CLIFFORD CHANCE

GUIDE TO SPECIAL PURPOSE ACQUISITION COMPANIES

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Special purpose acquisition companies (SPACS) have been one of the hottest asset classes in the United States equity market, with record numbers launched in the first quarter of 2021. These "blank cheque" companies are essentially a shell company formed by investors to raise money through an IPO without a specific acquisition target having been identified. In this guide, we explore how SPACs work and the benefits and risks they present.

HISTORICAL BACKGROUND AND CHANGES

Special purpose acquisition companies ("SPACs"), and blind pools more generally, go back decades. In the United States, the adoption of Rule 419 under the U.S. Securities Act of 1933, as amended, in 1993, regulating offerings by blank cheque companies (including SPACs), led to the initial boom in the SPAC market. The dotcom bubble in 2003 temporarily slowed down the SPAC market, but momentum after 2005 brought SPACs more into the mainstream.

In the modern SPAC, bulge bracket investment banks are involved and well-known investors and private equity funds (e.g., TPG Capital, Apollo, Third Point, Blackstone, Fortress and Pershing Square) have acted as sponsors. Several household-name companies have been acquisition targets, including Jamba Juice, American Apparel, Fisker and DraftKings, with WeWork agreeing to a SPAC IPO after a failed "traditional" IPO in 2019. The size of IPO raises has increased, with several being over US$1 billion. The largest SPAC IPO to date was conducted by Pershing Square in July 2020, raising US$4 billion alongside forward purchase commitments by affiliates of the sponsor of up to US$3 billion.

The features of most modern SPACs include:

- IPOs with concurrent private placements and potential forward purchase agreements. In a number of SPAC IPOs, affiliates of the sponsor or institutional investors have entered into a forward purchase agreement with the SPAC, committing to purchase equity (stock or units) in connection with the de-SPAC transaction to the extent that the additional funds are necessary to complete the transaction.
- De-SPAC transactions with simultaneous financings, such as a private investment in public equity (PIPE), pre-arranged through forward purchase commitments or negotiated equity or debt financing prior to, or concurrently with, the de-SPAC transactions.
- Individual or "group" investor redemptions in the de-SPAC transaction phase are generally limited to 15% to 20% of the outstanding SPAC shares.
- Out-of-money warrants (frequently 115% of the unit offering price).
- 2.0% "up-front" underwriter commission with the remainder contingent upon a successful de-SPAC transaction.

Industry insiders have commented that involvement of better sponsors and management teams, bulge-bracket underwriters and well-known investors have been some of the key drivers behind the recent, incredibly active SPAC IPO market and legitimacy of SPACs as merger partners in the eyes of sellers.

There has been an increased interest from sponsors located in Asia. Currently, Bursa Malaysia permits the listing of

SPACs, and on 2 September 2021 the Singapore Exchange Securities Trading Limited (the SGX-ST) published its listing framework for SPACs (the "SGX SPAC Framework"). The Hong Kong Stock Exchange has announced that it will start consultation procedures for SPAC listings in the third quarter of 2021. SPAC sponsors located in Asia often seek to commence a de-SPAC transaction with companies in their region or with multinationals that plan to grow in the region. Asia-based technology companies have become sought-after SPAC targets, with multiple well-known Southeast Asia technology unicorns rumoured to have been approached by SPACs. In April 2021, Grab Holdings, the largest ride-hailing and food delivery firm in Southeast Asia, announced its agreement to merge with a SPAC backed by Altimeter Capital, which would be the world's largest SPAC merger to date.

INTRODUCTION TO SPACS

A SPAC is a public shell company formed by a sponsor to raise capital, primarily through an initial public offering (IPO) and concurrent private placement, with the majority of such funds held in a trust account, and to identify and consummate a business combination (de-SPAC transaction) within a given time frame, usually within 12 to 24 months following the IPO (commonly referred to as the liquidation window).

Unlike an operating company that becomes public through a traditional IPO, a SPAC is a shell company when it becomes public, does not have an underlying operating business and only has nominal assets prior to the IPO. In its IPO, the SPAC typically offers units, with each unit comprising a public share and a fraction of a warrant[1]. In the United States, after the 52nd day following the SPAC's IPO, the units become separable, and the warrants and public shares can trade separately alongside the unseparated units. The warrants become exercisable only if the SPAC completes the de-SPAC transaction. The New York Stock Exchange ("NYSE"), Nasdaq and the SGX SPAC Framework all require that at least 90% of the gross proceeds from the IPO are put into a trust account while the SPAC looks for an acquisition. However, the market practice in the United States is that 100% of the gross proceeds from the IPO are deposited into the trust account, offering increased investor protection by assuring that shareholders choosing to exercise their rights to redeem shares for a pro-rata share of the trust account will receive the full IPO price paid, rather than a lesser amount guaranteed by rules of the NYSE or Nasdaq. In order to maximise the amount of cash in trust, as well as to ensure that the sponsor has "skin in the game", the SPAC conducts a private placement in which the sponsor, and potentially co-sponsors and other institutional investors, purchase shares and/or warrants.

Underwriters receive an underwriting commission, typically 5.5% of the gross proceeds, comprising 2.0% "upfront" commission paid at the closing of the IPO and 3.5% "deferred" commission paid at the closing of the de-SPAC transaction.

Once the SPAC has identified an initial business combination opportunity, the sponsor negotiates with the target company and approval of the business combination is sought from the SPAC shareholders. Upon a successful business combination, the combined company following is a publicly traded company that carries on the target operating company's business. If a SPAC cannot consummate the de-SPAC transaction within its deadline liquidation window, the proceeds from the trust account are returned pro rata to the SPAC shareholders.

BENEFITS OF A SPAC

IPO Shareholders

From the investors' perspective, a SPAC IPO represents the opportunity to invest in a company led by experienced investment professionals who are incentivised to make an attractive acquisition. In addition, the units that they purchase (each typically comprising one public share and a fraction of a warrant) provide them with several options. Investors can hold their units until the announcement of an acquisition, then decide, based on the detailed financial and other information presented to them,

1 A warrant is a contract that gives the holder the right to purchase from the company a certain number of shares in the future at a certain price, often at a premium to the current stock price at the time the warrant is issued.

whether or not the acquisition appears to be an attractive transaction from the SPAC's perspective. If they are in favour of the acquisition, they can simply continue to hold their securities after the acquisition. If investors decide that they are not interested in continuing as investors after the acquisition, they can either sell their securities in the open market[2] or have their public shares redeemed at the time of the acquisition for an amount equal to their pro rata share of the trust account. Shareholders can redeem their IPO shares in connection with the de-SPAC transaction even if they vote in favor of the de-SPAC transaction. However, if the price of the units rises following the IPO, shareholders are typically less likely to opt to redeem their shares.

Proceeds from the IPO are held in a trust account pending the completion of the de-SPAC transaction and returned pro rata if the transaction is not completed within the SPAC's liquidation window. Upfront underwriting commissions, closing fees and working capital are typically deducted from the proceeds of the IPO and private placement and not held in the trust account. However, the trust account may generally be used to pay deferred underwriting commissions and taxes.

Sponsor Company Management Team

From the sponsor or management team's perspective, a SPAC offers the opportunity for potential permanent capital for them to fund large acquisitions. Sponsors and sponsor affiliates usually retain approximately 20% of the SPAC's shares post-IPO. However, in competitive markets, the sponsor may be required to transfer or cancel certain of its founder shares or sponsor warrants to attract additional financing partners.

For sponsors affiliated with private equity firms, SPACs provide flexibility to seek investment opportunities that fund documents may otherwise prohibit. However, private equity managers that sponsor SPACs face unique legal issues, including the need to consider conflicts of interest associated with the allocation of investment opportunities between the SPAC and funds managed by the sponsor and/or its affiliates.

Target Company

For target companies, SPACs present an opportunity for fast-track listing on a national exchange by partnering with a well-known sponsor that actively works to promote the company and secure sources of further investment, while sellers maintain participation in the potential upside. As compared to traditional IPOs, de-SPAC transactions can be quicker and allow target companies to secure an agreed valuation far earlier in the process. Having the valuation agreed in the relevant business combination agreement, signed prior to making any Securities and Exchange Commission (SEC) filings, is a key advantage that can avoid considerable expenses compared to a traditional IPO, which might be abandoned in the pricing process shortly before launch.

In addition, unlike a traditional IPO, a de-SPAC transaction offers the practical ability to use projections while seeking shareholder approval of the potential merger because of a safe-harbour under U.S. securities laws for forward-looking statements made in connection with a business combination. Staff at the SEC has expressed frustration with this different treatment between a traditional IPO and a de-SPAC transaction, and there has been high-profile discussions of amending the relevant safe-harbour, but the difference remains.

2 The securities are listed on a stock exchange like Nasdaq or the NYSE, providing liquidity to shareholders. Shareholders can sell their units before the announcement of an acquisition, or break their units apart and sell either the public shares or the warrants. Generally, shortly after the IPO, the shares and warrants trade separately alongside the units.

TIME FRAME

The following table sets out the three phases in the SPAC lifespan in the United States:

THREE PHASES IN SPAC LIFESPAN

IPO: 8+ weeks (the IPO phase is often accelerated for serial SPAC sponsors)	**Target Search and Negotiation**	**De-SPAC Transaction:** 3-5+ months
• Engage counsel and auditions. • Incorporate SPAC and sell founder shares and sponser warrants. • Establish board of directors. • Prepare and file Form S-1 Registration Statement ("S-1") and amendments to address the U.S. Securities and Exchange Commission (the "SEC") comments. • Negotiate underwriting and ancilliary agreements. • Potentially arrange forward commitments. • Road show, pricing and closing.	• Periodic SEC filings. • Identify target business. • Conduct deligence and negotiate acquisition agreement. • Potentially arrange committed PIPE and/or debt financing. • Prepare proxy/tender offer document. • Sign acquisiton agreement and financing commitments.	• Announce acquisition agreement. • File preliminary proxy/tender offer document. • Meeting with SPAC investors to discuss de-SPAC transaction. • Obtain shareholder approval/ renegotiate transaction or return to target search. • Redeem public shared of electing holders. • Close transaction. • File Super 8-K (post-closing)

The level of disclosure required at the time of a SPAC IPO is relatively simple and limited compared to a traditional IPO, given that: (1) the SPAC has no, or only nominal, assets prior to the IPO; (2) the SPAC has not begun its business operations; and (3) a target has not been identified[3]. As a result, the SPAC's disclosures tend to focus on the expertise of the sponsor and management team and may include information about the geography and/or industry that the SPAC intends to focus on. The SGX SPAC Framework stipulates additional disclosure requirements in the prospectus issued for a SPAC IPO, focusing on, *inter alia*, risk factors unique to SPACs, track record and repute of the sponsors and management team, prominent disclosure on the impact of dilution to shareholders and any mitigating measures taken to minimise impact of dilution to shareholders, voting, redemption and liquidation rights of independent shareholders and any potential conflicts of interest.

Listed SPACs must make regulatory filings in accordance with the rules of the securities exchanges on which they are listed, as well as any filings required by the applicable securities regulator. The SGX SPAC Framework requires that additional continuing listing obligations are imposed on a SPAC prior to the de-SPAC transaction, including that quarterly updates be provided to shareholders on cash utilisation and milestones in securing a business combination. In the United States, as periodic filers under the U.S. Securities Exchange Act of 1934 (Exchange Act), as amended, SPACs must file Form 10-Ks, Form 10-Qs, Form 8-Ks and proxy statements with the SEC. Additionally, their executive officers and directors are required to make Section 16 filings with the SEC. Upon completion of the IPO, the SPAC also becomes subject to the Sarbanes-Oxley Act of 2002.

IPO CONSIDERATIONS

Pre-IPO Phase

Formation of the SPAC

In the United States, many SPACs are formed as Delaware corporations, with numerous others formed in offshore jurisdictions (typically the Cayman Islands, and occasionally the British Virgin Islands or the Marshall Islands). The jurisdictional determination is largely tax driven, based in part on the target investors of the SPAC. The SPAC's corporate governance documents do not need to be tailored for any specific industry and can be updated to mirror the industry of the acquired company following the de-SPAC transaction.

3 At the time of its IPO, the SPAC cannot have identified an acquisition target, otherwise it would have to disclose that target in the IPO registration statement or prospectus along with the target's relevant financial statements.

Selection of sponsor or management team

i. In the selection of a sponsor or management team, the focus is on industry expertise and access to deal flow. The composition of the board of directors of the SPAC must comply with the listing requirements of the relevant securities exchange. The Listing Manual of the SGX-ST (the "SGX Listing Manual") requires that the majority of each of the committees performing the functions of the SPAC's audit committee, nominating committee and remuneration committee, including the respective chairmen, must be independent. Under both the Nasdaq and NYSE listing requirements, a majority of board members are required to be independent.

   Shares are typically purchased by sponsors for a nominal amount prior to IPO – typically US$25,000. These shares are known as the founder shares. Additionally, sponsor warrants are purchased. Together, these purchases represent the sponsor's at-risk capital.

IPO Phase

The IPO lists the units, comprising shares of common stock and warrants. Both the NYSE and Nasdaq have generally attracted a similar number of SPACs, though, notably, the largest SPAC IPO of 2020 was listed on the NYSE.

Both exchanges have similar requirements, requiring 90% of the gross proceeds raised in the IPO and any concurrent private placement to be deposited in a trust account, and requiring that the business combinations have an aggregate fair market value of at least 80% of the value of the assets held in the trust account. The SGX SPAC Framework has similar requirements (see *"SGX Listing Framework for SPACs"* below for further details).

Generally, the NYSE requires at least US$100 million in market capitalisation, resulting in smaller SPACs listing on Nasdaq, which currently requires at least US$50 million in market capitalisation. The SGX SPAC Framework mandates a minimum market capitalisation of S$150 million (approximately US$112 million) for SPACs to be listed on the SGX-ST.

Securities sold in the IPO

A unit includes a share of common stock and typically, in today's market, a fraction of a warrant to purchase a share of a common stock in the future. Following the IPO, the units become separable, such that the public can buy and sell units, shares, or whole warrants, with each security separately listed on a securities exchange.

In the United States, the common stock included in the units sold to the public is sometimes classified as "Class A" common stock, typically representing 80% of the outstanding shares. Typically, the sponsor will pay a nominal amount (often around US$25,000) for a number of "Class B" or "Class F" common stock (founder shares). The 20% founder shares are often referred to as the "promote". The SGX SPAC Framework does not permit dual class share structures at the time of a SPAC IPO in view of the fact that a SPAC has no commercial operations at the time of listing, and the rules stipulate that the founding shareholders, the management team and their respective associates are not permitted to vote on the resolution for the de-SPAC transaction. However, after the de-SPAC transaction, dual class share structures are permitted.

To address anti-dilution concerns, in many SPACs, the founder shares automatically convert into public shares at the time of the de-SPAC transaction. However, if additional public shares or equity-linked securities are issued in connection with the de-SPAC transaction, the exchange ratio for the founder shares will typically be adjusted to maintain the 20% promote for the sponsors (see *"SGX Listing Framework for SPACs"* below in relation to the maximum percentage dilution arising from conversion of warrants under the SGX SPAC Framework to address anti-dilution concerns).

Warrants

While the units sold to the public typically include a fraction of a warrant to purchase a whole share, the sponsor purchases whole warrants. Only whole warrants are exercisable.

In the United States, the strike price for the warrants is usually 15% above the IPO price with anti-dilution adjustments for splits, stock and cash dividends. The warrants become exercisable on the later of (i) 30 days after the de-SPAC transaction and (ii) the 12-month anniversary of the completion of the IPO. The public warrants are designed to be cash settled, meaning the investors have to deliver cash in exchange for a share of stock. The founder warrants may be net settled (also referred to as a "cashless exercise"), such that the holder is not required to deliver cash but is issued a number of shares of stock with a fair market value equal to the difference between the trading price of the stock and the warrant strike price. In certain circumstances, such as the absence of an effective registration statement covering the common stock issuable upon exercise of the public warrants or at the option of management, the public warrants may also be net settled. If the public warrants are exercisable and the public shares trade above a certain fixed price for a period of time, the public warrants will become redeemable by the company for nominal consideration, incentivising holders of the public warrants to exercise the warrants so as not to lose the value of the warrants. The founder warrants are not redeemable. With the exception of the cashless exercise feature and the redeemability, the founder warrants and public warrants have identical terms.

The purchase price paid by the sponsor for the founder warrants is a source of initial funding for the SPAC prior to the IPO and represents the "at risk capital" of the sponsor in the SPAC, which is typically between 3% and 7% of the anticipated SPAC IPO proceeds. In addition to the founder warrants purchased at IPO, some SPACs contemplate that an additional amount of warrants can be issued to the sponsor at the de-SPAC transaction on conversion of any loans from the sponsor to the SPAC. If the de-SPAC transaction is not completed, the warrants expire with no value.

To mitigate concerns on dilution to SPAC shareholders, there have been some recent SPACs in the United States which have listed without any warrants, or without founder warrants being issued. Some banks have structured the sponsor promote using a 1/3, 1/3, 1/3 model, where 1/3 of the promote is given up by the sponsor, 1/3 is subject to vesting and 1/3 is kept by the sponsor and not subject to vesting (see "*SGX Listing Framework for SPACs*" below in relation to the maximum percentage dilution arising from conversion of warrants under the SGX SPAC Framework to address anti-dilution concerns).

Trust Account

The upfront underwriting commission, estimated offering expenses and post-IPO working capital amount, and taxes are funded by the proceeds from the IPO and concurrent private placement.

Most of the IPO and concurrent private placement proceeds are held in the trust account until the completion of the de-SPAC transaction. Investment of the cash held in the trust account is heavily restricted to ensure that the SPAC is not required to register as an "investment company" under the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act")[4]. Such cash is typically invested in short-term U.S. government securities or held as cash, and is released to fund (i) the de-SPAC transaction, (ii) redemption of common stock pursuant to a mandatory redemption offer, (iii) payment of the deferred underwriting commission and (iv) if any amounts remain, to cover the transaction expenses and working capital of the company post the de-SPAC transaction.

If the SPAC does not complete a de-SPAC transaction prior to its liquidation window, the proceeds held in the trust account are distributed pro rata to the public shareholders. It should be noted that holders of warrants and founder shares are not entitled to such distributions.

4 Recently, a shareholder of three U.S.-listed SPACs initiated derivative lawsuits asserting that the SPACs are "investment companies" under the Investment Company Act because they are engaged primarily in the business of investing in securities. Specifically, the complaints allege that the SPACs are "investment companies" because all of the proceeds from the SPACs' initial public offerings have been invested in "securities." Clifford Chance has joined more than 55 leading law firms in drafting a memo responding to the arguments set forth in these three lawsuits. See https://www.cliffordchance.com/news/news/2021/08/clifford-chance-joins-nation-s-leading-law-firms--response-to-in.html for further details

IPO ADDITIONAL CONSIDERATIONS – REGISTRATION RIGHTS

The SPAC and the sponsor (and any other holders of founder shares) typically enter into a registration rights agreement regarding the founder shares and sponsor warrants (and shares issuable upon the exercise of sponsor warrants) and provide a lock-up for one year after the closing of the de-SPAC transaction, subject to an early expiration if the shares trade above a certain price for a specified period.

In Singapore, upon completion of the IPO, the SPAC would be subject to continuing listing obligations under the SGX Listing Manual as well as the proposed additional quarterly updates mentioned above. In the United States, the listed SPAC becomes subject to the ongoing reporting obligations under the Exchange Act, and compliance with the Sarbanes-Oxley Act of 2002.

M&A CONSIDERATIONS

Acquisition Target

SPACs cannot identify acquisition targets prior to the closing of the IPO. If the SPAC had a specific target under consideration at the time of the IPO, detailed information regarding the target IPO registration statement, potentially including the target's, would be required to be included in the financial statements, thus delaying the IPO and rendering it similar in form and substance to a traditional IPO. Often, SPACs will specify a market sector, an industry or a geographic focus for their target business or assets. However, many will not be limited to specific industry sectors or geographic regions.

The size of de-SPAC transaction is generally required to be 80% of the trust account (excluding the deferred underwriters' commission and taxes payable on the income earned). There is no maximum size of transaction for the de-SPAC transaction. It is common in the current de-SPAC market for target company valuations to be far larger than the SPAC trust account and for target shareholders to receive a substantial majority of the shares in the surviving public company in consideration for their interest in the target.

Liquidation Window

Nasdaq, and the NYSE allow a maximum of 36 months to complete the de-SPAC transaction, and SGX requires the de-SPAC transaction to be completed within 24 months from the date of listing, with an extension of up to 12 months subject to fulfilment of prescribed conditions. However, SPACs in the United States commit, in their prospectuses, to completing the de-SPAC transaction 18 to 24 months after their IPO. Automatic extensions may be included in the SPAC's charter, contingent on the signing of a letter of intent or definitive transaction agreement and, if not, extensions would require shareholder approval of charter amendment. Non-approving shareholders may have a redemption right at the time an extension is approved. See "*SGX Listing Framework for SPACs*" below for further details on how the rules under the SGX SPAC Framework differ from the Nasdaq and NYSE rules.

Shareholder Approval

In the United States, the de-SPAC process is similar to a public company merger, except that the buyer (the SPAC) is typically required to obtain shareholder approval, which must be obtained in accordance with SEC proxy rules, while the target business (usually a private company) is not required to complete an SEC-compliant proxy process. Under the SGX SPAC Framework, the de-SPAC transaction process will be subject to the SGX Listing Manual, including in relation to obtaining of shareholder approval, commissioning of an independent valuation on the target business under certain circumstances, appointment of a financial adviser and disclosure required in the shareholders' circular relating to the de-SPAC transaction (see "*SGX Listing Framework for SPACs*" below for further details).

In the United States, stock exchange rules do not always require a vote by the SPAC shareholders, but the structure of the de-SPAC transaction (e.g., if the SPAC does not survive a merger or is re-domiciling in a different jurisdiction) may require a vote and, if more than 20% of the voting stock of the SPAC is being issued in the de-SPAC transaction (to the seller of the target business, to PIPE investors or to a combination), the stock exchange rules will require a shareholder vote. This results in most de-SPAC transactions involving a public vote of the SPAC's shareholders, which involves the filing of a proxy statement with the SEC, review and comment by the SEC, mailing of the proxy statement to the SPAC's shareholders and holding a shareholder meeting. The proxy process can take three to five or more months to complete from the date a definitive agreement for the de-SPAC transaction is signed.

Founder Vote Requirements

The sponsor and any other holders of founder shares will typically commit at the time of the IPO to vote any founder shares held by them and any public shares purchased during or after the IPO in favour of the de-SPAC transaction. As a result, at least 20% of the SPAC's outstanding shares will be committed to vote in favour of a transaction. Under the SGX SPAC Framework, the founding shareholders, management team and their respective associates will not be permitted to vote on the resolution for the de-SPAC transaction with shares acquired at nominal or no consideration prior to or at the IPO of the SPAC.

Redemption Rights

In connection with the de-SPAC transaction in the United States, SPACs are required to offer the holders of public shares the right to redeem their public shares for a pro rata portion of the proceeds held in the trust account. Shareholders generally have the right to redeem their shares of common stock in connection with the de-SPAC transaction, and most SPACs provide for such rights even if shareholders vote to approve the de-SPAC transaction. The redemption offer does not apply to the public warrants. They typically remain outstanding regardless of whether the originally associated public share is redeemed or not, until they are exercised or otherwise cancelled or exchanged pursuant to their terms or a vote. In addition, if the SPAC does not consummate the de-SPAC transaction within the specified period or seeks to amend its charter documents to permit an extended period to consummate the de-SPAC transaction, it will be required to redeem the public shares (or offer to redeem, in the case of a charter amendment) for their pro rata portion of the amount held in the trust account. The sponsor and the SPAC's officers and directors will typically waive redemption rights with respect to their founder shares (and any public shares they may purchase) in connection with the de-SPAC transaction, and with respect to a charter amendment to permit an extended period to consummate the de-SPAC transaction. Effectively, the Sponsor agrees to stay invested in the SPAC until the closing of the de-SPAC transaction (plus any agreed lock-up period) or until liquidation. If the de-SPAC transaction never occurs, the public shareholders receive their money back and the public warrants, founder shares and founder warrants expire without value.

An investor who does not approve of the terms of the de-SPAC transaction may seek redemption of its shares. However, such non-approving investors typically still vote for the deal to maintain the value of their warrants. As a result, the shareholder approval is typically less of an issue than the amount of redemptions that may occur at the time of the de-SPAC transaction. In some cases, redemptions may be nearly 100%.

Under the SGX SPAC Framework, only independent shareholders are afforded the right to redeem their shares and receive a pro rata portion of the amount held in the trust account. (see "*SGX Listing Framework for SPACs*" below for further details).

Equity Commitments (FPAs and PIPEs)

In connection with many SPAC IPOs, the sponsor, affiliates of the sponsor or third-party equity financing parties will agree to purchase shares in the SPAC's ultimate de-SPAC pursuant to forward-purchase agreements ("FPAs"). FPAs vary in how strictly equity investors are bound to invest in the de-SPAC, for instance some FPAs are entirely subject to approval by the equity investor's board while others are strict requirements to fund up to an amount called by the SPAC.

In connection with a de-SPAC, SPACs typically bind PIPE (i.e. private investments in public equity) investors to purchase shares in connection with the de-SPAC. PIPE investors receive limited diligence on the target (principally historical financials and an investor presentation) and are solicited in a slimmed-down version of a traditional "road show." PIPE investors commit to make an equity investment at the signing of the de-SPAC and such commitments are subject to minimal conditions (which are typically satisfied presuming that the de-SPAC closing conditions are satisfied).

These equity commitments can address any issues created by a high percentage of redemptions by SPAC shareholders at the de-SPAC and allow the SPAC to seek larger targets than might otherwise be available.

DISCLOSURE CONSIDERATIONS

General Areas of Litigation Risk

In the United States, litigation may arise in either of the two processes during the life-cycle of the SPAC:

- **IPOs***:* There should be careful disclosure around conflicts of interest relating to the sponsor, directors, and underwriters, and compensation of all parties involved, including any deferred or contingent compensation. For example, SPAC sponsors generally purchase equity in the SPAC at more favourable terms than investors in the IPO or subsequent investors in the open market, and investors should be made aware that, although most of the SPAC's IPO capital has been provided by IPO investors, the sponsors will benefit more than investors from the completion of the de-SPAC transaction and may have an incentive to complete the transaction on terms which may be less favourable to investors.
- **De-SPAC Transaction***:* The source of most SPAC-related litigation is related to the de-SPAC transaction. The SEC has stated that disclosures setting forth the potential losses and repercussions of not closing the transaction, for the sponsors, directors, and underwriters, should be quantified "to the extent practicable".

  The SGX SPAC Framework requires additional disclosures in the SPAC's IPO prospectus and the shareholders' circular seeking approval for a de-SPAC transaction which focuses on conflicts of interest and risk factors unique to SPACs and the de-SPAC transaction (see "*SGX Listing Framework for SPACs*" below for further details).

Increased Risk of Conflicts of Interest

Courts in the United States have generally viewed the following factors in a negative light when considering whether the board of a SPAC may have breached its fiduciary duty to SPAC investors:

- Decisions made closer to the end of the liquidation window;
- Large financial incentives to SPAC sponsors and underwriters from a successful de-SPAC transaction;
- Extreme repercussions resulting from a failed de-SPAC transaction;
- Famous or inexperienced management; and
- A high degree of conflicts of interest. This is particularly important in the case of larger sponsors with multiple funding arrangements and affiliate sponsors.

The SGX SPAC Framework requires that an independent valuation of the target business is commissioned where (i) there is no PIPE investment or (ii) the businesses or assets to be acquired under the business combination involves a mineral, oil and gas company, or property investment/development company. Such valuation report is required to be appended to the shareholders' circular seeking approval for the de-SPAC transaction. In addition, a financial adviser who is an issue manager must be appointed by the SPAC to advise on the business combination. Such financial adviser would be subject to oversight by regulators in Singapore and must be guided by the SGX Listing Manual and related rules and guidelines in conducting due diligence for the de-SPAC transaction. The foregoing requirements would offer some protection to the directors of a SPAC in supporting an assertion that they have fulfilled their fiduciary duties to the SPAC shareholders.

Conflicts Arising in the De-SPAC Transaction

Equity and/or Debt financing commitments (including PIPEs) may be needed in order to complete the transaction. SPACs must fully disclose to investors:

- Any financing arrangements which may negatively affect public shareholders;
- Any additional securities issued in connection with the financing arrangement, including an explanation of how they differ from those issued to IPO investors; and
- The effect of the financing arrangements on the compensation and incentives of the SPAC sponsor, affiliates and underwriters.

If the SPAC sponsor is participating in the financing arrangements, the benefits and repercussions for its management should be disclosed to investors.

Recent SEC Statements and Enforcement Action

In late March and early April 2021, the SEC issued guidance statements on SPACs. In response, the SPAC IPO market in the United States has slowed considerably. The guidance statements include the following:

- Highlighting certain accounting, financial reporting and governance limitations affecting SPACs that SPACs and target companies should consider before undertaking a de-SPAC.
- Questioning the use of revenue projections by start-ups merging with SPACs and whether de-SPAC transactions should be treated more akin to traditional IPOs.
- Addressing the accounting treatment of warrants commonly issued in connection with the formation of SPACs, that such warrants should not be accounted for under US GAAP as equity, but rather as liabilities measured at fair value with changes in each period reported in earnings.

In July, the SEC took an aggressive enforcement stance, commencing proceedings against a SPAC, the sponsor, the target company, and the CEOs of the sponsor and target companies for disseminating false and misleading information to investors. (Momentus, Inc., SEC Release No. 10955 (July 13, 2021)). The target company in the proceeding had made numerous false and misleading statements to its investors and to the sponsor, such statements were then repeated by the sponsor in its discussions with PIPE investors and in public filings associated with the proposed de-SPAC transaction. The SEC found that sponsor had performed its diligence in a compressed timeframe and had failed its obligation to follow up on red flags. The fact that the target company lied to the sponsor did not absolve the sponsor of liability. The enforcement action illustrates SEC's broad view of liability in SPAC transactions, and reinforces the important role that SPAC directors and officers have in conducting due diligence and independently verifying material representations of the proposed target.

DIRECTORS AND OFFICERS INSURANCE

As instances of SPAC-related litigation continue to increase in the United States, most often related to the de-SPAC transaction, premiums related to directors and officers insurance continue to rise. The costs associated with the D&O insurance varies, with the largest SPAC (Pershing Square) estimating D&O insurance premium costs of US$3.3 million, and smaller SPACs estimating costs as low as US$300,000. D&O policies for SPACs in the United States generally consist of (i) coverage for the officers and directors during the life of the SPAC (including the de-SPAC transaction) and (ii) coverage for officers and directors of the listed company for six years following the completed de-SPAC transaction.

SGX LISTING FRAMEWORK FOR SPACS

The below table sets out a comparison of the regulations applying to SPACs in the United States by the Nasdaq, the NYSE, the SEC, and the US federal securities laws and the regulations applying to the primary listings of SPACs in Singapore on the Mainboard of the SGX-ST.

Comparative Table of SPAC Regulation on the SGX versus the NYSE and Nasdaq (together the "US Exchanges")

<table>
<tr><td colspan="2">Minimum Market Capitalisation: The SGX requires a minimum market capitalisation of S$150 million (≈ US$112 million)</td></tr>
<tr><td>SGX</td><td>A SPAC must have a minimum market capitalisation of S$150 million, computed based on the IPO issue price and post-invitation issued share capital.</td></tr>
<tr><td>Nasdaq & NYSE</td><td><u>Nasdaq Global Market:</u> US$75 million

<u>Nasdaq Capital Market:</u> US$50 million

<u>NYSE:</u> US$100 million

<u>NYSE American:</u> US$50 million

The US Exchanges offer tiers of listing standards that require companies to meet a set of criteria in conjunction. Such criteria may include minimum stockholder' equity, total value of market capitalisation, aggregate market value of publicly held shares, stock price, total assets or distribution. Some tiers require a higher market capitalisation than listed below and some tiers do not have a capitalisation requirement. Thus, the above figures represent the minimum market capitalisation amounts in the listing standards where this criteria is required.</td></tr>
<tr><td colspan="2">Public Float: SGX requires SPACs to have at least 25% of its total number of issued shares to be held by not less than 300 public shareholders at IPO, which is generally aligned with the US Exchanges.</td></tr>
<tr><td>SGX</td><td>At least 25% of a SPAC's total number of issued shares must be held by not less than 300 public shareholders at the time of the SPAC listing on the SGX-ST.</td></tr>
<tr><td>Nasdaq & NYSE</td><td><u>Nasdaq Global Market and NYSE:</u> At least 400 round lot holders must be holding 1.1 million shares.

<u>Nasdaq Capital Market:</u> At least 300 round lot holders must be holding 1 million shares.

Previously, Nasdaq required that SPACs have 50% of their round lot holders holding unrestricted securities with at least US$2,500 in value. The SEC approved removing this restriction in February 2021.

The SEC has also rejected the NYSE's 2018 proposal to lower the amount of round lot shareholders to 100 and to give the listing companies a 30-day grace period, after listing, in order to comply with this requirement.</td></tr>
<tr><td colspan="2">Minimum issue price: The SGX stipulates a minimum issue price of S$5 per share which is lower compared to the requirements of and market practice on the US Exchanges. While the US Exchanges allow for lower minimum bids, SPACs routinely list at US$10 per share.</td></tr>
<tr><td>SGX</td><td>Minimum issue price of S$5 per share or unit for the securities offered for the SPAC IPO.</td></tr>
</table>

<table>
<tr><td>Nasdaq & NYSE</td><td><u>Nasdaq:</u> Minimum bid of US$4 per share; unless other requirements are met then the minimum bid may be US$2 or US$3 per share.

<u>NYSE:</u> Minimum bid of US$4 per share.</td></tr>
<tr><td colspan="2">Class shares structure: Unlike SPACs listed on the US Exchanges, which generally have two classes of shares, the SGX is only permitting one class of shares at the time of a SPAC's IPO.</td></tr>
<tr><td>SGX</td><td>SPACs are not permitted to adopt dual class share structures at the time of the SPAC's IPO.</td></tr>
<tr><td>Nasdaq & NYSE</td><td><u>Nasdaq & NYSE:</u> No corresponding requirement.

In the United States, SPACs commonly adopt two classes of shares. The common stock included in the units sold to the public is sometimes classified as "Class A" common stock, typically representing 80% of the outstanding shares. Usually, the sponsor will pay a nominal amount, often around US$25,000, for a number of "Class B" or "Class F" common stock, often called founder shares.</td></tr>
<tr><td colspan="2">Minimum investment by founders: The SGX sets a minimum amount of investment for founders. The US Exchanges do not pose a similar requirement. However, on the US Exchanges, SPACs' founding shareholders and affiliates often commit to purchasing 25% of the SPAC's units to demonstrate to investors that they have "skin in the game" and are committed to acting in the investors' best interest.</td></tr>
<tr><td>SGX</td><td>SGX requires the founding shareholders and the management team to subscribe for a minimum value of equity securities (based on the subscription price at IPO) in accordance with the following requirements:

<table>
<tr><td>Market capitalisation of the SPAC (S$ million) ("M")</td><td>Proportion of subscription</td></tr>
<tr><td>$150 \le M < 300$</td><td>3.5%</td></tr>
<tr><td>$300 \le M < 500$</td><td>3.0%</td></tr>
<tr><td>$M \ge 500$</td><td>2.5%</td></tr>
</table></td></tr>
<tr><td>Nasdaq & NYSE</td><td><u>Nasdaq & NYSE:</u> No corresponding requirement.</td></tr>
<tr><td colspan="2">Sponsor promote: SGX imposes a limit on the sponsor promote to 20% of the issued share capital of the SPAC (on a fully diluted basis) immediately following closing of the IPO. The US Exchanges do not have a similar restriction.</td></tr>
<tr><td>SGX</td><td>The extent of the aggregate equity interests in the SPAC acquired by the founding shareholders, management team and their associates at nominal or no consideration is generally permitted up to 20% of the issued share capital of the SPAC (on a fully diluted basis) immediately following closing of the IPO.</td></tr>
<tr><td>Nasdaq & NYSE</td><td><u>Nasdaq & NYSE:</u> No corresponding requirement.</td></tr>
<tr><td colspan="2">Warrants: Under the SGX SPAC Framework, warrants will be detachable, and SGX has imposed a maximum percentage dilution to shareholders arising from the conversion of warrants issued at IPO to be capped at 50%. In the United States, the features of such warrants are determined by the SPAC's management and are driven by market forces.</td></tr>
<tr><td>SGX</td><td>SGX requires that SPACs establish a percentage limit of not more than 50% as to the maximum dilution to the SPAC's post-invitation share capital with respect to the conversion of any warrants or other convertible securities issued by the SPAC in connection with the IPO.</td></tr>
</table>

Nasdaq & NYSE	Nasdaq & NYSE: No corresponding requirement. In the United States, the features of the warrant and rights offering are determined by the SPAC's management based on market forces. A fraction of a warrant is typically attached to an ordinary share and offered to investors as a unit for subscription at the SPAC's IPO. Common shares and warrants become separable, and may trade separately, on the 52nd day after the SPAC's IPO. Additionally, shareholders may seek to redeem their shares without affecting the value of their warrants.
Suitability Assessment Factors of a SPAC: The SGX and the NYSE provide similar factors that they may consider when assessing a SPAC's listing suitability. However, in the United States it is the SEC, and not the US Exchanges, that plays the larger role in analysing and approving a SPAC listing and de-SPAC transaction.	
SGX	The SGX provides a set of factors which it may, in its discretion, take into account in assessing the suitability of a SPAC for listing.
Nasdaq & NYSE	Nasdaq: No corresponding requirement. NYSE: Provides a list of factors that the NYSE may consider in determining the suitability of a SPAC listing . Ultimately in the United States the SEC is the regulatory authority that reviews the SPAC's filings for legal and accounting issues, poses questions to the SPAC's management, and determines if the SPAC is has complied with the SEC disclosure rules and the federal securities laws. The SEC issues guidance for investors to consider when evaluating a SPAC, but ultimately the agency does not vet the SPAC for suitability or riskiness, and mostly ensures that the SPAC's disclosures to investors are clear and balanced.
Approval of the de-SPAC transaction: Both the SGX and the US Exchanges require that the de-SPAC transaction be passed with a vote and majority approval.	
SGX	A de-SPAC transaction must be approved by (a) a simple majority of independent directors, and (b) by an ordinary resolution passed by shareholders. For purposes of voting on the business combination, the founding shareholders, the management team and their associates are not permitted to vote with shares acquired at nominal or no consideration prior to or at the IPO of the SPAC. Where the business combination is (a) an interested person transaction for purposes of the SGX Listing Manual or (b) entered into with the founding shareholders, members of the management team, and/or their respective associates, the shareholders' circular must contain an opinion from an independent financial adviser and the SPAC's audit committee stating that the terms of the transaction are on normal commercial terms and are not prejudicial to the interest of the SPAC and its minority shareholders.
Nasdaq & NYSE	Nasdaq & NYSE: The business combination must be approved by a majority of the votes cast at the shareholder meeting under the applicable listing rules. Usually, the SPAC's management and founders contractually agree to waive their voting rights in the prospectus.

	Additionally, the SPAC must file and furnish a proxy or information statement subject to Regulation 14A or 14C under the Securities Exchange Act of 1934. The proxy statement is filed with the SEC and may be selectively, but not necessarily, reviewed. Directors and officers may face liability for false or misleading statements in the SPAC's proxy statement if they knew, or should have known, that the material contained false statements.
Transfer restrictions: The SGX imposes moratorium restrictions on the sponsors' shares from the IPO up to the completion date of the business combination and additional moratorium requirements after completion of the business combination. Generally, in the US, SPAC management and key investors holding founders shares contractually agree to hold their shares for one year after the de-SPAC transaction unless other specified events occur.	
SGX	The SGX imposes moratorium requirements on all equity securities of the SPAC held by the founding shareholders, the management team and their respective associates, commencing on the date of listing up to and including the completion date of the business combination. Following the business combination, all equity securities of (a) the founding shareholders and, the management team of the SPAC and their respective associates, and (b) the controlling shareholders of the resulting issuer and their associates, and the executive directors of the resulting issuer with an interest in 5% or more of the issued share capital, will be subject to moratorium requirements in accordance with the SGX Listing Manual from the completion date of the business combination.
Nasdaq & NYSE	<u>Nasdaq & NYSE:</u> No such requirement. The federal securities laws subject shareholders to lockup periods after the IPO under Rule 701(g) and SEC Rule 144. Typically, the prospectus contractually places transfer restrictions on the class of shares held by the founders (founders shares). Common restrictions prevent the transferring of founder shares before the earliest of the following (a) one year after the de-SPAC transaction, (b) the common shares' closing price equals $12/share for a period of time, (c) the date after the de-SPAC when another event is completed that allows shareholders to exchange shares for cash, securities or property (such as a liquidation, merger, or share exchange).
Shareholder redemption rights: The SGX limits redemption rights to independent shareholders only. Generally, SPACs in the United States grant redemption rights to all shareholders, although the sponsor and the SPAC's officers and directors will typically waive redemption rights with respect to their founder shares (and any public shares they may purchase)	
SGX	Independent shareholders (other than the founding shareholders, the management team and their respective associates) shall be entitled to redeem their ordinary shares and receive a pro rata portion of the amount held in the escrow account at the time of the business combination vote.
Nasdaq & NYSE	<u>Nasdaq & NYSE:</u> Public shareholders voting against a business combination must have the right to convert their shares of common stock into a pro rata share of the aggregate amount then in the deposit account.

	The US Exchanges only mandate redemption rights for dissenting shareholders. However, SPAC routinely grant redemption rights to all shareholders in their prospectuses, and such rights are irrespective of whether the shareholder voted for or against the de-SPAC transaction. In addition, a SPAC sponsor and the SPAC's officers and directors will typically waive redemption rights with respect to their founder shares (and any public shares they may purchase).
Limits on shareholder redemptions: Both SGX and the US Exchanges allow SPACs to limit the amount of redemptions and US SPACs generally do impose redemption limits.	
SGX	SPACs may establish a limit as to the maximum number of shares with respect to which an independent shareholder, together with any associates or persons acting jointly or in concert, may exercise a redemption right, provided that such limit (a) may not be set at lower than 10% of the shares issued IPO and (b) is disclosed in the IPO prospectus and shareholders' circular in relation to the business combination. Any redemption limit established by the SPAC must apply equally to all independent shareholders entitled to a redemption right.
Nasdaq & NYSE	Nasdaq & NYSE: Similarly, a SPAC may establish a limit (set no lower than 10% of the shares sold in the IPO) as to the maximum number of shares any public shareholder may exercise their redemption rights. In most cases, SPACs impose redemption limitations of 15%, and on occasion redemptions will be limited to 20%. Rarely do SPACs set redemption limitations of less than 15%.
Permitted time frame for completing a de-SPAC transaction: SGX requires a business combination to be completed within 24 months from the date of listing, with an extension of up to 12 months subject to fulfilment of prescribed conditions. The US Exchanges offer a 36-month window, however, this limitation is rarely utilised since most SPACs contractually agree to complete a de-SPAC transaction in 24 months or less.	
SGX	The SPAC must complete a business combination within a time frame of 24 months from the date of listing. Where the SPAC has entered into a legally binding agreement for a business combination before the end of the 24-month period, the SPAC shall have up to not more than 12 months from the relevant deadline to complete the business combination, subject to fulfilment of certain prescribed conditions. Other than the extension circumstance above, the SPAC must apply to SGX for an extension of time to complete the business combination and specifically obtain the approval of a majority of at least 75% of the votes cast by shareholders at a general meeting to be convened, in accordance with requirements under the SGX Listing Manual.

<table>
<tr><td>Nasdaq & NYSE</td><td>Nasdaq: Within 36 months of the effectiveness of its IPO registration statement, or such shorter period that the company specifies in its registration statement, the SPAC must complete one or more business combinations.

NYSE: The SPAC will be liquidated if no business combination has been consummated within a specified time period, not to exceed three years.

In practice, all SPACs contractually agree to complete a de-SPAC transaction within 18-24 months, and many SPACs complete the transaction far before the designated time limit. The prospectus will stipulate if extensions to the time limit are allowable and, if so, how extensions are proposed and approved. The US Exchanges are rarely involved in this process.</td></tr>
<tr><td colspan="2">The liquidation process if a de-SPAC transaction is not completed: Both the SGX and the US Exchanges restrict SPAC founders and management from receiving distributions in the liquidation process. The SGX identifies a larger pool of capital available for disbursements, allowing for "other accounts held by the issuer" to be disbursed in a liquidation in addition to the amount of the SPAC's escrow account. In addition, the SGX only allows the SPAC to deduct taxes and direct expenses related to the liquidation, whereas the US Exchanges allow the SPAC to deduct taxes and the amounts of working capital paid to the management. In practice, this provision may be further modified in the prospectus.</td></tr>
<tr><td>SGX</td><td>Founding shareholders, the management team, and their respective associates, must waive their rights to participate in any liquidation distribution in respect of shares acquired and held at the time of the IPO.

The amount held in the escrow account at the time of the liquidation distribution (and such other accounts held by the issuer), net of taxes payable and direct expenses related to the liquidation distribution, shall be distributed to shareholders on a pro rata basis.</td></tr>
<tr><td>Nasdaq & NYSE</td><td>Nasdaq: The SPAC must provide all public shareholders (this does not include founders or management) with the opportunity to redeem all their shares for cash equal to their pro rata share of the aggregate amount then in the deposit account (net of taxes payable and amounts distributed to management for working capital purposes).

NYSE: The SPAC's founding shareholders must waive their rights to participate in any liquidation distribution with respect to all shares of common stock owned by each of them prior to the IPO or purchased in any private placement occurring in conjunction with the IPO, including the common stock underlying any founders' warrants. In addition, the underwriters of the IPO must agree to waive their rights to any deferred underwriting discount deposited in the trust account in the event that the SPAC liquidates prior to the completion of a business combination.

The company must provide all shareholders with the opportunity to redeem all their shares for cash equal to their pro rata share of the aggregate amount then in the deposit account (net of taxes payable, and amounts disbursed to management for working capital purposes).</td></tr>
<tr><td colspan="2">Events which may result in potential liquidation: Where there is a material change in relation to the profile of the SPAC's founding shareholders or management, SGX requires that approval of a majority of at least 75% of independent shareholders be obtained for the continued listing of the SPAC on SGX.</td></tr>
</table>

SGX	Prior to completion of a business combination, in the event a material change occurs in relation to the profile of the founding shareholders and/or the management team which may be critical to the successful founding of the SPAC and/or successful completion of the business combination, the SPAC shall seek approval of a majority of at least 75% of the votes cast by independent shareholders at a general meeting to be convened for the continued listing of the SPAC on the SGX. For the purpose of voting on the continued listing of the SPAC, the founding shareholders, the management team, and their associates, are not considered as independent. The SGX has discretion in determining whether such an "event of material change" has arisen.
Nasdaq & NYSE	Nasdaq & NYSE: No corresponding requirement. The potential for such changes will likely be disclosed to investors in the SPAC's prospectus as a risk factor. Typically, the election and removal of directors, unless otherwise indicated in the bylaws, is determined by the board of directors. Generally, a majority vote by shareholders is required to approve mergers, share issuances, and changes to the by laws.
Minimum percentage of the IPO proceeds held in an escrow account: Both the SGX and the US Exchanges require at least 90% of the gross proceeds raised in the IPO to be deposited in an escrow account.	
SGX	At least 90% of the gross proceeds raised from its IPO must be deposited in an escrow account. The escrow account should be opened with, and operated by, an independent escrow agent which is part of a financial institution licensed and approved by the Monetary Authority of Singapore. The amount placed in the escrow account cannot be drawn except for the purpose of the business combination, on liquidation of the SPAC or certain other circumstances set out in the SGX Listing Manual.
Nasdaq & NYSE	Nasdaq & NYSE: At least 90% of the IPO proceeds (NYSE specifies "gross proceeds"), together with the proceeds of any other concurrent sales of the SPAC's equity securities, must be held in a trust account controlled by an independent custodian until consummation of a business combination. Such account should be maintained by an "insured depository institution", as that term is defined in Section 3(c)(2) of the Federal Deposit Insurance Act or in a separate bank account established by a registered broker or dealer. However, the market practice in the United States is that SPACs deposit 100% of the gross proceeds from the IPO into the trust account, thus offering increased investor protection by assuring that shareholders choosing to exercise their rights to redeem shares will receive the full IPO price paid, rather than the lesser amount guaranteed by US Exchanges' regulations.
Permitted investments for escrowed funds: The restrictions that the SGX poses on SPACs' escrowed funds that are the same as the common market practices followed by SPACs on US Exchanges. However, the US Exchanges have no rules requiring that IPO proceeds only be invested in certain types of instruments.	
SGX	Until the completion of a qualifying business combination, the SPAC may invest the escrowed funds in "permitted investments", being investments in cash or cash equivalent short-dated securities of at least A-2 rating (or an equivalent).

Nasdaq & NYSE	Nasdaq & NYSE: No corresponding requirement. The escrow account typically invests in money market funds or short-term U.S. government securities. SPACs generally invest the proceeds in relatively safe, interest-bearing instruments, but there is no rule requiring that the proceeds only be invested in those types of instruments. SPACs often use the interest on trust account investments to pay taxes. Theoretically, a SPAC on a US Exchange could invest its escrowed funds in more risky asset classes, though the SPAC would be subject to other restrictions under the Investment Company Act. Generally, when more than 40% of a company's assets are invested in certain types of instruments, the company may meet the Investment Company Act's definition of an "investment company," and therefore be subject to registration and additional regulation.
The value of, and number of, de-SPAC transactions: Both the SGX and the US Exchanges require the de-SPAC transaction to be 80% of the fair market value of the escrow account. The key difference is that the SGX requires that this criteria be satisfied by the initial de-SPAC transaction, whereas the US Exchanges permit this criteria to be satisfied through the aggregate value of multiple transactions.	
SGX	The business combination must comprise an initial acquisition of a business or an asset with a fair market value forming at least 80% of the amount held in the escrow account (excluding amounts representing deferred underwriting commission and any taxes payable on the income earned on the escrowed funds). Where the SPAC consummates multiple concurrent acquisitions or mergers as part of the combination, there must be at least one initial acquisition which satisfies the requirement of having a fair market value constituting at least 80% of the amount in the escrow account[6].
Nasdaq & NYSE	Nasdaq: Requires that the SPAC must complete one or more business combinations having an aggregate fair market value of at least 80% of the value of the deposit account (excluding any deferred underwriters' fees and taxes payable on the income earned on the deposit account) at the time of the agreement to enter into the initial combination. NYSE: Requires that the SPAC consummate a business combination with one or more operating businesses or assets with a fair market value equal to at least 80% of the net assets held in trust (net of amounts disbursed to management for working capital purposes and excluding the amount of any deferred underwriting discount held in trust).
Financial adviser: SGX requires that a SPAC appoints a financial adviser, who is an issue manager, to advise on the business combination. The US Exchanges do not have a similar requirement.	
SGX	The SPAC must appoint a financial adviser, who is an issue manager for purposes of the SGX Listing Manual, to advise on the business combination. The financial adviser is expected to have regard to the due diligence guidelines issued by The Association of Banks in Singapore when conducting due diligence on the business combination.

6. SGX has indicated in their responses to a public consultation paper that it is prepared to consider a waiver on a case-by-case basis to allow for the SPAC to aggregate multiple concurrent acquisitions to meet the 80% threshold for such portfolio acquisitions. The SPAC must demonstrate sufficient bases on the nature of the acquisitions and these concurrent acquisitions are to be respectively approved and inter-conditional, and completed simultaneously or on or around the same day.

Nasdaq & NYSE	Nasdaq & NYSE: No corresponding requirement.
Valuation of the de-SPAC transaction: On the US Exchanges, the value of the de-SPAC transaction is determined by the SPAC's management, underwriters, and investors. The SGX requires that an independent valuer be responsible for making this assessment under certain circumstances.	
SGX	Requires the appointment of a competent and independent valuer to value the business(es) or asset(s) to be acquired under the business combination where: (i) a placement or subscription for the SPAC's equity securities by institutional and/or accredited investors is **not** conducted contemporaneously with the business combination; (ii) the business(es) or asset(s) to be acquired under the business combination involves a mineral, oil and gas company, or property investment/development company. A summary valuation report must be appended to the circular to shareholders seeking their approval for the business combination.
Nasdaq & NYSE	Nasdaq & NYSE: The de-SPAC transaction must be valued at "fair market value". Such valuations must be circulated to investors in the proxy statement. Generally, "fair value" means what a reasonable investor acting in its own self-interest would pay for an asset in an arm's-length transaction. In a recent proposed rule change, Nasdaq describes a SPAC's typical process for determining the valuation of a target company. In the offering of an operating company, the underwriters and investors determine a valuation of the company based on its revenues, future cash flow expectations, business activities and peer valuations, among other metrics.

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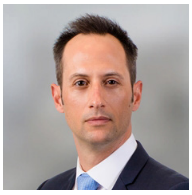

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C L I F F O R D

C H A N C E

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