



The SPAC Sponsor Handbook

2021

By ClearThink Capital
clearthink.capital

This guide is intended to provide preliminary guidance to persons and entities interested in becoming **sponsors of, or otherwise investigating the sponsorship of**, one or more SPACs (as hereinafter defined).

In the current market environment, SPAC sponsorship represents an unprecedented opportunity for a qualified sponsor team to access capital and engage in the acquisition of established companies in the sector or sectors in which the sponsor team has expertise and experience.

According to one investment banker with which our clients have engaged, there is no more rapid way to accumulate wealth than through the sponsorship of a SPAC.



Our Expertise

Our Expertise

ClearThink Capital's experience and expertise in SPACs spans thirty years and numerous transactions.

ClearThink and its principals have advised multiple sponsor teams and potential sponsor teams through the labyrinth of decisions, regulations, structures, and professionals, as well as represent target companies in executing their business combinations with SPACs.

One of our principals worked on the first SPAC and negotiated the structure and related rules with the SEC in 1991 and 1992.

SPAC's are highly complicated entities and proper guidance is a gating factor to successfully completing a SPAC IPO

More than

30

Years of SPAC experience

Worked on the

1st

SPAC and negotiated the structure and related rules with the SEC

What is
a SPAC?

What is a SPAC?

Special Purpose Acquisition Companies (“SPACs”) are companies formed to raise capital in an initial public offering (“IPO”) with the purpose of using the proceeds to acquire one or more unspecified businesses or assets to be identified after the IPO (irrespective of form, a “Business Combination”).

SPACs have only a limited period during which they may consummate a Business Combination, generally not exceeding 24 months. A SPAC generally focuses upon one industry or sector, but may maintain flexibility to engage in transactions in other industries or sectors if necessary or appropriate.

Fully Registered Initial Public Offering

Publicly listed, liquid vehicle

Trust Account

IPO proceeds held in trust and generally invested in liquid short-term instruments. Stockholders may redeem shares for cash if they don't find a business combination compelling, or if sponsors fail to identify a target

Sponsor Risk Capital

Sponsor funds vehicle to cover expenses and show commitment to SPAC

Warrants

Provide upside optionality and yield to investors

Sponsor Promote

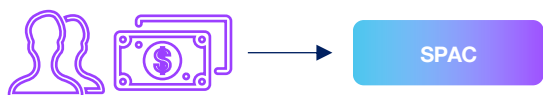
Provides attractive upside to sponsors upon successful completion of business combination. Lock-up and vesting tied to share performance align interests

SPAC Deadline

Sponsors have a finite period of time to complete a business combination, giving investors visibility on annualized yield. Once a business combination closes, the entity becomes an operating public company



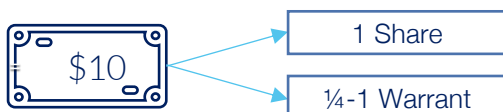
What is a SPAC?



1 Investor invests in SPAC at IPO at \$10/unit.



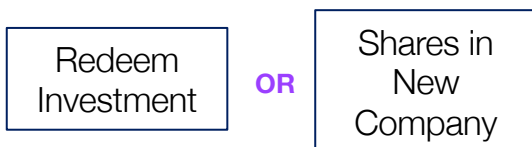
2 The proceeds of the IPO are held in trust and invested in treasuries



3 For the \$10 investment, each investor receives one share valued at \$10, and $\frac{1}{4}$ -1 warrant to purchase a share at \$11.50



4 Once the SPAC goes public, it tries to find a target company to acquire and bring public



5 If the SPAC finds a target company to acquire, each investor can vote to get their \$10 back plus interest, or get shares in the new company



6 If the SPAC does not find a target company to acquire, the investors get their \$10 back plus interest



What is Sponsorship?

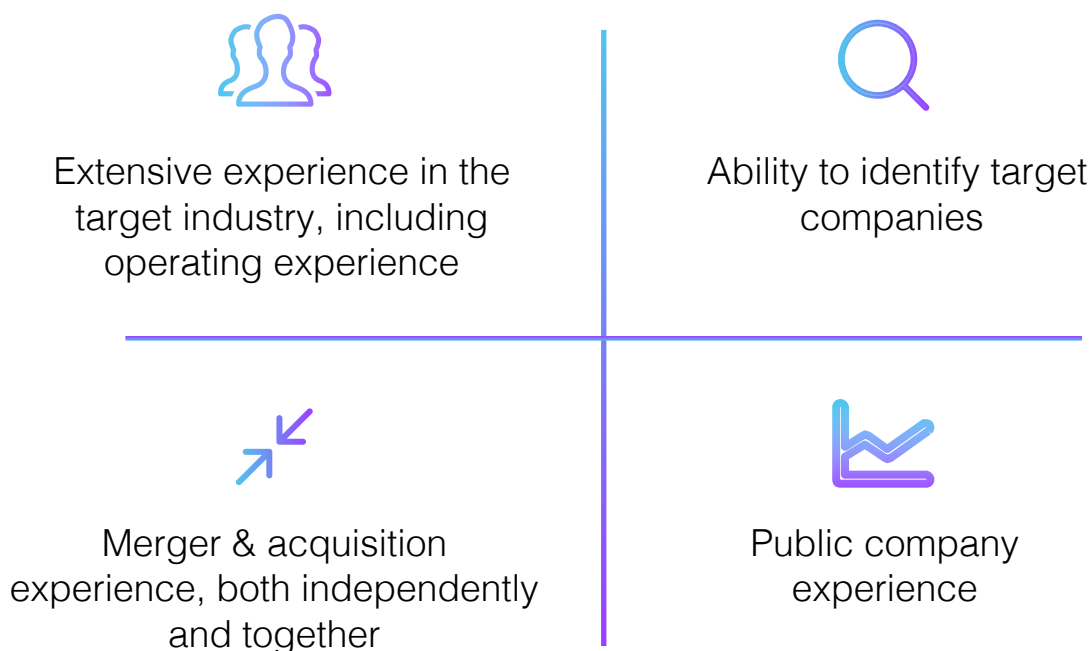
Sponsorship

Sponsorship entails providing the most high risk capital to the formation and operation of the SPAC and, in most cases, after the IPO, providing the management team to the SPAC.

Characteristically, the sponsor capital is utilized to:

- Retain the lead or managing underwriter, auditors, counsel, other advisors, such as ClearThink Capital LLC, as capital markets advisor
- Fund the SPAC initial public offering roadshow
- Provide the working capital necessary to identify and diligence target companies for a Business Combination
- Pay the ongoing compliance and professional and other fees with respect to the Business Combination.
- The capital provided by the Sponsor generally represents 4% to 7% of the anticipated SPAC IPO gross proceeds.

To be qualified as a SPAC sponsor, a management team must have:



SPAC

Structure

SPAC Structure

SPAC Capital Structure has been largely standardized.

Units consisting of one share of common stock and warrants (ranging from 0.25 warrants to multiple warrants) for a purchase price of \$10 per unit.

SPAC IPO Gross Proceeds, other than a portion of the underwriters' commissions, are placed into a Trust Account for the benefit of investors and are released, net of redemptions, only upon the consummation of a Business Combination or liquidation of the SPAC.

SPAC Sponsors

- Provide initial capital in exchange for founders shares prior to the IPO
- Sponsors customarily receive a 20% stake in the SPAC at IPO
- At IPO, the sponsors provide risk capital in exchange for purchasing units or warrants
- Founders' shares or securities purchased by the sponsor and others in the sponsor's risk capital private placement do not participate in the event of the liquidation of the SPAC

Public Investors

- The public investors buy units in the IPO at \$10/unit
- Units are typically one common share and a half or full warrant
- Common shares have redemption rights to receive prorata share of IPO proceeds held in trust
- Warrants terms are usually: \$11.50 strike price, expire 5 years from date of business combination, and mandatory redemption when stock hits a predetermined level.

Trust Account

- Gross IPO proceeds are placed into a trust account which invests in US treasuries or tax-free money market funds
- The trust account is only released upon a successful Business Combination, to fund stockholder redemptions, or in the event of liquidation
- The trust account provides the SPAC public common share holders with a minimum liquidation value



Let us guide you
through the SPAC
Sponsorship and IPO
process.

Get in Touch

Visit us at www.clearthink.capital
Contact us at abrown@clearthink.capital



SPAC Advantages And Disadvantages

Advantages and Disadvantages

Advantages to the Sponsor

- Having funding prior to discussion with potential targets speeds closing and validates the sponsor
- Public listing provides arbitrage opportunity
- Enhanced liquidity
- Quick to market
- Opportunity to quickly achieve unparalleled value escalation

Advantages to the Public Investor

- Can trade and monetize shares and warrants
- Experienced management team brings proprietary deal flow
- Redemption feature provides downside protection on investment
- Public listing provides full reporting and transparency
- Stockholder can decide whether or not to participate in Business Combination

Disadvantages

- Targets are not identified in advance
- Time constraint of typically 24 months
- The costs of being a public company are high (SEC reporting, investor relations, audits etc)
- The Business Combination must be priced to account for the dilution by the sponsor promote and warrant overhang

The SPAC structure has many advantages for potential targets over a traditional IPO, private equity, or strategic acquisition.



SPAC Process

SPAC Process

01**Prospectus
Filing**

Disclosure of the terms and structure of the SPAC offering and SPAC focus

02**IPO
Marketing**

Underwriter arranges roadshow

03**IPO
Pricing**

Units price at \$10

04**Announcement**

SPAC management signs Definitive Merger Agreement for a Business Combination with an operating business and announces transaction

05**Proxy
Filing**

Filed with SEC disclosing terms of the merger and seeking stockholder approval

06**Stockholder
Meeting**

Management and SPAC IPO underwriters market proposed transaction to SPAC stockholders and other investors

07**Closing or
Liquidation**

If closing conditions are met, Business Combination is closed. If not, SPAC liquidates and returns funds to stockholder



Business Combination Requirements

Business Combination Requirements

01

Target company must be audited

02

Value of Target Company should be at least 3x to 5x the gross proceeds of the SPAC IPO

03

SPAC Capital will accelerate Target Company growth

04

Target Company seeking a reasonable valuation with a focus on a stock-for-stock merger transaction

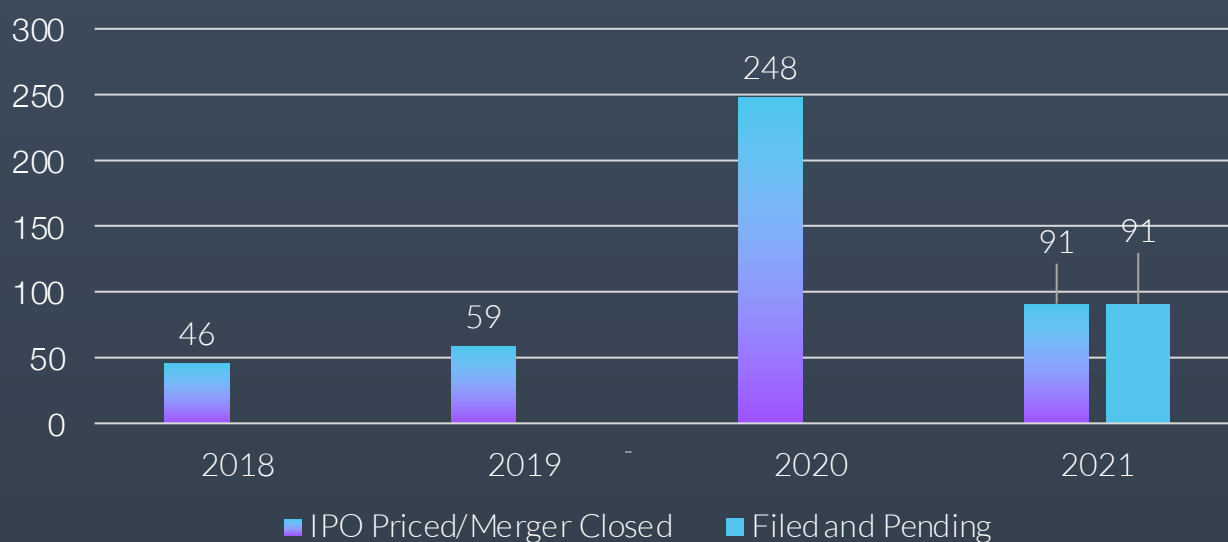
Successful Business Combination



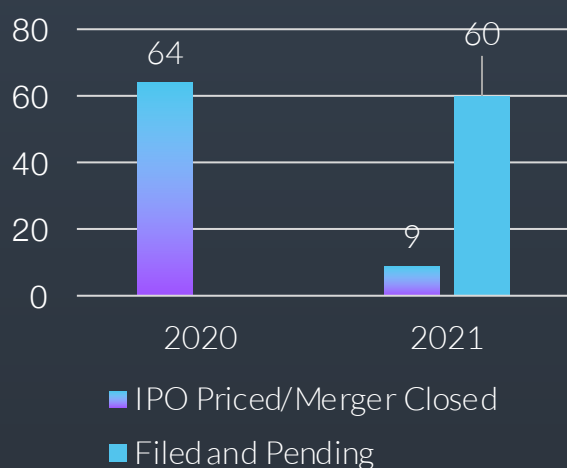
The SPAC Marketplace

The number of SPACs filed has been increasing annually since 2016, with a dramatic increase in 2020 due to institutional acceptance of the structure and its riskless nature.

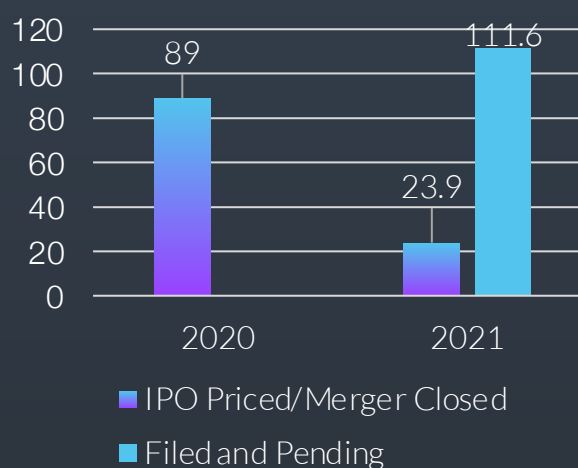
SPACs by Year



SPAC Mergers



Value of Mergers, \$billion



As of February 1, 2021



ClearThink Capital
guides SPAC sponsors
through the sponsorship
and IPO process.

Get in Touch

Visit us at clearthink.capital/SPAC
Contact us at abrown@clearthink.capital



ClearThink Capital
SPAC TEAM

Robert Brown

Chief Executive Officer &
Managing Director



Mr. Brown is a founding partner of ClearThink Capital and has served as a Managing Director since its inception.

From August 2009 until August 2018, Bob served as a Managing Director and Co-Founder of New World Merchant Partners LLC, a merchant banking firm. From June 1995 through July 2009, Mr. Brown served as a founding partner of Reitler Brown & Rosenblatt LLC, a corporate and securities and merger and acquisition law firm in New York, New York, where he has specialized in public and private offerings of securities and mergers and acquisitions. From June 1992 to June 1995, Mr. Brown practiced at Squadron Ellenoff Plesent & Sheinfeld LLP, a law firm in New York, New York, where he was the principal participant in the securities offerings of The News Corporation Limited and its affiliates, as well as active on venture capital, public offering, and merger and acquisition transactions.

From 1988 until 1992, Bob practiced at Shea & Gould, then an international law firm headquartered in New York, New York. Mr. Brown has participated in approximately 240 public securities offerings involving an aggregate of approximately \$9 billion of public debt securities and approximately \$6 billion of equity securities, as well as in numerous merger and acquisitions for companies including News Corporation, Fox, Tele-Communications, Comcast, Liberty Media and numerous investment banking firms. Mr. Brown has extensive experience structuring, negotiating, and effecting private and public financings and mergers and acquisitions. Mr. Brown received his BA with Honors in Economics at Brandeis University and his J.D. at New York University School of Law.



Edward Hamilton

Managing Director



Edward Hamilton joined ClearThink Capital in September, 2019.

Mr. Hamilton has over 30 years of asset management, investment banking, advisory, and real estate related experience. He spent a significant part of his career as a Managing Director at Kidder Peabody which later became Paine Webber Company. While there, Mr. Hamilton was responsible for managing global debt capital markets trading and distribution platforms while living in both New York and London.

Mr. Hamilton most recently founded Axel Ventures Inc., an alternative investment advisory and financial services consulting platform. Axel Ventures leverages deep experience and relationships in an effort to generate and create customized and structured private equity and debt transactions tailored to meet the needs of each client.

Mr. Hamilton holds a B.S. in Business Administration from Pace University in New York.



Ari Brown

Director



Mr. Brown joined ClearThink Capital at the time of inception.

Previously, Mr. Brown worked at New World as a full time Associate from August 2016 to August 2018 after interning for New World in the summer of 2015.

Mr. Brown graduated in May 2016 from University Of Maryland's Robert H. Smith Business School with a Bachelor's degree in Marketing. Mr. Brown is a lifetime entrepreneur and has assisted numerous companies, ranging from small businesses to large publicly traded companies with financial services and marketing and creative services.



Aaron Buck

Vice President



Aaron Buck joined ClearThink in January of 2020.

Filled with a passion for helping people, Aaron has quickly climbed the ranks at ClearThink from Sales Associate to Vice President. Through his meticulous attention to detail and energetic demeanor he has consistently provided clients with an unparalleled level of service. Previously, Aaron Buck worked as a Financial Advisor with AIG Retirement Services. Assisting with the retirement planning for more than 350 families, Aaron has developed a keen sense for identifying and implementing “out of the box” solutions.

In his free time Aaron likes to give back. Most recently a volunteer for Taglit Birthright, Aaron leads groups of young professionals to Israel. In the past he has travelled the world teaching English to children in underdeveloped areas, his favorite being the Galapagos Islands.

