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## END-OF-LIFE OPTIONS FOR EX-SPACS

*In this article, the authors discuss the challenges faced by ex-SPACs as well as the implications for their future. They explore “end of life” considerations faced by ex-SPACs, including potential delisting from stock exchanges, liquidity constraints, and limited financing options. Next, they provide insights into the growing number of ex-SPACs contemplating going private or seeking bankruptcy protection. They close with reflections on the legal considerations surrounding these choices and the potential surge in distressed M&A activities involving ex-SPACs.*

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In a matter of minutes into the trading on December 5, 2022, two major transactions worth approximately \$11 billion were canceled, each involving early-stage companies hoping to go public via business combinations (or “de-SPAC transactions”) with special purpose acquisition companies (or “SPACs”) backed by well-known serial sponsors.<sup>1</sup> The cancellations were par for the course for 2022, a very challenging year for SPACs, during which over 60 de-SPAC transactions worth approximately \$76 billion fell apart, and over 140 SPACs liquidated. By contrast, in 2021, only 18 de-

SPAC transactions were terminated and only two SPACs were liquidated.<sup>2</sup>

2022 was a difficult year not only for SPACs looking for merger partners but also for the companies that had previously gone public via de-SPAC transactions (or “ex-SPACs”) before the markets cooled off. Many of those ex-SPACs are facing liquidity constraints at a time when public market valuations are low and may not have viable financing options to fund their operations outside the context of an M&A transaction. As such, distressed

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<sup>1</sup> Bailey Lipschultz, *SPACs Collapse as \$11 Billion of Deals Are Called Off Within an Hour* (December 5, 2022), BLOOMBERG, available at <https://www.bloomberg.com/news/articles/2022-12-05/spacs-collapse-as-11-billion-of-deals-are-called-off-within-an-hour>.

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<sup>2</sup> 2022 U.S. SPAC Market Review, (January 2023), STIFEL, available at [https://www.stifel.com/Newsletters/InvestmentBanking/BAL/Marketing/SPAC/2022/SPAC\\_Mailer\\_2022YE.pdf?trk=organization\\_guest\\_main-feed-card\\_feed-article-content](https://www.stifel.com/Newsletters/InvestmentBanking/BAL/Marketing/SPAC/2022/SPAC_Mailer_2022YE.pdf?trk=organization_guest_main-feed-card_feed-article-content).

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