

# GRABBING HEADLINES – NEO INTRODUCES NEW ‘G-CORP’ TO PROVIDE GREATER OPPORTUNITIES FOR CAPITAL RAISING

Posted on April 19, 2021

Categories: [Insights](#), [Publications](#)

On April 16, 2021, NEO Exchange Inc. (the “**NEO Exchange**”) announced an innovative listing offering to facilitate capital-raising opportunities for earlier stage and high growth companies that do not fit the requirements for special purpose acquisition companies (“**SPAC**”). The Growth Acquisition Corporation, or ‘G-Corp’ pilot program builds off the existing listing rules established for SPACs, while intending to address a gap in the market to provide companies at an earlier growth stage with the ability to raise capital in the public markets. Prior to now, companies at an earlier growth stage have been limited to using a public shell or capital pool company (“**CPC**”) to go public and raise capital.

The G-Corp is expected to build off the momentum growing around SPACs, with SPAC listings becoming one of the hottest trends in the capital markets. In the U.S., there were 248 SPAC IPOs raising approximately, US\$ 83.3 billion in 2020, and this trend has strengthened in 2021 with 308 SPAC IPOs to date which have raised approximately US\$ 99 billion. [\[1\]](#)

## G-Corp General Structure

The general structure of a G-Corp is similar to SPAC and CPC listings. A G-Corp is essentially a blind pool public vehicle that raises capital to fund the acquisition of a mid-cap private company. Like the SPAC and CPC, the G-Corp allows a private company to go public and list its securities on the NEO Exchange (“**IPO**”). Similar to the SPAC listing rules, a G-Corp seeks to find and acquire a prospective target business within a requisite timeframe (a “**Qualifying Transaction**”).

## Key Features of a G-Corp

Despite the similarities to the SPAC and CPC structure, the NEO Exchange intends for the G-Corp to reflect the needs of its target audience in the mid-cap space. Accordingly, the G-Corp program is subject to certain additional requirements and waivers.

The key features of a G-Corp include:

- 1. No shareholder redemption right.** Under the listing framework for G-Corps, there are no redemption

rights provided to G-Corp shareholders. This right has been replaced with a requirement for a majority of the shareholders of the G-Corp (excluding votes held by the founders of the G-Corp) to approve the Qualifying Transaction. Under the SPAC rules, SPAC shareholders have a mandatory redemption right, which allows them to redeem their shares and receive an amount of the funds held in escrow by the SPAC on a pro-rata basis prior to the SPAC completing an acquisition.

This key deviation from the regulatory framework applicable to SPACs is notable because the mandatory redemption rights pose a practical challenge for SPACs to complete a Qualifying Transaction and determine how much capital will remain in the SPAC after the completion of the Qualifying Transaction.

**2. Minimum Proceeds from IPO.** The G-Corp program requires a minimum total initial raise of CAD\$ 2 million in contrast to the SPAC requirement of at least CAD\$30 million.

**3. Escrow of IPO Proceeds.** 100% of the gross proceeds raised in the IPO for a G-Corp must be held in escrow.

**4. Founder Participation.** Founders of the G-Corp must invest a minimum amount of risk capital in order to ensure that there is at least CAD\$ 300,000 of working capital after the payment of the IPO costs.

**5. Fixed minimum market capitalization of the resulting issuer.** Upon completion of the Qualifying Transaction, the resulting issuer is required to have an expected market capitalization of CAD\$ 30 million and otherwise meet the initial listing requirements imposed by the NEO Exchange.

**6. Reduced time for completing a Qualifying Transaction.** Under the new service offering of the NEO Exchange, G-Corps have up to a maximum of 24 months after the date of the closing of the IPO to identify a Qualifying Transaction and up to 27 months from their IPO in order to complete a Qualifying Transaction that is already in progress.

**7. Return of escrowed amounts upon failure to complete a Qualifying Transaction.** If a G-Corp fails to complete a Qualifying Transaction prior to the deadline, the G-Corp is required to distribute the escrowed IPO proceeds to its shareholders (excluding the G-Corp's founders) on a pro rata basis.

The introduction of the G-Corp program is an exciting development brought by the NEO Exchange. For further guidance on the G-Corp program, SPACs, CPCs, or listing on the NEO Exchange please contact McMillan LLP.

McMillan LLP is also proud to announce its enrollment into NEO's Trusted Service Provider Program. Leila Rafi, Raj Dewan, and other McMillan LLP firm members attended a virtual bell-ringing ceremony on April 19, 2021 in celebration of the firm's enrollment into the program and commitment to innovating collaboratively to provide clients meaningful ways to contribute to the capital markets.

[1][ps2id id="1" target=""] Source: [SPAC Analytics](#)

by [Leila Rafi](#), [Raj Dewan](#) and [Matthew DeAmorim](#)

### **A Cautionary Note**

The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained.

© McMillan LLP 2021