Matt Fry in Law360: '5 Legal Tips for SPACs Facing Looming Acquisition Deadlines'

March 15, 2022 Matthew Fry

PRACTICES Capital Markets and Securities, Financial Regulatory, Corporate, Regulatory Compliance

More than 150 special purpose acquisition companies face deadlines this year to acquire a target or return money to shareholders, a process sure to be scrutinized by regulators and litigators for signs of rushed deals.

The deadline crunch follows a surge in SPAC initial public offerings in 2020, a pivotal year that resulted in a booming market for these alternative funding vehicles. SPACs, also called blank-check companies, raise money in IPOs in order to acquire a target and take it public, typically operating on timetables of two years or less. …

"Don't rush into a transaction just because you're coming up against a time deadline," said Haynes Boone Partner Matt Fry, who co-chairs the firm's capital markets and securities practice group. "If appropriate steps are not followed, it can create unnecessary liability for the SPAC." …

Consider Extensions

SPACs ordinarily disclose they may seek extensions if they don't land a target within their specified timetables, which generally range from 12 to 24 months.

Fry said these extensions can be useful, though they come with added costs. SPAC founders typically have to add money into a trust account — say 10 cents a share for a three-month extension — that becomes available to SPAC investors if they opt to redeem their shares.

But if an acquisition is in sight, these costs may be worth it in order to avoid liquidating the SPAC and starting from scratch with a new vehicle later.

"It's often cheaper to extend a SPAC than for the sponsor to give up and start over," Fry said. "You're just paying an extension fee and not all the other costs to start up a SPAC."

To read the full article in *Law360*, click here.