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SPAC Quartet Merger Plans $84M IPO

Crescendo Partners sponsoring the blank-check company

by Dan Lonkevich

Quartet Merger Corp., a special purpose acquisition company sponsored by hedge fund Crescendo Capital Partners LP, plans to raise $84 million in an initial public offering.

Special purpose acquisition companies, or SPACs, are shell companies that raise capital in IPOs and then use the proceeds for mergers or acquisitions.

Quartet will be headed by Eric Rosenfeld, who is also CEO of New York-based Crescendo. Rosenfeld has served as chairman and CEO of three previous SPACs: Arpeggio Acquisition Corp., which raised $36 million in its 2004 IPO and merged with construction management firm Hill International Inc. in a 2006 deal valued at $113 million; Rhapsody Acquisition Corp., which raised $36 million in its 2006 IPO and acquired construction services firm Primoris Services Corp. in 2008; and Trio Merger Corp., which raised $69 million in 2011 and acquiredSAExploration Holdings Inc., a provider of seismic data to the oil and gas industry, for $96.6 million in June 2013.

Rosenfeld couldn't be reached for comment for this story.

The Quartet IPO is structured differently from most SPAC offerings. The company is offering units consisting of two classes of stock. Most SPACs offer units that each consist of a common share and a stock-purchase warrant.

Quartet's structure may give it an advantage over other SPACs whose stocks can be diluted by the exercise of warrants, Quartet said in its IPO filing on Thursday, Sept. 12.

The SPAC will issue 8.4 million units for $10 each. The units will each consist of one Class A common share and one-tenth of a Class B common share. The Class B shares will convert into one-tenth of a Class A share when Quartet completes its business combination.

The SPAC will have a deadline of 18 months from its IPO to complete a merger or acquisition and its business combination must be approved by holders of a majority of Quartet's Class A stock. The deadline will be extended to two years from the IPO if the SPAC makes a definitive agreement for a business combination within 18 months.

If Quartet fails to meet its deadline, it will be required to redeem its Class A stock. The Class B shares will not be redeemed and will be worthless if the SPAC fails to meet the deadline.

The IPO is being underwritten by EarlyBirdCapital Capital Inc., headed by founder and chairman David Nussbaum and CEO Steven Levine.

David Miller and Jeffrey Gallant, of the New York law firm Graubard Miller is providing legal advice to Quartet, and Robert Cohen and Joel Rubinstein in the New York office of McDermott Will & Emery LLP are counsel to EarlyBirdCapital.

Quartet said in its IPO filing that it does not have any specific business combination under consideration and has not had any contact or discussions with prospective acquisition targets. The SPAC also said it has not contacted any of the prospective targets Arpeggio, Rhapsody or Trio had considered and rejected.

"We do not currently intend to contact any of such targets; however, we may do so in the future if we become aware that the valuations, operations, profits or prospects of such target business, or the benefits of any potential transaction with such target business, would be attractive," Quartet said.

Joel Greenblatt, a managing principal of Gotham Asset Management LLC, will serve as a special adviser to Quartet. He was also a special adviser to Rhapsody, Arpeggio and Trio.

Immediately after Quartet's offering, Rosenfeld, CFO David Sgro and the SPAC's other sponsors will own about 23.9% of its Class A stock. None of Quartet's sponsors, officers or directors has indicated an intention to purchase units in the IPO, the SPAC said.

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