed companies and be experienced in M&A as well as in the targeted industry.

The process is started by engaging securities counsel, the investment bankers, consultants and the public company accountants. This **process is initiated by the Sponsors,** who finance approx. USD $750,000 for the costs of going public and provide the company with seed capital of usually 5% of the expected IPO proceeds. Approximately one-half of the expenses are for the advisors and for the listing of the company on the stock exchange, with the remaining expenses taken out of the IPO proceeds. The 5% **capital invested by the sponsors is held in a trust account,** which is subject to the provisions of the securities prospectus ("S-1").

In return for their investment, **Sponsors typically receive as much as 25% of the Founder Shares and one warrant** for each dollar invested; the exercise price for one warrant is usually USD $11.50. Founder Shares comprise 20% of the fully diluted shares of common stock after the IPO.



Structure of a SPAC pre-IPO

AFTER THE IPO ("DE-SPACING")

After the IPO, the proceeds are paid into the trust account. There are **deductions from the total amount** in the trust account: the investment bank receives a standard 2.5% fee out of this amount for the underwriting. Some of the sponsor capital is held in trust in addition to the 100% of the IPO proceeds. A typical SPAC may have 102% in trust which comprises the IPO proceeds plus 2/5th of the sponsor capital. An **acquisition budget** is usually created from the remaining sponsor capital not held in trust.

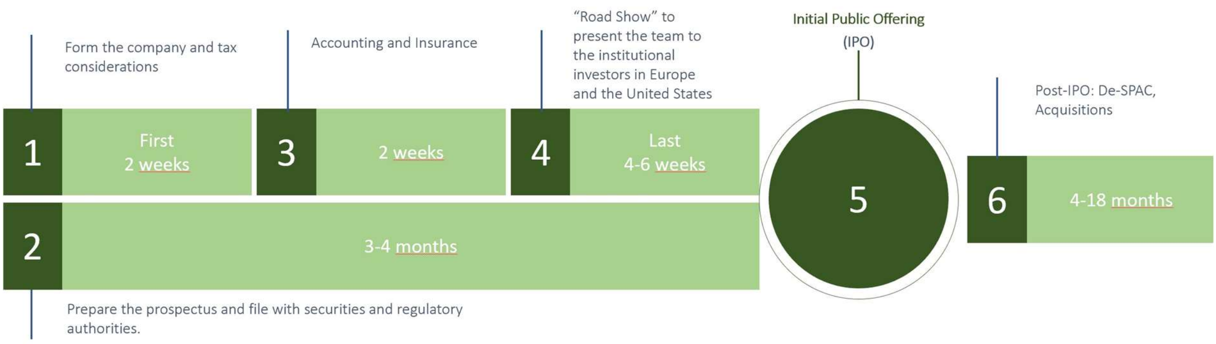
SPACs are typically structure to allow the team **18 months** from the day of the IPO **to complete the acquisition**, including identifying the targeted company, negotiations, due diligence, etc. An extension of this timespan depends on a shareholder vote. SEC regulations rule out any time longer than 36 months. If the SPAC has not completed a business combination or acquisition within the given time, **the capital in trust is returned** to the participating investors.

Once the acquisition negotiations have been successfully concluded, the SPAC will make an offer to its shareholders: It is common to offer the shareholders to **approve the intended business combination, or to buy back their shares**. Having said so, shareholders will prefer to keep the shares and approve the business combination once this appears lucrative. To market this proposed transaction, a second road show is held to present the acquisition plan to the shareholders and a selected group of institutional investors. In some SPACs a backstop is structured to **provide backup financing** in case some of the shareholders decide to redeem their shares.

After the business combination, the acquired or merged company becomes a fully operational and **listed company.**

At that time the underwriting investment bank receives another 3.5% in fees out of the IPO proceeds, for a total fee of 6%.

Owners of the **Founder Shares are restricted from trading** their Founder Shares for a period of one year after the business combination. However, this restriction may be waived if the value of the shares after the business combination is 20% above the offering price on 20 consecutive trading days.



Timeline

OUR ROLE DURING A SPAC

Celtic Asset & Equity Partners is a unique consulting firm specialized in Special Purpose Acquisition Companies. We have built a reliable network with the top investment bankers as well as the top securities law firm in New York. This team along with our accounting partners are recognized as the leading players in the SPAC space on Wall Street.

We are not engaged by our clients, we partner with them. We are cofounders of each SPAC.

Our contributions of expertise, experience and effort are compensated in Founder Shares. **In this way we are partners with our clients in the success of the SPAC.**

Celtic brings together the right people on Wall Street who have the best track-record in creating and underwriting SPACs. From the beginning, we structure a deal with our client to eliminate risks and expenses while **adding value to the deal** with experienced management consultants and advisors.

WHAT WE DO:

- We **coordinate** all of the involved parties and secure their communication.
- We **evaluate** a proposed SPAC and its potential targets to optimize a timely acquisition.
- We **negotiate** with the relevant parties to achieve the best outcome for the SPAC.
- We **provide experienced executives** who have been recognized as professionals in the financial markets

MORE INFORMATION

If you are interested in obtaining more information about Special Purpose Acquisition Companies, feel free to contact Alexander V. Schinzing (+49 170 7054111) at our German office

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