



## Special Purpose Acquisition Corporations (SPACs) in Canada: What You Need to Know

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It comes as no surprise that a Google search for “SPAC” hit its peak popularity two weeks ago – the public listing vehicle has been associated with everyone from Elon Musk to Jay-Z, Serena Williams to Alex Rodriguez. Canada has been quietly watching the US SPAC market heat up but is now experiencing its own surge in interest with over 30 SPACs listing in the past 12 months and a strong pipeline of new listings set to go public in March and April.

Two firms you will find working closely together with most SPACs listed in Canada are [Odyssey Trust Company](#) (“Odyssey”), the transfer agent for 90% of Canadian SPACs, and [NEO Exchange](#), the most common listing platform for Canadian SPACs. SPACs are known for their optionality to traverse industries and speed to market; however, they do have complex structures, logistics and timing parameters that are important to consider and address with your deal team prior to listing.

Based on Odyssey and NEO Exchange’s collective expertise in this space, we’ve prepared an overview of key considerations for companies considering a SPAC listing in Canada:

### **What is a SPAC?**

Also known as ‘blank cheque’ or ‘blind pool’ companies, SPACs offer an innovative method for merger and acquisition (M&A) financings. There have been a number of articles published by leading law firms in Canada outlining the specific requirements of a SPAC listing and can be found [here](#), [here](#), [here](#) and [here](#).

### **What are the keys to a successful SPAC?**

**Transactional Management Team:** Canadian SPACs have been led by management teams who are deal-driven and have deep expertise in their space. Due to the time constraints on SPACs, having a team that is known for deal execution and who has a strong pipeline of potential targets is absolutely critical. The most recent SPAC exits and proposed qualifying transactions have included teams from [The Parent Company](#), [Parallel](#) and [Taiga Motors](#).

**SPAC Structure:** SPACs differ from IPOs or other shell vehicles (like Capital Pool Companies) in the complexity of their share structure, which often includes multiple classes of restricted units, underlying warrants and the potential to convert into a compressed share structure upon completion of the qualifying transaction. It's important to be aware of these considerations early on in discussions with your [transfer agent](#), legal counsel and [listing exchange](#).

**De-SPACing:** Following a qualifying transaction, the SPAC management team can either be replaced or join the management team of the new public entity. The De-SPACing process can be complex and typically involves a PIPE or private investment in public equity (in most cases at least \$100 million), a corporate action (the merger, arrangement, or amalgamation of one or more private entities into the SPAC), the management of escrow funds, a shareholder's meeting (virtual or in-person) and an amended share structure. As many Canadian SPACs have large US shareholder bases, it is important to ask questions about electronic delivery (email) of securities, restricted securities and the process/timelines for their removal and industry specific questions (ex: which US brokers will accept my securities?).

### **The Result: A New Public Company**

There is a tremendous amount of focused effort and pressure on SPAC teams to deliver on a Qualifying Transaction (QT) which includes the emergence of a new public company, the launch of a new brand and business towards investors, and as important, ensuring sufficient liquidity through the transaction and after the QT for shareholders once the transaction is complete. Working with an experienced exchange to help quarterback your capital markets debut, enable liquidity, and raise awareness and visibility towards global investors is a critical component of that success.

Odyssey and NEO Exchange have been fortunate to work with an exceptional group of lawyers, investment banks and issuers in making a name for Canadian SPACs and we look forward to being part of this trend as it continues to grow in popularity in 2021.

For more information on listing SPACs in Canada, please contact:

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