

May 7, 2018

## Peter Hong and Patricia Olasker Speak to Lexpert About the Evolution of SPACs

In an [article](#) published in the Report on Business/Lexpert Special Edition *Canada's Leading Corporate Lawyers*, Davies partners Peter Hong and [Patricia Olasker](#) discuss the role of special purpose acquisition corporations (SPACs) in the Canadian investment landscape.

According to Peter, the redemption option is one of the distinctive features of SPACs and also one of the obstacles to its success. “The first risk is that shareholders must approve the deal,” he says. “But the primary challenge that I’ve seen is that there may not be enough cash at the closing to fund the purchase because of the investors’ right to redeem and get their cash back.” He adds that the innovative solution created in Canada to “staple the shares and warrants together” was designed “to encourage more retail investors to invest and discourage hedge fund investors [who] have been perceived to be a source of a lot of redemptions.”

Patricia has a measured outlook for what lies ahead. “The future for SPACs remains to be seen,” she says. “It will depend on the ability of the second generation of SPACs brought to market last year to complete attractive acquisitions. That said, SPACs provide a useful alternative structure – albeit often a ‘last resort’ alternative – for sellers. I expect SPACs to continue to evolve and fill a niche in the Canadian capital markets landscape.”