

Massive \$480 Million SPAC Deal Derails: White & Case Settles in Unprecedented Settlement



White & Case, a law firm headquartered in New York, has ended a lawsuit seeking legal fees from Colonnade Acquisition Corp II, a special purpose acquisition company (SPAC) whose plans for a \$480 million merger did not materialize. The lawsuit, filed by White & Case last week, claimed that Colonnade owed the firm over \$8.2 million for legal work it performed from November 2020 to March 2023. However, in a filing last Friday, White & Case announced that the parties had "amicably resolved their disputes" and that the claims were "voluntarily discontinued prejudice and without costs to either party against the other."

White & Case cited two engagement letters with Colonnade that described the firm's rates and scope of work. Based in West Palm Beach, Florida, Colonnade raised money in an initial public offering (IPO) and started trading on the New York Stock Exchange in March 2021. In August 2022, payments provider PlastiQ announced it would go public through a merger with Colonnade, creating a company valued at about \$480 million.

However, the SPAC did not complete an initial combination by its March 12, 2023 deadline, and on March 9, it issued a press release stating that it would cease operations, redeem the public shares, and dissolve. White & Case had argued that the firm would be "irreparably harmed" if the blank-check company liquidated and dissolved before paying the fees it owed.

In response to the law firm's payment requests, Colonnade claimed it did not owe White & Case any money for the three years of work because it did not complete a business transaction. However, further details of the resolution were not disclosed, and White & Case and Colonnade spokespeople did not immediately comment on the matter when approached by reporters on Tuesday.

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The lawsuit's outcome is significant because it highlights the potential risks and challenges associated with SPACs, which have become increasingly popular as a means of taking companies public. SPACs are blank-check companies that raise funds through an IPO to use the proceeds to acquire a private company and take it public.

However, as the Colonnade case demonstrates, not all SPACs complete an initial combination. Sometimes, the SPAC may not find a suitable acquisition target within the allotted time frame, or the deal may fall through for other reasons. When this happens, investors in the SPAC may lose their money. The company may face legal challenges from parties such as law firms that provide services concerning the SPAC's formation and operation.

The Colonnade case also highlights the importance of engaging experienced legal counsel when forming and operating a SPAC. SPACs are subject to complex regulatory requirements, and failure to comply with these requirements can result in legal and financial penalties. Experienced legal counsel can help SPACs navigate these requirements and avoid costly mistakes.

Overall, the resolution of the White & Case lawsuit against Colonnade serves as a reminder that while SPACs offer many benefits, they also come with risks and challenges that should be carefully considered and managed. By engaging experienced legal counsel and taking a diligent approach to compliance, SPACs can mitigate these risks and increase their chances of success.