

# Proposed Rules for Investing Companies

## Glossary

**Acquisition Policy:** the policy implemented by an **Investing Company** that describes how it will invest the funds that it has raised, as per the disclosure requirements in rule 1.31.

**Founding Shareholder:** a shareholder who founded or established an **Investing Company**.

**Investible Funds:** the cash and cash equivalents held by an **Investing Company** in order to acquire **Assets** under its **Acquisition Policy**.

**Investing Company:** an **Applicant** or **Issuer** that will implement a stated **Acquisition Policy** from **Admission**.

**Public Shareholders:** a shareholder who is not a **Founding Shareholder**, **Sponsor** or director

**Sponsor:** a person who provides any of the following to an **Investing Company**:

- (a) capital or other finance to support the operating costs of the **Investing Company**;
- (b) financial, advisory, consultancy or legal services;
- (c) facilities or support services; or
- (d) any other material contribution to the establishment and ongoing operation of the **Investing Company**.

## I. Admission criteria

### ~~Single Asset Issuers and Multiple Asset Issuers~~

1.1 **IPsx** will only consider **Admission** of a company that meets the definition of a ~~Single Asset Issuer~~ or, by exception, will consider a ~~Multiple Asset Issuer~~ or a ~~Single Asset Issuer~~:

- a) ~~a Single Asset Issuer, including those that own~~ing only part of an underlying ~~Asset~~; or
- b) ~~a Multiple Asset Issuer~~
- c) ~~an Investing Company-SPAC~~
- b) ~~(IPsx Wholesale only) a Single Asset Issuer or Multiple Asset Issuer that holding holds rights to the development of the asset(s).~~

Guidance:

*IPsx Wholesale may admit property development companies. An Issuer may be admitted to IPsx Wholesale if property development forms an ancillary part of its business or where there is a well-articulated business plan to generate rental income within five years of ~~admission~~ Admission to IPsx Wholesale. Admission eligibility will be determined by IPsx at its discretion.*

## Appointment and retention of an Approved Valuer

I.8 An **Applicant** must appoint and retain an **Approved Valuer**. A list of **Approved Valuers** ~~can be~~ found is published on the **IPSX** website.

Guidance:

This rule does not apply to an **Investing Company** that has not yet acquired any assets. Such an **Investing Company** is required to appoint an **Approved Valuer**:

- a) before acquiring its first **Asset**, if the acquisition is a **significant transaction**, or
- b) from the time that it acquires its first **Asset**, if the acquisition is not a **significant transaction**.

## Investing Companies

I.30 The assets which an **Investing Company** intends to acquire must be real estate or infrastructure assets which have a commercial purpose and which show a sufficient degree of commonality in order for the **Investing Company** to be eligible for **Admission**.

Guidance: Commonality of assets may be demonstrated by factors such as:

- i. type/sector;
- ii. tenant(s);
- iii. geographic location;
- iv. common financial performance; or
- v. master lease

I.31 Prior to **Admission**, an **Investing Company** must have a clearly articulated **Acquisition Policy**. This must describe as a minimum, with respect to the assets it intends to acquire:

- their purpose
- the total value of those assets
- an estimate of the total income they will generate
- the range of sizes and values of each individual asset
- their quantity,
- their locations

In addition, the **Acquisition Policy** must also include:

- the anticipated timescale for the completion of those acquisitions;
- the maximum amount of leverage the **Issuer** will undertake (note that this should not normally exceed 80%);
- its plans for raising additional capital post-**Admission**, if applicable

Guidance:

The first acquisition must be completed within two years of the **Investing Company's** date of **Admission**.

I.32 Prior to **Admission** an **Investing Company** must have adequate binding arrangements in place with an independent third party to ensure that the aggregate gross cash proceeds received in consideration for the shares it has issued are protected from being used for any purpose other than the following:

(a) to provide the consideration for an acquisition being made in accordance with the Investing Company's Acquisition Policy. Where the acquisition is a **reverse takeover**, it must also have been approved by:

(i) its board in accordance with rule 3.61; and

(ii) its **Public Shareholders** in accordance with rule 3.62;

(b) to provide the consideration for any other takeover that redeem or purchase listed shares held by **Public Shareholders** following the exercise of the right to be redeemed or purchased referred to in rule 1.34;

(c) to be distributed to **Public Shareholders** if that a reverse takeover has not been completed by the date specified in rule 1.33; or

(d) to return capital to **Public Shareholders** ~~public shareholders~~ in the event of a winding up of the company, provided that a specified amount or proportion of such proceeds may be excluded from the amount which is protected, and may be retained to be used by the **Investing Company** to fund its operations, where that amount or proportion has been disclosed in the prospectus published in relation to the admission to listing of the **Investing Company's** shares;

I.33 the **Investing Company's** constitution must provide that if the **Investing Company** has not completed its first acquisition within two years of the date of **Admission** it will cease operations, cancel its **Admission** to **IPSX** and distribute the aggregate gross cash proceeds received in consideration for the shares it has issued are returned to **Public Shareholders** ~~shareholders~~ as soon as possible.

Guidance:

Provided that shareholder approval has been received within two years of the date of **Admission**, the **Investing Company's** constitution may provide that the period of two years referred to in this rule may be extended by:

(a) a further period of up to one year provided that the approval of **Public Shareholders** for a **reverse takeover** has been obtained;

(b) a further period of up to 6 months, in addition to or instead of, the period referred to in (a) provided that the approval of **Public Shareholders** for a **reverse takeover** has been obtained but the **reverse takeover** has not completed;

Any such extension must be notified to a **Regulatory Information Service** before it takes effect.

1.34 The **Investing Company** must provide its shareholders with the right to require the **Investing Company** to redeem or otherwise purchase their shares for a pre-determined amount, which is exercisable:

(a) at the discretion of the shareholder prior to completion of a **reverse takeover**; and

(b) whether or not the shareholder voted in favour of the **reverse takeover** on any shareholder resolution to approve the transaction;

1.35 The **Investing Company** must disclose the matters set out in rules 1.32 to 1.34 in its prospectus or **Admission Document** published in relation to the **Admission** of the **Investing Company**.

1.36 At the point of **Admission**, an **Investing Company** must generally have **Investible Funds** of at least £50 million.

### 3. Continuing Obligations

#### Investing Companies

3.53 An **Investing Company** requires shareholder approval of any changes to its **Acquisition Policy** and the revised **Acquisition Policy** must be published.

3.54 An **Investing Company** must discuss the ongoing progress of the implementation of its **Acquisition Policy** at each annual general meeting and seek consent of its shareholders to continue with that policy. If consent is not given, then, promptly, amendments to the policy should be proposed and shareholder consent obtained.

Guidance:

Although an **Investing Company** is entitled to amend its **Acquisition Policy**, any changes made after the acquisition of the **Investing Company's** first **Asset** must ensure that the **Investing Company** continues to be consistent with the definition of a **Single Asset Issuer** or a **Multiple Asset Issuer**.

3.55 If an **Investing Company** completes the objectives(s) of its **Acquisition Policy**, and does not intend to continue making acquisitions, the **Issuer** will cease to be an **Investing Company** and instead become a **Single Asset Issuer** or a **Multiple Asset Issuer**.

3.56 After an **Investing Company** has acquired its first **Asset**, it must promptly appoint an **Approved Valuer**. From the time of the acquisition of its first **Asset** the **Investing Company** must obtain and publish annual and half-yearly **Red Book Valuations** in accordance with rules 3.37 – 3.40 of these **Rules**.

Guidance:

If an acquisition by an **Investing Company** meets the definition of a **significant transaction**, then an **Approved Valuer** must be appointed prior to the transaction and a **Red Book Valuation** published in accordance with these **Rules**.

3.57 The Board of an **Investing Company** must approve a **reverse takeover** before it is entered into. The following may not vote on the relevant board resolution:

- (i) a director, or an associate of a director, of the target or of a subsidiary undertaking of the target; and
- (ii) any director who has a conflict of interest in relation to the target or a subsidiary undertaking of the target;

3.58 The **Investing Company** must obtain the approval of its shareholders for a **reverse takeover**:

(a) either:

(i) before the transaction is entered into; or

(ii) if the transaction is expressed to be conditional on that approval, before it is completed; and

(b) Any **Founding Shareholder, Sponsor** or director must not vote on the relevant applicable shareholder- resolution;

3.59 An **Investing Company**, where any director has a conflict of interest in relation to the target or a subsidiary undertaking of the target, must publish, in sufficient time before shareholder approval for a **reverse takeover** is sought, a statement by the board that:

(a) the proposed transaction is fair and reasonable as far as the **Public Shareholders** of the **Investing Company** are concerned; and

(b) the directors have been so advised by an appropriately qualified and independent adviser;

3.60 The matters described in rules 3.57 to 3.63 must be included in the **Investing Company's** prospectus or **Admission Document**.

3.61 An **Investing Company** must ensure that the aggregate value of its **Assets** and **Investible Funds** continues to have a value of at least £50 million. In the event that this value falls below £50 million, the **Investing Company** must promptly notify **IPSX**.

## Schedule One – Information for Admission Documents

### Investing Company

#### 57. Acquisition Policy

Where the Issuer is an Investing Company, the Acquisition Policy.

## Schedule Two – Core Issuer Information Requirements

### Part A– Information requirements for Issue of Securities

All **Applicants** are required to provide **IPSX** with the following information:

	<b>Information to be supplied</b>	<b>Frequency</b>
<b>Issuer Details</b>	<b>Issuer</b> institution name	On <b>Admission</b>
	<b>Issuer</b> institution country of incorporation	On <b>Admission</b>
	<b>Issuer</b> institution registered address and, if different, its trading address	On <b>Admission</b>
	Brief description of the business, including a description of the underlying <b>Single Commercial Property Asset</b> or the <b>Multiple Commercial Property Asset</b>	On <b>Admission</b>
	<u>The <b>Acquisition Policy</b> (if the <b>Issuer</b> is an <b>Investing Company</b>)</u> <del>Sector</del>	On <b>Admission</b>
	Full names and functions of its <b>Issuer</b> directors	On <b>Admission</b> , and when Directors change
	Full names of <del>significant</del> <b>Substantial shareholders</b> <b>Shareholders</b> as anticipated at the date of <b>Admission</b>	On <b>Admission</b> , and when significant shareholders change
	Financial reporting dates (fiscal year end)	On <b>Admission</b>
	Financial reports. <u>If the <b>Issuer</b> is required to publish consolidated financial reports, then only consolidated financial reports are required</u>	On <b>Admission</b> , and when subsequently published
	Name of the <b>Lead Adviser</b> and the <b>Approved Valuer</b>	On <b>Admission</b> , and if there is a change
	Name of the <b>Market Maker</b> or <b>Cornerstone Investor Representative(s)</b> (as applicable)	On <b>Admission</b> , and if there is a change
	An explanation of the corporate governance standards the <b>Issuer</b> has decided to apply	On <b>Admission</b> , and if there is a change
Completed <b>Lead Adviser Declaration</b> in respect of the <b>Issuer</b> in the format specified in Schedule Four in these <b>Rules</b>	On <b>Admission</b>	
<b>Instrument Details</b>	Number and type of <b>financial instruments</b>	On <b>Admission</b>
	The number of securities held as treasury shares, <u>if applicable</u>	On <b>Admission</b>
	Capital to be raised on <b>Admission</b> , i.e. the expected market capital	On <b>Admission</b>
	Number and percentage of <b>Financial Instruments</b> that are expected to form part of the <b>free float</b>	On <b>Admission</b>
	Expected date of <b>Admission</b>	On <b>Admission</b>
	Expected yield at <b>Admission</b>	Pre- <b>Admission</b>
<b>Property Details</b>	<b>Red Book Valuation</b> reports. On <b>Admission</b> , the <b>Red Book Valuation</b> must not be dated more than six months prior to the <b>Admission</b> date, unless previously agreed with <b>IPSX</b>	On <b>Admission</b> and six-monthly thereafter
<b>Other</b>	The information required by Schedule One of the <b>IPSX Rules for Issuers</b> (Information for Admission Documents)	On <b>Admission</b>

## Schedule Five – Class Tests

This Schedule sets out the following **class tests**:

- A. the **Market Value** test;
- B. the **gross rental income** test;
- C. the consideration test.

### A. The **Market Value** test

For **Single Asset Issuers** and **Multiple Asset Issuers**, the market value test is calculated by dividing the market value of the assets that are the subject of the transaction by the market value of the **Issuer's** underlying **Single Commercial Property Asset** or **Multiple Commercial Property Assets**.

For **Investing Companies**, the market value test is calculated by dividing the market value of the assets that are the subject of the transaction by the market value of the **Investing Company's Single Commercial Property Asset** or **Multiple Commercial Property Assets**, plus the remaining **Investible Funds** of the **Investing Company**.

### B The **gross rental income** test

The **gross rental income** test is calculated by dividing the **gross rental income** attributable to the underlying assets that are the subject of the transaction by the **gross rental income** of the **Issuer**, unless the **Issuer** is an **Investing Company**, and the acquisition is made in accordance with its **Acquisition Policy** in which case this test is disappplied.

### C The consideration test

1. The consideration test is calculated by taking the consideration for the transaction as a percentage of the aggregate market value of all the **financial instruments** (excluding treasury shares, if any such shares are in issue) of the **Issuer**.
2. For the purposes of paragraph 1:
  - a. the consideration is the amount paid to the contracting party;
  - b. if all or part of the consideration is in the form of **financial instruments** to be traded on a market, the consideration attributable to those **financial instruments** is the aggregate market value of those **financial instruments**; and
  - c. if deferred consideration is or may be payable or receivable by the **Issuer** in the future, the consideration is the maximum total consideration payable or receivable under the agreement.
3. For the purposes of paragraph 2(b), the figures used to determine consideration consisting of:

- a. **financial instruments** of a class already traded on **IPsx**, must be the aggregate market value of all those **financial instruments** on the last **Business Day** before the announcement; and
  - b. a new class of **financial instruments** for which an application for **Admission** to **IPsx** will be made, must be the expected aggregate market value of all those **financial instruments**.
4. For the purposes of paragraph 1, the figure used to determine market capitalisation is the aggregate market value of all the **financial instruments** (excluding treasury shares, if any such shares are in issue) of the **Issuer** at the close of business on the last **Business Day** before the announcement.

### Anomalous results

*Guidance: If a calculation under any of the **class tests** produces an anomalous result or if a calculation is inappropriate to the activities of the **Issuer**, **IPsx** may modify the relevant **Rule** to substitute other relevant indicators of size, including industry specific tests.*

### Adjustments to figures

*Guidance: Where an **Issuer** wishes to make adjustments to the figures used in calculating the **class tests** pursuant to the guidance above in relation to anomalous results, they should discuss this with **IPsx** before the **class tests** crystallise.*