Swiss Finance Partners Group

Your Preferred Financial Service Provider

Guide to Special Private Placement Agreements

2019

- Special Private Placement Agreement
- Background
- Benefits
- Problems and Solutions in Implementation
- SFP AG & Special Private Placement Agreements
- Contact Us

LONDON GENEVA NEW-YORK HONG-KONG

Swiss Finance Partners & Special Private Placement Agreements

What is the fastest, easiest, least dilutive, most cost efficient way for my company to raise capital?

One of the fastest, easiest, least dilutive, most cost efficient way for a publicly listed company to raise capital is via a Special Private Placement Agreement ("SPPA").

A SPPA is a legally binding agreement between the company and an investor whereby the investor agrees to purchase shares of the company at a small discount to the market price at any time over the next three years. The company controls the timing and amount of the purchases by the investor.

SPPA are not complicated and can usually close within only two weeks.

Special Private Placement Agreement

Background

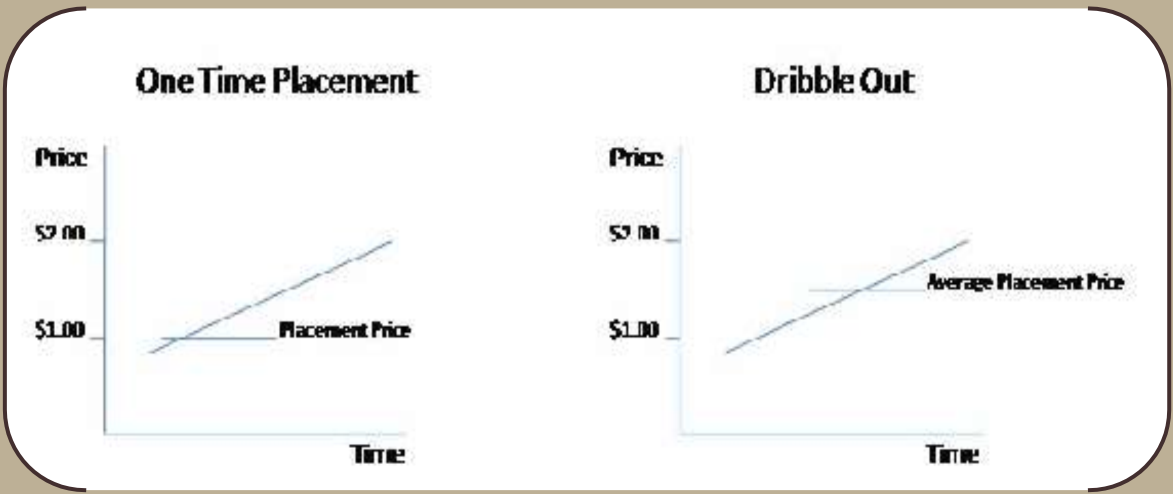
The concept of executing capital increases in smaller amounts with greater frequency has

been utilized by public companies for almost 20 years. It was originally called "dribble out" financing and developed by the Tier 1 investment banks, such as for instance particularly Merrill Lynch. The Tier 1 banks and their clients felt the structure provided greater flexibility and the ability to take advantage of rising stock prices. The structure worked particularly well for large caps as they had the ability to file shelf registrations and so could issue stock in small tranches at low cost.

Generally the companies would complete the shelf registration, then as needed ask the Tier 1 bank for capital. The Tier 1 banks would generally complete the placement on a best efforts basis.

Benefits

When a company intends a capital increase and to use the proceeds over a period of time, the dribble out structure enables management to fulfill its fiduciary obligation to minimize dilution to existing shareholders. The simple example of a company spending $10 million to build a new plant over 18 months demonstrates the economics of dilution:



In the case where the stock price rises and the funds are used proportionately over the period to build the plant, our example results in an average placement price of $1.50 instead of a one-time placement at $1.00.

So in the example the dilution suffered by existing shareholders for the capital increase is 33% less. If management anticipates a potentially rising stock price and is using the capital increase over a period of time, management may have a fiduciary obligation to utilize a dribble out type structure so as not to unnecessarily dilute existing shareholders.

Another primary benefit of the structure is to show financial strength without suffering significant dilution. This is often helpful when negotiating for an acquisition target or to assure institutional investors in the market that the company has sufficient capital to execute its business plan.

Problems and Solutions in Implementation

The structure originally invented by the Tier 1 banks was basically not available to the many companies who could not issue stock easily and inexpensively, as was available with a shelf registration. This forced many companies into the much more dilutive one time placement. In many countries, the time alone required to issue new stock (up to 4 months) made the structure prohibitive in terms of time as well as cost.

Together with our partner firm in this field ; we have solved this problem by creating a three party structure which permits funding every 3 weeks while issuing new stock infrequently, for example once annually.

The basic mechanics are:

1. The company issues a notice requiring The Fund to buy shares (say 1 million shares)
2. A shareholder gives The Fund 1 million already issued shares
3. The Fund wires the company payment for 1 million newly issued shares (say $5 million at $5 per share) and assigns the to-be-issued new shares to the shareholder.
4. The Company, shareholder, and The Fund repeats the foregoing process as often as the Company desires
5. At some point in the future agreed by the Company and the shareholder, the Company goes through the process of issuing new shares which are automatically transferred to the shareholder

The net result for all parties is:

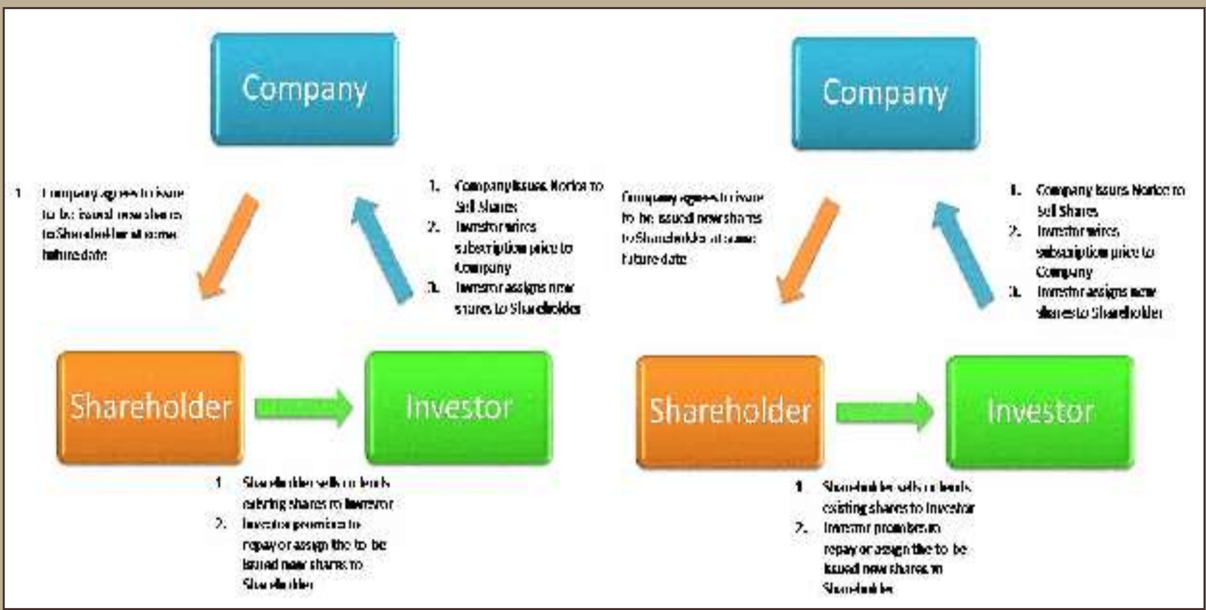
Company: Completes capital increase with potentially much less dilution for existing shareholders. The company knows it has the capital available from the beginning once the investor signs the Subscription Commitment.

Shareholder: Typically they are indeed happy to assist because the Company presumably uses the new capital increase to increase the value of all shares. The Shareholders have a net economic benefit as they end up with same amount of shares which presumably have increased in value.

Investor: He receives and pays for shares in small tranches as required by the Company. The investor benefits from momentum strategy of buying stock that is increasing in price and cost averaging up.

The share transfer between the shareholder and the investor (who is later reimbursed by the Company) can be either treated as a sale or a loan depending on the shareholder's preference. Most shareholders prefer to structure it as a loan to avoid a taxable transaction from the transfer to the investor.

Graphically, the process can be represented as follows: as often as the Company requires capital:



Whenever the company and the shareholders agree to process the issuance of new shares:

An additional issue that arose for mid and small cap issuers under the original dribble out financing structure was the uncertainty inherent in a periodic best efforts placement. Therefore Swiss Finance Partners improved indeed upon this structure by providing a legal binding purchase obligation whenever the Company deems appropriate to place shares.

Swiss Finance Partners AG & Special Private Placement Agreements

In resume; Swiss Finance Partners AG & and its joint venture partner in this respect provide indeed fast, efficient and inexpensive access to equity capital through above described Special Private Placement Agreements. Typically speaking ; our joint-venture partners have commitments for funding on many exchanges including Frankfurt, Johannesburg and Sydney.

Through this joint-venture with our partner company, we generally look to invest amounts from $25 million up to $500 million directly into listed companies with consistent trading volumes for a variety of activities including working capital, accretive " Ebitda " acquisitions and other growth opportunities.

In summary ; we fund companies through the purchase of their shares based on a small discount off a volume weighted average price formula. The Company controls the timing and amount of each requested draw down.

Together with our joint-venture partners we are able to act quickly and are indeed more flexible when it comes to structuring an investment. We focus on equity investments in public companies with market capitalizations under $5 billion, as well as private companies that will be listed on a securities exchange within six months of a funding commitment.

Our partner in this field has no outside investors and is considered a private fund run by its principals, similar to a merchant bank that invests its own capital and as such it is seeking capital appreciation through the identification and funding of liquid growth companies.

Last but not least, it might be worthwhile mentioning that our funding agreements are not very complicated and therefore allow us to usually close the transaction within more or less two weeks.

Contact Us

London Office (Head Office)

71-75 Shelton Street
Covent Garden
London
WC2H 9JQ
United Kingdom

Tel. +44-203 693 3938
Tel. +44-203 514 7595
london@swissfinpartners.com
www.swissfinpartners.com

Geneva Office

Rue du Marché 30,
1201 Geneva
Switzerland

Tel. +41-22-539 1694
Tel. +41-22-539 1695
geneva@swissfinpartners.com
www.swissfinpartners.com

New -York Office

Madison Avenue, 151 East, 80th
9th Floor,
New York, NY, US

Tel. +1-646-453 4986
Tel. +1-646-453 4987
new-york@swissfinpartners.com
www.swissfinpartners.com

Honk Kong Office

Admiralty Tower
18, Hardcourt Road, (8th Floor)
Central Hong Kong (HK)

Tel. +1-852 580 814 05
Tel. +1-852 580 814 08
hong-kong@swissfinpartners.com
www.swissfinpartners.com

Disclaimer: The contents of Swiss Finance Partners Brochure are protected by applicable copyright laws. No permission is granted to copy, distribute, modify, post or frame any text, graphics, video, audio, software code, or user interface design or logos.

This Brochure is solely intended to provide thorough and reliable information for clients and prospective clients interested in the services profiled herein in the spirit of providing maximum timely disclosure for all interested parties. The information in this Brochure is for general information purposes only. It does not constitute professional advice, whether legal or otherwise, and does not purport to be comprehensive.

All intellectual property rights, including copyright and database rights, in this site and its contents (including but not limited to text, images, software, illustrations, artwork, high resolution photography, video clips, audio clips and any after- sales material, hereinafter referred to as “the materials”) are owned by or licensed by the Owner or otherwise used by the Owner as permitted by applicable law.

The names, images and logos identifying the Owner or third parties and their products and services are subject to copyright, design rights and trademarks of the Owner and/or third parties. Nothing contained in these Terms and Conditions shall be construed as conferring by implication, estoppel or otherwise, any license or right to use any trademark, patent, design right or copyright of the Owner or any third party.

Links available in the Brochure will allow you to link to websites not maintained or controlled by the Owner. The Owner provides these links for your convenience and is not responsible for the contents of any linked websites. The Owner cannot and does not warrant the accuracy, completeness, non-infringement, merchantability or fitness for a particular purpose of any information available through these links and makes no representation or endorsement whatsoever about any other website which you may access through the Site. It is your responsibility to ensure that any website you choose to use is free of potentially destructive items such as viruses.