NAVIGATING SPECIAL PURPOSE ACQUISITION CORPORATIONS

PREPARED FOR: MEMBERS OF THE NEVCA

MASON + AHT INSURANCE
A BALDWIN RISK PARTNER

CORPORATE OVERVIEW

FOUNDED IN 1921:
A century serving clients, AHT has operated as an employee-owned insurance brokerage and consulting firm offering international property and casualty, management liability, employee benefits, and personal insurance for a wide range of industries – boasting national recognition for our practices in areas including technology, life science, manufacturing and government contractors.

PARTNERED IN GROWTH 2020:
AHT partnered with Baldwin Risk Partners Group (BRP) in December 2020 to drive continued growth and further expand the breadth and depth of services we offer clients. BRP is an entrepreneur owned and inspired insurance firm and currently the only Nasdaq listed insurance broker in the United States.

OFFICES: Washington, DC | Seattle, WA | New York, NY | Chicago, IL | San Francisco, CA | Boston, MA | Forty Fort, PA | North Conway, NH

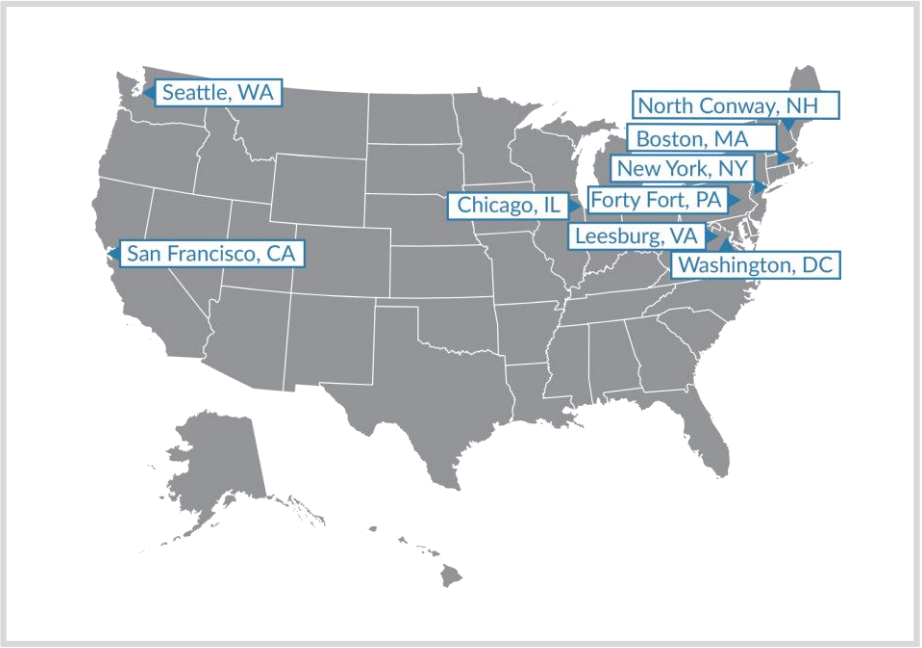
EMPLOYEES: More than 220 professionals

CORPORATE CLIENTS: ~7,000

BROKER INSURANCE PREMIUMS: Exceeding $600M annually

LICENSES:
AHT is licensed in all 50 states and currently has access to all insurance carriers in the marketplace.

FINANCIAL STABILITY:
Over the last five years, our agency, as a whole, has grown by an average of 11% each year, while our Benefits practice has grown by an average of 17%.



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CREDENTIALS AND PROCESS

- **Expertise:** Our dedicated Management Liability team has, on average, over 25 years of experience with public company D&O placements. Our experience drives superior results for our clients in terms of comprehensive coverage, competitive pricing, and appropriate program structure. We focus on alignment with insurers who can meet these objectives but also with those who hold superior financial ratings and strong claims handling history.

- **Advice and Goal Setting:** The majority of our clients do not have a formal Risk Manager. We are accustomed to serving as risk management advisors and work in tandem to set and measure clear objectives from the onset of our engagement. In addition to limit benchmarking, coverage adequacy and program design, we keep our clients apprised of market conditions and trends. We provide board ready proposals and frequently attend board meetings to give insurance overviews.

- **Marketing:** We cast a broad net in our marketing to over 30 insurers who we have significant, long term relationships with. Our process includes an underwriting meeting between you and the insurers (with COVID, this will be via Zoom) 45 to 60 days in front of the transaction date. The ability to tell your story beyond what is outlined in filings nets better results. We will give you guidance on key areas that underwriters may have questions on.

- **Benchmarking:** We utilize data from Cornerstone Securities Settlement, Advisen, our own propriety market cap loss analysis, our internal client data base and other industry sources to provide limit benchmarking analysis to our clients. We are able to segregate data based upon industry, market cap, stock performance or financial size. This data serves as a solid educational tool to assist our clients in making an appropriate choice in limit purchase.

- **Deliverables:** Interim updates are provided to keep clients apprised of our marketing results, followed by a formal proposal. Our proposal outlines marketing results, market conditions, full limit benchmarking data, claims data, summary of terms and program recommendations. We typically work with our clients to tailor a specific presentation to the board, and it is common for us to dial in to a board call to make the presentation.

- **Ongoing Servicing and Claims:** Our availability is 24/7/365. We know that things change quickly as businesses scale, and we're very accustomed to urgency. In the event of a claim, our experience and expertise benefits our clients. There is no "easy" D&O claim and our deep understanding of the technical aspects of D&O coverage typically net better results for our clients. Your Management Liability team is further backed by our Claims Department.

SNAPSHOT

A special purpose acquisition company, otherwise known as a "SPAC," are alternative vehicles used to take companies public outside of a traditional IPO. Though their existence is not new, 2020 became the "year of the SPAC" with a record number of listings, making up about half of all IPO's in 2020. 2020 saw close to 250 SPACs with gross proceeds just over $75B, up from 59 total SPACs in 2019 with gross proceeds of about $12B. Their popularity has skyrocketed due to an escalated and more lenient process under which a company can go public. In addition, a capital rich environment has spurred interest, attracting some of the world's largest private equity funds as well as other investors, including celebrities.

While the journey to an IPO may be an attractive alternative, the exponential growth in SPAC's has drawn scrutiny of this unique process from plaintiffs bar along with the watchful eye of the SEC. SPAC-related litigation has increased in 2021 and it is anticipated to continue. This trend has sharply hardened the Directors & Officers liability insurance market for SPAC's.

The convergence of multiple exposures to risk at the different steps in a SPAC's life cycle need careful consideration. Herein, we'll identify the key stages of a SPAC, associated risk profile, suggest risk mitigation tools and provide an overview of insurance offerings. Understanding the overall risk profile can help a company best position itself in the insurance market to net the best results.

IMPORTANT TERMINOLOGY

- **Sponsor** – A sponsor represents the founding investors creating the SPAC process.
- **Target** – A private company fitting the acquisition profile of the Sponsor which becomes the public company after the merger transaction is completed.
- **De-SPAC** – The process in which the Target merges into the SPAC. It launches with an executed letter of intent and is finalized upon shareholder approval of the transaction.
- **PIPE** – A Private Investment in Public Equity that typically accompanies the de-SPAC transaction. Such funds are needed to finance operations or portions of the acquisition price.
- **Securities Act of 1933 ('33 Act)** – legislation created to protect investors following the stock market crash of 1929 by requiring transparency and disclosure to investors in a prospectus or registration statements filed with the SEC.
    - **Section 11 Liability** – surrounds material misstatements or omissions in the prospectus. Imposes strict liability to the parties responsible for preparing the registration statement and does not require proof of intentional misconduct
    - **Section 12 Liability** – imposes liability to persons selling securities in violation of registration requirements
    - **Section 15 Liability** – imposed control person liability subject to Sections 11 and 12
- **Securities Exchange Act of 1934 ('34 Act)** – designed to create transparency to investors, it governs securities transactions post IPO
    - **Section 10(b)** – anti-fraud statutory provision
        - **Rule 10b-5** – imposes liability for any misstatement or omission of a material fact, or one that investors would think was important to their decision to buy or sell a security
    - **Section 14(a)** – violations of material misrepresentations and omissions in a proxy statement
    - **Section 20(a)** – violations surrounding insider trading

STAGES OF A SPAC

SPAC FORMATION

Sponsor, management team and initial investors receive founders' stock typically representing 20% of post IPO stock. Underwriters and legal counsel chosen.

SPAC IPO LAUNCHED

S-1 filed with SEC, response to comments provided. Capital is raised and proceeds are held in a trust until target company is identified and acquired.

SEARCH FOR TARGET

Within defined timeframe (typically 2 years), Sponsors will vet potential targets within guidelines of S-1. PIPE investment may accompany merger if there are dissenting SPAC shareholders.

SPAC SHAREHOLDER APPROVAL

Required before finalization of de-SPAC and a proxy is filed with the SEC. Following SEC comments, proxy is voted at shareholders meeting.

TARGET CLOSE

Following a vote in support of the acquisition, the target merges into the SPAC and becomes a publicly traded entity. A Super 8-K filing is completed within 4 days of close.

BREAKOUT OF THE STAGES OF A SPAC

I. SPAC FORMATION AND IPO

PROCESS	RISK FACTORS	MITIGATION	INSURANCE
1. Management team forms SPAC 2. Management team frequently lends money to SPAC to fund initial operations 3. Underwriters and outside legal team hired 4. Corporate governance documents created 5. S-1 Filed / Approval from SEC granted / Shares begin trading	The overall qualifications and credibility of sponsor teams and management have become paramount for SPACs, especially in light of the SEC's recent commentary on requiring disclosure of poorly performing SPACs in its management history. In some ways, it has become a crystal ball of SPAC success or failure. Similarly, the experience of professionals working alongside the sponsor is a key component in a successful SPAC. As with any S-1 filing, strict liability is imposed under the '33 Act for disclosures made therein. Careful drafting and use of counsel/accountants is critical.	Does the management team and sponsor(s) have prior SPAC experience? Prior IPO experience? Are they reputable in the space of the target investment? How experienced in SPAC transactions are counsel and underwriters? What is their experience in target sector? Has counsel been engaged in SPAC litigation? For DE corporations, inclusion of Federal Forum Provision. Proper disclosure of management team credentials and experience in SPAC transactions	Overall strategy should include private company D&O insurance consideration as a means to transfer risk in the event of claims arising from the company's private company status. The IPO process should then include: 1. Planning discussion – review of pending S-1, risk profile, target sector, experience of management team, amount of raise, review of current insurance market 2. Insurance broker deliverable – benchmarking and preliminary program design 3. Execution of NDA's with insurers 4. Draft S-1 to insurers 5. Presentation of proposal to SPAC 6. Review of options, program structure, limits – presentation to management as needed 7. Decision from SPAC on final program to be bound 8. Confirmation of pricing 9. Coverage is bound

II. TARGET ACQUISITION

PROCESS	RISK FACTORS	MITIGATION	INSURANCE
1. SPAC vet targets, due diligence performed 2. PIPE may accompany merger 3. Proxy filed/SEC comments provided 4. Majority shareholder approval 5. Public company conversion of target	Similar to traditional M&A litigation, questions will always surround the adequacy of due diligence performed on a target along with proper valuation. SPAC's face additional scrutiny based upon the timelines under which they need to act, along with potential conflicts in the event of returning investment in the event the SPAC isn't consummated within the set timeline. There are also potential complications with redemption rights and funding problems. In the eyes of the SEC, the proxy statement is viewed as comparable to and IPO's registration statement and shareholders can challenge inadequate disclosures under Section 14(a), 10(b) or 20(a) of the '34 Act. Additional sources of funding to guarantee enough funds to close the transaction can lead to additional litigation.	The expertise of the SPAC team remains a critical part of risk mitigation. Seasoned professionals with prior involvement with SPACs and extensive knowledge of the target acquisition company's space will lead to better results. Proxy statements should be drafted carefully with emphasis on financial projections that clearly identify them as forward-looking statements along with cautionary language. Redemption rights can become problematic to the extent that it jeopardizes a deal. Parties to the transaction should seek to alleviate these problems with alternative methods to raise cash. Finally, to avoid the optics of pushing a deal forward to meet liquidation timelines, extensions should be sought from SPAC shareholders to give additional time for proper execution.	The completion of a de-SPAC transaction creates a multi-pronged process from a D&O insurance perspective. Different policies are needed to address both pre-close and post close liabilities. In summary: 1. The target company will need to buy tail coverage to allow for the reporting of D&O claims in the future based upon allegations of wrongful acts that occurred prior to the deal close. The suggested policy term for this is 6 years to align with statute of limitations. 2. The SPAC should review the purchase of Representations & Warranties coverage (RW) as a means of coverage for potential misrepresentations in the deal. It can incentivize sellers due to reduction / elimination of escrow, give the SPAC a competitive advantage and avoid uncomfortable situations where former management team members are sued by new ownership. 3. Similar to #1 above, the SPAC will need to buy tail coverage. 4. New public company D&O coverage for the newly formed company

III. POST CLOSE

PROCESS	RISK FACTORS	MITIGATION	INSURANCE
1. The target merges into the SPAC and becomes a publicly traded entity 2. A Super 8-K filing is completed within 4 days of close 3. New company operations launch	The Super 8-K or other public statements could be the source of litigation as plaintiffs bar searches for alleged false or misleading statements. On December 22, 2020, the SEC Division of Corporate Finance voiced its concern over potential conflicts of interest between SPAC sponsor's management team and its new public shareholders relative to the former's enrichment as the basis of incentivizing the close of a transaction. Further, venture or private equity sponsors need to be mindful of potential violations of fund requirements with their LP's.	The accuracy of content of the Super 8-K, the proxy and other detail disclosed in the transaction is critical for both the SPAC and the target company the target should strive for accuracy in the information it provides to the SPAC during due diligence. Conversely, the SPAC should consider independent diligence, where appropriate. Finally, SPACs should provide full disclosure of compensation or other incentives provided to the SPAC sponsors, directors or management to avoid conflict of interest allegations.	The public company D&O coverage in effect will serve to address claims made against individual directors and officer, as well as claims against the entity itself for securities claims, for allegations of wrongful acts as the new company moves forward. However, other areas of cover will become important and should be explored. In addition to operational coverage like workers compensation, commercial general liability, property and business interruption, professional liability or coverage for international exposures, consideration should be given to: 1. Employment practices liability 2. Cyber liability 3. Commercial crime 4. Fiduciary liability

LITIGATION SAMPLING

- **Greenland Acquisition Corporation**
  - Filed: September 19, 2019
  - Allegations: omission of material information in the Proxy Statement, rendering the Statement false and misleading relative to acquisition of Zhongchai Holding
  - Defendants: Greenland and certain if its directors and officers
  - Status: Voluntarily dismissed October 14, 2019

- **Waitr Holdings, Inc.**
  - Filed: September 26, 2019
  - Allegations: Violations of Sections 11, 12 and 15 of the '33 Act and/or Sections 10(b), 14(a) and 20(a) of the '34 Act and Rule 10b-5 in connection with SPAC transaction with Lancadia Holdings, Inc. and follow-on secondary offering of May 16, 2019.
  - Defendants: Waitr, certain of its executives, Lancadia Holdings, Inc., Jefferies Financial Group, Inc. and executives of Lancadia and Jefferies respectively
  - Status: Hearing set for March 16, 2021

- **Akazoo S.A.**
  - Filed: April 24, 2020
  - Allegations: False and misleading statements contained in the Proxy Statement surrounding Akazoo's inflation of its financials and scope of operations
  - Defendants: Akazoo and certain of its executives
  - Status: Currently stayed for mediation

LITIGATION SAMPLING (CONT'D)

- **Nikola Corporation**
  - Filed: September 15, 2020
  - Allegations: Violations of Sections 10(b) and 20(a) of the '34 Act and Rule 10b-5 thereunder. False and misleading statements and failure to disclose circumstances surrounding improper due diligence with regard to merger with Nikola, and Nikola's operations and capabilities
  - Defendants: Nikola, certain of its executives, two former executives of VectoIQ, the SPAC that purchased Nikola
  - Status: Court issued an Order for consolidation and appointment of Lead Plaintiff and Counsel on December 15, 2020

- **Triterras Inc.**
  - Filed: December 21, 2020
  - Allegations: violations of Section 10(b) and Rule 10b-5 of the Exchange Act surrounding failure to disclose to investors Triterras's significant ties to Rhodium Resources which referred users to Triterras's trading platform, Kratos. Rhodium sought a moratorium to shield itself from creditor actions causing Triterras's stock to plummet. Allegations also include failure to disclosure the close ties in management between Triterras, Rhodium and the SPAC.
  - Defendants: Triterras, Triterras's CEO, President of Netfin (the SPAC)
  - Status: Ongoing with Lead Plaintiff being sought

- **Immunovant, Inc.**
  - Filed: February 19, 2021
  - Allegations: violations of Section 10(b) and Rule 10b-5 of the Exchange Act relative to in adequate due diligence surrounding safety issued associated with monoclonal antibodies resulting in false and misleading public statements
  - Defendants: Immunovant, the company's CEO, CFO and CEO prior to the merger
  - Status: Ongoing with Lead Plaintiff being sought

LITIGATION SAMPLING (CONT'D)

- **Multiplan Corporation**
  - Filed: February 24, 2021
  - Allegations: False and misleading statements from the Proxy Statement surrounding defendants failure to disclose Multiplan's extensive financial problems, including loss of one of its largest customers, UnitedHealthcare along. Further allegations include the SPAC grossly overpaid for the acquisition and financial incentive to the SPAC sponsors and insiders to close the transaction within the two year timeframe.
  - Defendants: Multiplan, certain of its executives (including the company's pre-merger Chairman and CEO and the CFO), board members and management of the pre-merger SPAC, the founder of the SPAC sponsor
  - Status: Ongoing with Lead Plaintiff being sought

- **Verodyne Lidar, Inc.**
  - Filed: March 2, 2021
  - Allegations: principally focusing on post de-SPAC transaction that defendants violated Sections 10(b) and 20(a) of the '34 Act relative to the Verodyne's investigation of behavior of certain directors leading misleading investors on positive statements about the company's business
  - Defendants: Verodyne and its CEO and CFO
  - Status: Ongoing with Lead Plaintiff being sought

SPAC PROCESS – D&O BROKERAGE PROCESS

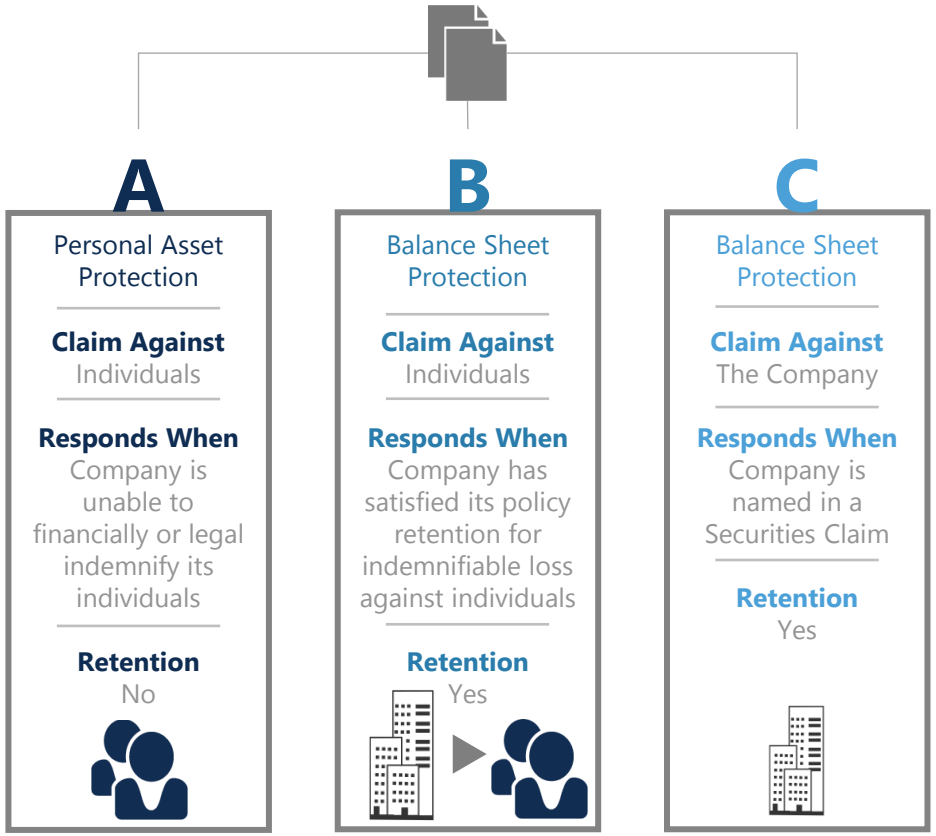
THE SPAC PROCESS			THE D&O BROKERAGE PROCESS
Draft S-1			Broker review of Draft S-1
Confidential S-1 Filing	90 Days	90 Days	Insurance strategy meeting; establish program and limit structure options with limit and claim analysis; conceptual presentation provided
SEC Comments	60 Days	60 Days	Execute Insurer NDA; share S-1]
File Public Form S-1	30 Days	30 Days	Proposals from Insurers received; negotiations and towers finalized; formal proposal presented
Road Show	15 Days	15 Days	Tweak final coverage terms; align/ execute other applicable policies
Pricing	1 Day	1 Day	Bind program

STOCK BEGINS TRADING

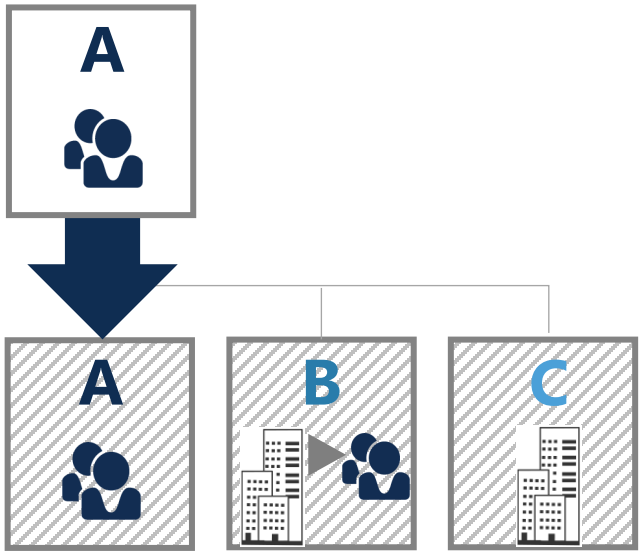
HOW ARE DIRECTORS & OFFICERS LIABILITY PROGRAMS STRUCTURED?

D&O insurance coverage is written in three principle structures. "Traditional", ASIDE or a combination of both. The main difference between Traditional and ASIDE, is that a Traditional policy also extends coverage to the corporate entity for balance sheet protection, from the perspective of reimbursement for monies expended to indemnify its D's and O's and in situations where the company is named directly in securities claims. Conversely, ASIDE coverage is pure personal asset protection for individual D's and O's and provides no benefit to the company itself.

"Traditional" Policy – Three Insuring Agreements A, B, C



Difference in Conditions ("DIC") A-Side – will "drop down" to primary coverage when the "Traditional" Insuring Agreement A is unavailable



Circumstances under which DIC ASIDE coverage will apply:

- Situations where indemnification is not permissible (i.e. Derivative Actions)
- Insolvency where company is financially unable to indemnify its D's and O's
- Insolvency of underlying carrier(s)
- Rescission of underlying policy(s)
- Wrongful refusal to indemnify (improper denial of coverage)
- Denial of coverage where DIC A-side policy provides broader coverage
- Company refuses to answer indemnification requests
- Broader coverage with limited exclusions

A HARD MARKET FOR SPAC D&O INSURANCE

While currently not at the same level of extreme premium cost and retention levels as a traditional IPO, Directors & Officers Liability insurance coverage for SPAC's in today's market has skyrocketed over what it was in early 2020. The circumstances surrounding this metamorphosis most certainly can be supported by the huge increase in SPAC transactions in 2020. Accounting for more than half of all IPO's, 2020 saw 248 SPAC IPO's raising just over $82B which dwarfs the 2019 results of 59 SPAC IPO's raising close to $14B. An accelerated timeline, less market volatility in pricing, and a market full of capital have increased the popularity of SPAC's and 2021 seems to be holding the fast pace.

The increase in volume of SPAC IPOs has led to a surge in de-SPAC transactions, with more expected into 2021 and beyond. These transactions are now creating an uptick in litigation, much of it drawing in numerous defendants – the SPAC, the de-SPAC entity and directors and officers from each – alleging false and misleading statements and failure to disclose. In addition, more typical merger objection litigation continues alongside these allegations creating fertile ground for an onslaught of D&O claims under multiple policies.

With plaintiff's bar honing in on this environment, D&O underwriters are concerned of what the future may hold in terms of claims trends. The recent spike in D&O claims against SPACs is very green data leaving insurers in an unsettling position. Insurance coverage is underwritten based upon trends and analysis of historical claims data regarding settlements and defense costs. This allows insurers to gauge potential loss ratios against overall profitability. What is happening now runs counter to insurance underwriting as insurers have to project future losses on raw data. As a result, insurers are:

- Increasing policy retentions
- Increasing policy premiums
- Curbing appetite for SPACs with certain targets (i.e. life science/biotech)
- Increasing predetermined multiples for the SPAC's tail coverage
- Not applying unearned premium for the SPAC against its tail coverage

Insurance is a very cyclical industry and market conditions experience highs and lows. The D&O market for public companies has been in a hardened stage for the better part of the last three years. We're hoping to see some relief in 2021, but in the interim, its critical to engage in a brokerage process with professionals who know the space, the insurers that have the greatest appetite for this type of risk and that can provide guidance on program structure.

MANAGEMENT LIABILITY PRACTICE TEAM

PAMELA MASON, CIC, AAI
Partner, Management Liability

Pam specializes in risk management solutions for Venture, Angel and Private Equity firms, along with the innovative portfolio companies that they invest in. With over 25 years of experience in management liability, Pam has a strong technical understanding of the insurance products that facilitate risk transfer. She has extensive experience with complex litigation, including securities fraud and other shareholder rights matters, bankruptcy matters, M&A indemnity claims, and employment actions.

Prior to joining Mason AHT, Pam was a Senior Vice President of Marsh, Inc., where she led the company's regional FINPRO management liability practice. Pam is a Certified Insurance Counselor, Accredited Advisor in Insurance and holds a B.A. degree from the University of Vermont.

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MICHAEL TOMASULO
Managing Partner & Management Liability Practice Leader

Michael Tomasulo brings over 21 years' experience working with companies in negotiating and understanding their management liability and risk management programs. Mike has worked with hundreds of publicly traded companies, from OTC to Fortune 100's, in placing their Directors and Officers Liability insurance. Mike joined AHT five years ago as their National Practice Leader for Management Liability, as well as to head up AHT's Northeast operations. He was a Senior Vice President and Team Leader at AON Risk Services in New York City in their Financial Services Division.

Prior to AON, Mike a founding member of the NASDAQ Insurance Agency, creating the NASDAQ Stock Market's in-house insurance brokerage. He ran the agency's East and Central regions until the time he assisted in successfully selling the agency to AON. He has also held Regional Underwriting Officer roles at global insurance companies AIG & Zurich. Mike is a frequent speaker at industry events - discussing topics regarding management liability, board education and corporate governance. He earned a B.S. degree from Kean University and an M.B.A in Finance from Seton Hall University.

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