
# List a SPAC on the JSE to raise funding for acquisitions

Johannesburg Stock Exchange

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**A SPAC is a publicly traded shell that has a specific mandate to acquire or merge with other companies or assets. At the time of listing the company must have no operations of its own. The SPAC must be led by an experienced management team with prior M&A and/or operating experience. They have 24 months in which to make acquisitions or to merge with other companies/assets, as set out in the acquisition criteria, and to satisfy the basic conditions for listing. SPACs are in many ways an alternative to raising capital for acquisitions.**

## What are the benefits?

### Benefits to management

- A clean public shell, which minimizes operating business risk
- Provides an effective way of creating valuable acquisition currency for M&A transactions
- Enables an attractive environment for risk-tolerant investors to promote the formation of capital
- Increases profile visibility and deal flow opportunities
- SPACs are designed to allow the public to co-invest with sophisticated managers and financiers, an opportunity that has traditionally been restricted to institutional investors and private equity investors, which allows for a broader base of investors
- Incorporates regulatory safeguards that help protect all parties throughout the SPAC process

### Benefits to investors

- JSE is globally renowned for its regulations and all capital raised held in escrow*, which provides the investor with a certain amount of protection
- A 75% majority of shareholders are required to approve any change to acquisitions criteria
- Incoming investor have the potential to make significant gains and for their investment to be returned if no acquisitions are made
- SPAC is not permitted to obtain additional debt financing unless the funding is used to facilitate acquisition of assets
- Failure to make acquisitions will result in the residual capital being returned to shareholders within 60 days and a liquidation resolution to be proposed

* This is a separate bank account for keeping money that is the property of others. Attorneys and real estate agents are required to keep escrow accounts for client money and not commingle client money with their own funds.

**SPACs are an alternative to raising capital for acquisitions, led by an experienced management team.**

# Considerations

Management must ensure that the capital and operating expenses are properly allocated, therefore the strength and experience of the management team is key.

# Listing requirements

| SPAC Admission criteria | | |
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| **Capital raised (paid directly to escrow account)** | Main Board = R500 million | Altx = R50 million |
| **Additional statements in Prelisting/ prospectus** | • Applicant is not carrying on any commercial or business operations.<br>• Disclosure of acquisition criteria with 75% majority votes for approval and any change thereafter.<br>• Disclosure of director remuneration and operating expenses for the initial acquisition period. | |
| **Directors subscription of shares** | • 5% of shares or units.<br>• Held in trust.<br>• Lock in period: 6 months from date of acquisition. | |
| **Experience** | Applicant must satisfy the JSE that board of directors have sufficient and satisfactory experience. | |

| Acquisition of Viable Assets | |
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| **Acquisition of Viable Assets** | • Must be completed within 24 months from date of listing.<br>• Must be approved by majority disinterest directors and shareholders in general meeting. |
| **Residual capital** | • Notice of meeting must include resolution of proposed use of capital not allocated for proposed acquisition.<br>• If not approved by shareholders, residual capital must be returned to shareholder within 60 days of general meeting. |
| **Failure to complete acquisition (24 months)** | • JSE will suspend (1st business day after expiry date), then proceed to delist after shareholder distribution. |

| Capital | |
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| **Capital raised** | • Must be held in escrow with an escrow agent.<br>• Escrow agent must invest capital in:<br>1. Investment grade bonds (debt securities with rating of "BBB" or above as rated by Standard and Poor's Corporation or an equivalent rating agent).<br>2. Bank deposits with a recognised bank.<br>• The interest earned in respect of the SPAC will accrue and accumulate in escrow. |
| **Escrow agreement** | • Must be submitted to the JSE for prior approval and include the following information:<br>1. Amount used to cover operating expenses.<br>2. Release of balance or portion of capital upon approval of acquisition.<br>3. Termination of escrow agreement and distribution of capital to shareholders. |
| **Raising additional capital (placed directly into escrow)** | • For the acquisition of further assets within the initial period. JSE may permit issuing further shares or units provided that:<br>1. It is part a rights offer.<br>2. Shareholders have granted approval of further issue. |

| Failure to acquire viable assets | |
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| **Distribution** | • Complete within 60 calendar days after expiry of initial period.<br>• Must be maximum amount while still complying with solvency and liquidity test.<br>• Interest earned will form part of distribution excluding taxes and expenses. |
| **Special resolution** | • Proposed for voluntary liquidation. |

| Memorandum of Incorporation | |
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| **Provision in MOI** | • Shareholders to vote on any proposed acquisition.<br>• Distribution if failure to acquire (net applicable taxes + expenses + voluntary liquidation + interest earned / number of securities). |
| **Continuing obligations** | • Section 3 (except 3.84 (a) – (c).<br>• Not permitted to obtain debt financing (excl short term trade or account payable) ~ unless to facilitate acquisition of asset. |

| Continuing obligations | |
|---|---|
| **Debt financing** | • Shall not be permitted to obtain debt financing (excl short term trade or account payable used in ordinary course of business to settle any operating expenses).<br>• Can be used to facilitate acquisitions. |

| Post acquisitions | |
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| **Listing requirements** | • Will be subject to listing requirements as an issuer in all respects.<br>• Meet criteria for listing (please refer to section 4.40). |

**For additional information contact:**

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