Ideation Acquisition Corp.
Form 10-K
March 28, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-K

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For Fiscal Year Ended December 31, 2007
OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _______ to _______

IDEATION ACQUISITION CORP.
(Exact name of registrant as specified in its charter)

Delaware	**001-33800**	**77-0688094**
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

100 North Crescent Drive, Beverly Hills, CA 90210
(Address of principal executive offices)(zip code)
(310) 694-8150
(Registrant s telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of Class	Name of Exchange on which registered
Units, each consisting of one share of Common Stock, $0.0001 par value, and One Warrant to Purchase Common Stock	The American Stock Exchange
Common Stock, $0.0001 par value	The American Stock Exchange
Warrants to Purchase Common Stock	The American Stock Exchange

Securities registered pursuant to Section 12(b) of the Act:
None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES o NO þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. YES o NO þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES þ NO o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer o	Non-accelerated filer þ (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES þ NO o

The registrant commenced trading its units on November 20, 2007 and the registrant s common stock and warrants commenced trading separately from its units on December 26, 2007. As a result, there was no aggregate market value of the registrant s voting or non-voting equity held by non-affiliates of the registrant as of June 30, 2007. The aggregate market value of the outstanding common stock, other than shares held by persons who may be deemed affiliates of the registrant, computed by reference to the closing sale price for the registrant s Common Stock on December 31, 2007 as reported on The American Stock Exchange, was approximately $38,500,000.

The number of outstanding shares of the Registrant s common stock as of March 25, 2008 was 12,500,000.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The statements contained in this Annual Report on Form 10-K that are not purely historical are forward-looking statements. Our forward-looking statements include, but are not limited to, statements regarding our management s expectations, hopes, beliefs, intentions or strategies regarding the future. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words anticipates, believe, continue, could, estimate, expect intends, may, might, plan, possible, potential, predicts, project, should, would and similar express forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements in this Annual Report on Form 10-K may include, for example, statements about our:

- ability to complete a combination with a target business;
- success in retaining or recruiting, or changes required in, our officers, key employees or directors following a business combination;
- management team allocating their time to other businesses and potentially having conflicts of interest with our business or in approving a business combination, as a result of which they would then receive expense reimbursements;
- potential inability to obtain additional financing to complete a business combination;
- limited pool of prospective target businesses;
- potential change in control if we acquire a target business for stock;
- public securities limited liquidity and trading, as well as the current lack of a trading market;
- delisting of our securities from the American Stock Exchange or an inability to have our securities quoted on the American Stock Exchange following a business combination;
- use of proceeds not in trust and our financial performance following our initial public offering; or
- our financial performance following our initial public offering.

The forward-looking statements contained in this Annual Report on Form 10-K are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to, those factors described under the heading Risk Factors in Item 1A below. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws and/or if and when management knows or has a reasonable basis on which to conclude that previously disclosed projections are no longer reasonably attainable.

PART I

Item 1. Business

General

References to we, us or the Company are to Ideation Acquisition Corp.

We are a blank check company organized under the laws of the State of Delaware on June 1, 2007. We were formed for the purpose of acquiring, through a merger, capital stock exchange, asset acquisition or other similar business combination, one or more businesses. While our efforts in identifying prospective target businesses will not be limited to a particular industry, we expect to focus on businesses in the digital media sector, which encompasses companies that emphasize the use of digital technology to create, distribute or service others that create or distribute content for various platforms including online, mobile, satellite, television, cable, radio, print, film, video games and software. Digital technology refers to the use of digitally-enabled means, as opposed to analog means, to process, transmit, store or display content. We may also focus on traditional media businesses, including motion picture exhibition companies, television and radio broadcast companies, print media publishing companies and traditional content libraries, if we believe that the incorporation of digital technology will enhance and accelerate the growth of those businesses. We have not established specific criteria that would trigger our consideration of businesses outside of the digital media sector. In addition, we intend to direct our search toward digital media businesses in the United States, but we would also consider businesses outside of the United States.

The registration statement (File No. 333-144218) for our initial public offering of 10,000,000 units (IPO), each unit consisting of one share of common stock, par value $0.0001 per share, and one warrant exercisable for an additional share of common stock (a Warrant) was declared effective by the Securities and Exchange Commission (SEC) on November 19, 2007. On November 26, 2007, we completed our IPO at a price of $8.00 per unit.

Each Warrant entitles the holder to purchase one share of our common stock at a price of $6.00 exercisable on the later of our consummation of a business combination or November 19, 2008, provided in each case that there is an effective registration statement covering the shares of common stock underlying the warrants in effect. The Warrants expire on November 19, 2011, unless earlier redeemed. Additionally, our initial stockholders purchased an aggregate of 2,400,000 warrants at a price of $1.00 per warrant ($2.4 million in the aggregate) in a private placement transaction (the Private Placement) that occurred immediately prior to our IPO. Upon the closing of our IPO, on November 26, 2007, we sold and issued an option for $100 to purchase up to 500,000 units, at $10.00 per unit, to the representatives of the underwriters in our IPO. The units issuable upon exercise of this option are identical to those offered in the Offering; however, the warrants will entitle the holder to purchase from the Company one share of common stock at an exercise price of $7.00 per share.

We received net proceeds of approximately $79.1 million from our IPO and the Private Placement. Of those net proceeds, approximately $2.73 million is attributable to the portion of the underwriters discount which has been deferred until our consummation of a business combination. Of these net proceeds, $78.8 million was deposited into a trust account maintained at Continental Stock Transfer & Trust Company (the Trust Account) and will be held in trust and not released until the earlier to occur of (i) the completion of a business combination or (ii) our liquidation, in which case such proceeds will be distributed to our public stockholders. For a more complete discussion of our financial information, see the section appearing elsewhere in this Annual Report entitled Selected Financial Data.

Digital Media Sector Trends

The enterprises that create and distribute content and entertainment and their related service businesses are in the midst of a dramatic transformation, mostly due to technological innovation. Content owners are struggling to adapt to changing paradigms and disruptions to their traditional business models. Some of the key trends impacting the digital media sector are as follows:

Proliferation of broadband internet access. According to the Global Household Subscription Forecast, 2007-2011, by Ben Piper of Strategy Analytics, dated July 30, 2007, nearly half of all North American households had broadband Internet access in 2006, with broadband Internet penetration expected to reach 73% by 2010. In addition, according to Market Analysis: U.S. Broadband Services 2006-2010 Forecast published by IDC, dated September 2006, IDC estimates that the average speed of downstream access for a broadband connection, the speed at which an end-user accesses media files, doubled from the third quarter of 2004 to the same quarter of 2006. The proliferation of broadband Internet connections has provided an increasing number of users with the capability to access rich media content efficiently.

Increasing sophistication of Internet-connected devices. The proliferation of devices that are capable of connecting to the Internet, such as MP3 players, mobile phones and videogame consoles, has given users more control and flexibility over how and where they access and use media content from the Internet. For example, the

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increasing prevalence of music-enabled consumer electronic devices is driving the transition of music from offline to online to mobile phones. We believe that this trend will result in greater usage of rich multimedia, such as short-form video and music, as wireless service providers seek to differentiate their service offerings.

Explosion of user-generated content. Through technologies like Internet search, personal digital video recorders, video-on-demand and social media platforms, consumers are increasingly accustomed to immediate, on-demand access to media content, including videos, music and photos provided by media or content providers or by users themselves. The popularity of websites like YouTube and My Space are driving increased interest in watching user-created content online. As a result, consumers are spending more time online and downloading and uploading significantly larger files. As content becomes more personalized, we believe that users will consume content that is targeted towards their own tastes, thus moving beyond the mass market broadcasting methods of distributing video and film.

Importance of social networking. Social networking websites allow users to create their own personalized webpage, express their personality and interact with people with similar interests. Social networking sites are among the most popular destinations online, where users spend a significant amount of their time online. Social networking websites typically offer interactive entertainment, such as blogs, audio, video, messaging and discussion forums. These virtual communities offer advertisers the ability to tailor marketing to consumers more precisely. Beyond advertising, companies use social networking sites as a tool to promote their products through viral marketing. These sites offer a powerful way to attract users with good content that is tightly integrated with their brand. Furthermore, many social networking websites offer some form of role-play or game situation encompassing the social network, which brings new revenue sources, including merchandising, pay for usage components and immersive advertising, where brands are used on items inside the game. Finally, many companies use social networking tools, such as customer recommendations or ratings of products or services, to enable consumers to find products and services more easily on their websites.

Long Tail opportunities created by the Internet. The traditional retailers and distributors of entertainment content, such as movie theaters, music stores, book stores and DVD rental stores, are governed by their need to find large audiences in order to maximize the use of limited physical space. Therefore, these traditional channels focus on the marketing and distribution of hits, or the highest volume, most popular titles with mass market appeal. However, outside of the hits, there is a significant amount of high quality entertainment content that has the potential to generate meaningful revenues but does not meet the revenue thresholds set by the traditional distribution channels. These represent opportunities that exist in the long tail, which is a term used in statistics to describe the low-frequency population which gradually tails off following a high-frequency population. E-commerce companies without the constraints of physical space, such as eBay, Amazon, RealNetworks and Netflix, have used the Internet to exploit long tail opportunities by expanding the amount of content available to consumers at minimal incremental cost. Content libraries can be digitized, stored on the Internet and sold to niche markets, where consumers may be willing to pay higher prices for content that is harder to locate. The increased breadth of available content enables consumers to personalize their media content by pulling only the content that they desire, rather than having mass media pushed to them via traditional channels.

Evolution of Hollywood s content distribution model. Hollywood s traditional distribution system relies on sequential windows of exclusive viewing, designed to maximize revenue over the life cycle of the film. The traditional migration of a film through the movie theaters, video/DVD, pay-per-view, premium cable channels, network and free cable channels and finally syndicated TV is being challenged. The length of these exclusivity windows is being reduced; for example, cable companies and studios are now making some films available on video on demand on the same day as the DVD release.

New forms of content. High speed internet access and more cost-effective storage capacity solutions are increasingly enabling consumers to view any film, television show or peer-to-peer clip in the comfort in their own home. In the near future, we believe that the traditional concept of a television show or film will be challenged. Entertainment will likely evolve into structured or unstructured forms of various lengths that viewers can enjoy on demand on the platform of their choice.

Impact of technology on content creation. New technology and equipment is streamlining the production of content, enabling studios to create content quicker and realize significant cost savings. Production processes that had not significantly changed in over 100 years are being transformed. New high definition video cameras are approaching the quality level of 35 millimeter cameras, which have been traditionally used in film production. Several recent major motion pictures, such as Collateral and Star Wars have been shot on video. The use of digital video instead of traditional film makes the editing, special effects, lab development, music, graphics, titles, storage, dailies and other processes cheaper and simpler. Digital projection at the movie theaters can potentially save the film industry hundreds of millions of dollars per year by eliminating the need to deliver film physically to the theaters. Special effects and animation processes are now mostly digitized and are continuously becoming more efficient. New software systems have streamlined the budgeting, scheduling, accounting and other elements of the production process.

Assault on intellectual property rights. The design, distribution, protection and consumption of all forms of digital content are continuing to experience an unprecedented amount of change. With the expansion of high-bandwidth Internet infrastructure and the shift to digital media, PC-based entertainment platforms, digital portable devices, networked devices, Internet downloads and the proliferation of peer-to-peer, or P2P, file sharing networks, content and copyright owners are vulnerable to unauthorized use of their content. Inexpensive, easy to use in-home copying devices, such as VCRs, CD and DVD recorders, and PC based hard drive recorders enable consumers to make unauthorized copies of video, audio and software content. Content owners lose billions of dollars every year to casual copying and professional or bootleg piracy and Internet/P2P piracy. For example, according to a study prepared by L.E.K. for the Motion Picture Association, the major U.S. motion picture studios lost $6.1 billion to piracy worldwide in 2005. As technological advances facilitate digital downloads and digital copying, motion picture studios, music labels, cable television program distributors and software games publishers have become more concerned with protecting their intellectual property.

The information provided above relates to the digital media sector. Although we expect to focus our search on businesses in the digital media sector, our efforts in identifying prospective target businesses will not be limited to a particular industry, and we may seek to acquire a target business or businesses outside of the digital media sector, at any time following the consummation of this offering, if we believe that doing so would be in the best interest of our stockholders. Any information regarding the digital media sector that is included in this prospectus would be irrelevant if we decide to consider a target business or businesses outside of the digital media sector.

Business Strategy

We have identified the following criteria that we believe are important in evaluating prospective target businesses. While our management intends to utilize these criteria in evaluating business combination opportunities both in and outside of the digital media sector, we expect that no individual criterion will entirely determine a decision to pursue a particular opportunity. Further, any particular business combination opportunity which our management ultimately determines to pursue may not meet one or more of these criteria. We have not established specific criteria that would trigger our consideration of businesses outside of the digital media sector.

Growth orientation. We will seek to acquire companies that we expect to experience substantial growth post-acquisition. We believe that we are well-positioned to evaluate a company s current growth prospects and opportunities to enhance growth post-acquisition.

Hidden intrinsic value. We will seek situations where we are able to acquire target companies that have unseen value or other characteristics that have been disregarded by the marketplace. We intend to leverage the operational experience and financial acumen of our team to focus on unlocking value others may have overlooked, as a means to generate significant growth post closing.

Attractive return on investment. We will seek to identify businesses that will offer an attractive risk-adjusted return on investment for our shareholders. We will look to consummate an acquisition on attractive terms and to use our corporate structure as an asset in negotiations with owners of prospective targets. Financial returns will be evaluated based on both organic cash flow growth potential and an ability to create value through new initiatives such as future acquisitions, repositioning the company, increasing investment in new products or distribution channels and operational restructuring. This potential upside from growth in the business will be weighed against the downside risks inherent in the plan and in the business.

Outstanding management team. We believe that experienced, proven entrepreneurial managers working as a complementary team are a critical component to creating and sustaining long-term value. We will look for businesses that have management teams with a proven track record for delivering top line growth and bottom line profits, but, in each situation, we will assess opportunities to improve a target s management team and to recruit additional talent.

Our Competitive Strengths

We believe that we have the following competitive strengths, which will help us consummate an attractive business combination opportunity. However, we cannot assure you that we will be able to locate a target business or that we will succeed in consummating a business combination.

Extensive track record with mergers and acquisitions. Our management team, including our officers and directors, and our special advisors, have experience in all phases of acquisition and growth financing transactions in both the public and private markets. Notably, Dr. Phillip Frost, our Chairman of the Board, founded IVAX Corporation, which was sold for $9.2 billion, including assumed debt, to Teva Pharmaceuticals in 2006. During Dr. Frost s tenure, IVAX consummated in excess of 50 acquisitions and divestitures primarily in the healthcare industry. Mr. Steven D. Rubin and Dr. Rao Uppaluri, two of our executive officers, along with Dr. Frost, were responsible for the due diligence, structuring, negotiating and closing of many of these acquisitions. In addition, Dr. Frost founded Key Pharmaceuticals, which was sold to Schering-Plough in 1986 for $600 million.

Expertise in identifying and financing emerging technology companies. Dr. Frost, Dr. Uppaluri and Mr. Rubin are members of The Frost Group, a private investment firm, which has made a number of investments in various development stage technology companies, in the United States and abroad, in a variety of industries other than the digital media sector. These investments, which range from small minority investments to controlling majority stakes, span a wide range of cutting edge technology platforms in the areas of pharmaceuticals, diagnostic devices, medical devices, telecommunications, software for seismic data analysis, and new materials for computer chips. The Frost Group not only has expertise in identifying emerging technologies, but also has extensive experience in taking development stage companies public through a reverse merger with a public shell company.

Unique deal sourcing capabilities. Mr. Robert N. Fried, our Chief Executive Officer, has over 23 years of experience founding and operating traditional and digital media companies, as well as producing numerous award winning feature films. His experience in both the creative and business aspects of the entertainment industry provides exposure to a unique array of business opportunities and the ability to evaluate these opportunities critically. He has developed a wide network of relationships with executives and board members of digital media companies, as well as influential artists and content creators. We believe that Mr. Fried s experience with all aspects of the entertainment industry makes him uniquely qualified to find attractive business combination opportunities in the digital media sector and to present those opportunities to us.

Management operating experience. Our management team has significant experience in founding, operating and building companies in a variety of industries. We believe that this experience provides us with a competitive advantage in evaluating businesses and acquisition opportunities. In addition, the members of our management team have served as senior officers and directors of acquiring and acquired private and public companies. This experience also assists us in evaluating whether acquisition targets have the resources necessary to operate as publicly traded companies.

Effecting a Business Combination

General

We are not presently engaged in, and we will not engage in, any substantive commercial business for an indefinite period of time until we have consummated a business combination. We intend to utilize cash derived from the proceeds of our offering and the private placement of our insider warrants, our capital stock, debt or a combination of these in effecting a business combination. Although substantially all of the net proceeds of the offering were intended to be applied generally toward effecting a business combination, the proceeds are not otherwise being designated for any more specific purposes. If we engage in a business combination with a target business using our capital stock and/or debt financing as the consideration to fund the combination, proceeds from our offering and the private placement of the insider warrants will then be used to undertake additional acquisitions or to fund the operations of the target business on a post-combination basis. We may also engage in a business combination with a company which does not need substantial additional capital but which desires to establish a public trading market for its shares, while avoiding what it may deem to be adverse consequences of undertaking a public offering itself. These include time delays, significant expense, loss of voting control and compliance with various Federal and state securities laws. In the alternative, we may seek to consummate a business combination with a company that may be financially unstable or in its early stages of development or growth. While we may seek to effect business combinations with more than one target business, we will probably have the ability, as a result of our limited resources, to effect only a single business combination.

We Have Not Identified a Target Business

We are currently in the process of identifying and evaluating targets for a business combination. We cannot assure you, however, that we will be able to locate a target business or that we will be able to engage in a business combination transaction with a target business on favorable terms.

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Prior to completion of a business combination, we will seek to have all vendors, prospective target businesses or other entities with whom we contract, which we refer to as potential contracted parties or a potential contracted party, execute agreements with us waiving any right, title, interest or claim of any kind whatsoever in or to any funds held in the Trust Account for the benefit of our public stockholders. Such a waiver will apply to any kind of right, title, interest or claim that a potential contracted party may have. In the event that a potential contracted party refuses to execute such a waiver, we will execute an agreement with that entity only if our management first determines that we would be unable to obtain, on a reasonable basis, substantially similar services or opportunities from another entity willing to execute such a waiver. Examples of instances where we may engage a third party that refused to execute a waiver would be the engagement of a third party consultant whose particular expertise or skills are believed by management to be superior to those of other consultants that would agree to execute a waiver or a situation in which management does not believe it would be able to find a provider of required services willing to provide the waiver. If a vendor or service provider or a prospective target business refuses to execute such a waiver, then Dr. Phillip Frost, Robert N. Fried, Rao Uppaluri, Steven D. Rubin and Jane Hsiao will be personally liable and to the extent any claims by any such party would reduce the amounts in the Trust Account available for distribution to our stockholders in the event of a liquidation.

Subject to the limitations that a target business have a fair market value of at least 80% of our net assets (excluding deferred underwriting discounts and commissions of $2.73 million) at the time of the acquisition, we will have virtually unrestricted flexibility in identifying and selecting a prospective acquisition candidate. Other than the broad guidelines described above, we have not established any specific attributes or criteria for prospective target businesses. Accordingly, there is no reliable basis for investors to currently evaluate the possible merits or risks of the target business with which we may ultimately complete a business combination. To the extent we effect a business combination with a company that does not have a stable history of earnings and growth or an entity in a relatively early stage of its development or growth, including entities without established records of sales or earnings, we may be affected by numerous risks inherent in the business and operations of that company. Although our management will endeavor to evaluate the risks inherent in a particular target business, we cannot assure you that we will properly ascertain or assess all significant risk factors.

Sources of Target Businesses

We anticipate that target business candidates will be brought to our attention from various unaffiliated sources, including investment bankers, venture capital funds, private equity funds, leveraged buyout funds, management buyout funds and other members of the financial community. Target businesses may be brought to our attention by such unaffiliated sources as a result of being solicited by us through calls, mailings or advertisements. These sources may also introduce us to target businesses they think we may be interested in on an unsolicited basis. Our officers and directors as well as their affiliates may also bring to our attention target business candidates that they become aware of through their business contacts as a result of formal or informal inquiries or discussions they may have, as well as attending trade shows or conventions.

While we do not presently anticipate engaging the services of professional firms or other individuals that specialize in business acquisitions on any formal basis, we may engage these firms or other individuals in the future. In addition, we may pay fees or compensation to third parties for their efforts in introducing us to potential target businesses that we have not previously identified if we believe that the payment of such fees or compensation would be in the best interest of our stockholders. Such fees or compensation may be calculated as a percentage of the dollar value of the transaction and/or may involve monthly retainer payments. We will seek to negotiate the lowest reasonable percentage fee consistent with the attractiveness of the opportunity and the alternatives, if any, that are then available to us. Payment of finder s fees is customarily tied to completion of a transaction, in which case any such fee will be paid out of the funds held in the Trust Account and released to us following the business combination. Although it is possible that we may pay finder s fees in the case of an uncompleted transaction, we consider this possibility to be remote. In no event will we pay any of our initial stockholders, officers, directors or special advisors, or any entity with which they are affiliated, any finder s fee, consulting fee or other compensation for services rendered to us, prior to, or in connection with, the consummation of a business combination (regardless of the type of transaction that it is), other than the monthly fee of $7,500 for office space and administrative and support services payable to Clarity, and a potential finder s or success fee to Ladenburg Thalmann & Co. Inc., an affiliate of Dr. Frost, to the extent we enter into an agreement with such company in connection with our search for a target business. In addition, our initial stockholders, officers, directors and special advisors have agreed that neither they, nor any of their affiliates, will accept a finder s fee, consulting fee or any similar fees from any person or other entity in connection with the consummation of a business combination, other than a finder s or success fee payable to Ladenburg Thalmann & Co. Inc., to the extent the Company enters into an agreement with Ladenburg Thalmann in connection with the Company s search for a target business, and compensation or fees that may be received for any services provided following such business combination.

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There is no business affiliated with our initial stockholders, officers, directors or special advisors that is currently being considered as a potential target, but if we decide to enter into a business combination with a target business that is affiliated with any of our initial stockholders, officers, directors or special advisors, we would do so only if we obtained an opinion from an unaffiliated, independent investment banking firm that the business combination is fair to our stockholders from a financial perspective.

In connection with our search for a target business, we may enter into an agreement with Ladenburg Thalmann & Co. Inc., an investment banking and securities brokerage firm and a subsidiary of Ladenburg Thalmann Financial Services Inc., that provides for the payment of a finder s or success fee. Dr. Frost, our Chairman of the Board, is the Chairman of the Board of Ladenburg Thalmann Financial Services Inc. and a significant stockholder of Ladenburg Thalmann Financial Services Inc. In no instance will we pay Ladenburg Thalmann & Co. Inc. a finder s fee for a referral involving a business opportunity that was brought to the attention of Ladenburg Thalmann & Co. Inc. initially by any of our officers, directors or special advisors, including Dr. Frost. While Ladenburg Thalmann & Co. Inc. may be involved in our business combination, neither its role nor its proposed fee structure has been determined. It is not anticipated that Dr. Frost would be directly involved in providing any services on behalf of Ladenburg Thalmann & Co. Inc. as part of any business combination involving us.

Selection of a Target Business and Structuring of a Business Combination

Dr. Frost, Dr. Uppaluri and Messrs. Fried and Rubin will supervise the process of evaluating prospective target businesses, and we expect that they will devote substantial time to the search for an acquisition candidate. They will be assisted by the rest of our management team, together with our outside attorneys, accountants and other representatives.

Subject to the requirement that our initial business combination must be with a target business with a fair market value of at least 80% of our net assets (excluding deferred underwriting discounts and commissions of $2.73 million) at the time of such acquisition, our management will have virtually unrestricted flexibility in identifying and selecting a prospective target business. Other than the broad guidelines described above, we have not established any specific attributes or criteria for prospective target businesses. In evaluating a prospective target business in any industry, our management will consider, among other factors, the following:

- financial condition and results of operation;
- cash flow potential;
- growth potential;
- experience and skill of management and availability of additional personnel;
- capital requirements;
- competitive position;
- regulatory or technical barriers to entry;
- stage of development of the products, processes or services;
- security measures employed to protect technology, trademarks or trade secrets;
- degree of current or potential market acceptance of the products, processes or services;
- proprietary features and degree of intellectual property or other protection of the products, processes or services;

- regulatory environment of the industry; and
- costs associated with effecting the business combination.

These criteria are not intended to be exhaustive. Any evaluation relating to the merits of a particular business combination will be based, to the extent relevant, on the above factors as well as other considerations deemed relevant by our management in effecting a business combination consistent with our business objective. Management will consider these criteria as a whole. For example, one target with a balance sheet that is stronger than another target due to the existence of higher stockholder s equity or other indicia of financial strength, may have a less established competitive position in its market. We cannot say which criteria will be most important when evaluating two or more potential business combinations. In evaluating a prospective target business, we will conduct an extensive due diligence review which will encompass, among other things, meetings with incumbent management and inspection of facilities, as well as review of financial and other information which is made available to us. This due diligence review will be conducted either by our management or by unaffiliated third parties we may engage.

The structure of a particular business combination may take the form of a merger, capital stock exchange, asset acquisition or other similar structure. Although we have no commitments to issue our securities, we may issue a substantial number of additional shares of our common stock or preferred stock, a combination of common and preferred stock, or debt securities, to complete a business combination.

We will endeavor to structure a business combination so as to achieve the most favorable tax treatment to us, the target business and its stockholders. The time and costs required to select and evaluate a target business and to structure and complete the business combination cannot presently be ascertained with any degree of certainty. Any costs incurred with respect to the identification and evaluation of a prospective target business with which a business combination is not ultimately completed will result in a loss to us and reduce the amount of capital available to otherwise complete a business combination.

Fair Market Value of Target Business

The target business that we acquire must have a fair market value equal to at least 80% of our net assets (excluding deferred underwriting discounts and commissions of $2.73 million) at the time of such acquisition, although we may acquire a target business whose fair market value significantly exceeds 80% of our net assets. In order to consummate such an acquisition, we may issue a significant amount of our debt or equity securities to the sellers of such businesses and/or seek to raise additional funds through a private offering of debt or equity securities. Since we have no specific business combination under consideration, we have not entered into any such fund raising arrangement and have no current intention of doing so. The fair market value of the target will be determined by our board of directors based upon standards generally accepted by the financial community, such as actual and potential gross margins, the values of comparable businesses, earnings and cash flow, book value and, where appropriate, upon the advice of appraisers or other professional consultants. If our board is not able to independently determine that the target business has a sufficient fair market value, we will obtain an opinion from an unaffiliated, independent investment banking firm that is a member of the Financial Industry Regulatory Authority with respect to the satisfaction of such criterion. Since any opinion, if obtained, would merely state that fair market value meets the 80% of net assets threshold, it is not anticipated that copies of such opinion would be distributed to our stockholders, although copies will be provided to stockholders who request it. If we obtain such an opinion, it will likely be addressed to our board of directors for their use in evaluating the transaction, and we do not anticipate that our stockholders will be entitled to rely on such opinion. However, since any such opinion would be attached to, and thoroughly described in, our proxy soliciting materials, we believe investors will be provided with sufficient information in order to allow them to properly analyze the transaction. Accordingly, whether the independent investment banking firm allows stockholders to rely on their opinion will not be a factor in determining which firm to hire. Other factors expected to be considered by our board of directors in making such decision include, among others, cost, timing and reputation of the investment bank, including its knowledge of the target business industry. We will not be required to obtain an opinion from an investment banking firm as to the fair market value if our board of directors independently determines that the target business complies with the 80% threshold. To reduce potential conflicts of interest, we will not consummate a business combination with an entity that is affiliated with any of our initial stockholders, which includes our officers, directors and special advisors, unless we obtain an opinion from an unaffiliated, independent investment banking firm that the business combination is fair to our stockholders from a financial perspective. In the event that we obtain such opinion, we will file it with the SEC.

Lack of Business Diversification

Our business combination must be with a target business or businesses that satisfy the minimum valuation standard at the time of such acquisition, as discussed above, although this process may entail the simultaneous acquisitions of several businesses at the same time. Therefore, at least initially, the prospects for our success may be entirely dependent upon the future performance of a single business. Unlike other entities which may have the resources to complete several business combinations of entities operating in multiple industries or multiple areas of a single industry, it is probable that we will not have the resources to diversify our operations or benefit from the possible spreading of risks or offsetting of losses. By consummating a business combination with only a single entity, our lack of diversification may:

subject us to numerous economic, competitive and regulatory developments, any or all of which may have a substantial adverse impact upon the particular industry in which we may operate subsequent to a business combination; and

result in our dependency upon the performance of a single operating business or the development or market acceptance of a single or limited number of products, processes or services.

If we determine to simultaneously acquire several businesses and such businesses are owned by different sellers, we will need for each of such sellers to agree that our purchase of its business is contingent on the simultaneous closings of the other acquisitions, which may make it more difficult for us, and delay our ability, to complete the business combination. With multiple acquisitions, we could also face additional risks, including additional burdens and costs with respect to possible multiple negotiations and due diligence investigations (if there are multiple sellers) and the additional risks associated with the subsequent assimilation of the operations and services or products of the acquired companies in a single operating business. In no instance will we acquire less than majority voting control of a target business. However, this restriction will not preclude a reverse merger or similar transaction where we will acquire the target business.

Limited Ability to Evaluate the Target Business Management

Although we intend to closely scrutinize the management of a prospective target business when evaluating the desirability of effecting a business combination, we cannot assure you that our assessment of the target business management will prove to be correct. In addition, we cannot assure you that the future management will have the necessary skills, qualifications or abilities to manage a public company. Furthermore, the future role of our officers and directors, if any, in the target business following a business combination cannot presently be stated with any certainty. While it is possible that one or more of our officers, directors and special advisors, including Mr. Fried, will remain associated in some capacity with us following a business combination (potentially as officers, directors or consultants), it is unlikely that they will devote their full time efforts to our affairs subsequent to a business combination. Moreover, they would only be able to remain with the company after the consummation of a business combination if they are able to negotiate employment or consulting agreements in connection with the business combination. Such negotiations would take place simultaneously with the negotiation of the business combination and could provide for them to receive compensation in the form of cash payments and/or our securities for services they would render to the company after the consummation of the business combination. While the personal and financial interests of our key personnel may influence their motivation in identifying and selecting a target business, their ability to remain with the company after the consummation of a business combination will not be the determining factor in our decision as to whether or not we will proceed with any potential business combination. Additionally, we cannot assure you that our officers and directors will have significant experience or knowledge relating to the operations of the particular target business.

Following a business combination, we may seek to recruit additional managers to supplement the incumbent management of the target business. We cannot assure you that we will have the ability to recruit additional managers, or that any such additional managers we do recruit will have the requisite skills, knowledge or experience necessary to enhance the incumbent management.

Opportunity for Stockholder Approval of Business Combination

Prior to the completion of a business combination, we will submit the transaction to our stockholders for approval, even if the nature of the acquisition is such as would not ordinarily require stockholder approval under applicable state law. In connection with any such transaction, we will also submit to our stockholders for approval a proposal to amend our amended and restated certificate of incorporation to provide for our corporate life to continue perpetually following the consummation of such business combination. We will consummate a business combination only if stockholders vote both in favor of such business combination and our amendment to extend our corporate life.

In connection with seeking stockholder approval of a business combination, we will furnish our stockholders with proxy solicitation materials prepared in accordance with the Securities Exchange Act of 1934, as amended, which, among other matters, will include a description of the operations of the target business and audited historical financial statements of the business.

In connection with the vote required for any business combination, all of our initial stockholders have agreed to vote their respective initial shares in accordance with the majority of the shares of common stock voted by the public stockholders. This voting arrangement shall not apply to shares included in units purchased in our IPO or purchased following our IPO in the open market by any of our initial stockholders, officers and directors. Accordingly, they may vote these shares on a proposed business combination any way they choose. We will proceed with the business combination only if a majority of the shares of common stock voted by the public stockholders are voted in favor of the business combination and public stockholders owning 30% or more of the shares sold in our IPO do not both exercise their conversion rights and vote against the business combination.

Conversion Rights

At the time we seek stockholder approval of any business combination, we will offer each public stockholder the right to have such stockholder s shares of common stock converted to cash if the stockholder votes against the business combination and the business combination is approved and completed. Our initial stockholders will not be able to convert shares of our common stock owned by them, directly or indirectly, whether acquired prior to, in or after our initial public offering (nor will they seek appraisal rights with respect to such shares if appraisal rights would be available to them). The actual per-share conversion price will be equal to the amount in the Trust Account (a portion of which is made up of $2,730,000 in deferred underwriting discounts and commissions), inclusive of any interest thereon and not previously released to us for working capital requirements, as of two business days prior to the proposed consummation of a business combination divided by the number of shares of common stock sold in our IPO. Without taking into account any interest earned on the Trust Account, the initial per-share conversion price would be approximately $7.88, or $0.12 less than the per-unit offering price of $8.00. An eligible stockholder may request conversion at any time after the mailing to our stockholders of the proxy statement and prior to the vote taken with respect to a proposed business combination at a meeting held for that purpose, but the request will not be granted unless the stockholder votes against the business combination and the business combination is approved and completed. The specific procedures for conversion in connection with a stockholder vote for a proposed initial business combination will be set forth in the proxy statement relating to such vote.

We may require public stockholders to tender their certificates to our transfer agent prior to the meeting or to deliver their shares to the transfer agent electronically using the Depository Trust Company s DWAC (Deposit/Withdrawal At Custodian) System. We will notify investors on a current report on Form 8-K and in our proxy statement related to the initial business combination if we impose this requirement. If we elect to require physical delivery of the share certificates, we would expect that stockholders would have to comply with the following steps. If the shares are held in street name, stockholders must instruct their account executive at the stockholders bank or broker to withdraw the shares from the stockholders account and request that a physical certificate be issued in the stockholders name. Our transfer agent will be available to assist with this process. No later than the day prior to the stockholder meeting, the written instructions stating that the stockholder wishes to convert his or her shares into a pro rata share of the Trust Account and confirming that the stockholder has held the shares since the record date and will continue to hold them through the stockholder meeting and the closing of our business combination must be presented to our transfer agent. Certificates that have not been tendered in accordance with these procedures by the day prior to the stockholder meeting will not be converted into cash. In the event a stockholder tenders his or her shares and decides prior to the stockholder meeting that he or she does not want to convert his or her shares, the stockholder may withdraw the tender. In the event that a stockholder tenders shares and our business combination is not completed, these shares will not be converted into cash and the physical certificates representing these shares will be returned to the stockholder.

If stockholders vote against our initial business combination but do not properly exercise their conversion rights, such stockholders will not be able to convert their shares of common stock into cash at the conversion price. Any request for conversion, once made, may be withdrawn at any time up to the date of the meeting.

We will not complete any business combination if public stockholders, owning 30% or more of the shares sold in our offering, both exercise their conversion rights and vote against the business combination. Accordingly, it is our understanding and intention in every case to structure and consummate a business combination in which public stockholders owning 29.99% of the shares sold in our IPO may exercise their conversion rights and the business combination will still go forward.

If the business combination is not approved or completed for any reason, then public stockholders voting against such business combination will not be entitled to convert their shares of common stock into a pro rata share of the aggregate amount then on deposit in the Trust Account. Such public stockholders would only be entitled to convert their shares of common stock into a pro rata share of the aggregate amount then on deposit in the Trust Account in the event that such stockholders elect to vote against a subsequent business combination that is approved by stockholders and completed, or in connection with our dissolution and liquidation, discussed below.

Liquidation if No Business Combination

Our amended and restated certificate of incorporation provides that we will continue in existence only until November 19, 2009. If we have not completed a business combination by such date, our corporate existence will cease except for the purposes of winding up our affairs and liquidating, pursuant to Section 278 of the Delaware General Corporation Law. This has the same effect as if our board of directors and stockholders had formally voted to approve our dissolution pursuant to Section 275 of the Delaware General Corporation Law. Accordingly, limiting our corporate existence to a specified date as permitted by Section 102(b)(5) of the Delaware General Corporation Law removes the necessity to comply with the formal procedures set forth in Section 275 (which would have required our stockholders to formally vote to approve our dissolution and liquidation). We view the provision terminating our corporate life by November 19, 2009 as an obligation to our stockholders. This provision will be amended only in connection with, and upon consummation of, our initial business combination by such date.

If we are unable to complete a business combination by November 19, 2009, we will distribute to all of our public stockholders, in proportion to their respective equity interests, an aggregate sum equal to the amount in the Trust Account including:

- all accrued interest, net of income taxes payable on such interest and interest income (net of taxes payable on such interest) of up to an aggregate of $ 1,700,000 on the Trust Account balance that has been released to us prior to such distribution to fund our expenses relating to investigating and selecting a target business and other working capital requirements, including the costs of liquidation; and

- all deferred underwriting discounts and commissions,

as well as any of our remaining net assets (subject to our obligations under Delaware law to provide for claims of creditors as described below).

We anticipate notifying the trustee of the Trust Account to begin liquidating such assets promptly after such date and anticipate it will take no more than 10 business days to effectuate such distribution. Our initial stockholders have waived their rights to participate in any liquidation distribution with respect to their shares of common stock owned by them immediately prior to our initial public offering. There will be no distribution from the Trust Account with respect to our warrants which will expire worthless. We will pay the costs of liquidation from our remaining assets outside of the Trust Account. If such funds are insufficient, our initial stockholders have agreed to advance us the funds necessary to complete such liquidation (currently anticipated to be no more than approximately $15,000) and have agreed not to seek repayment for such expenses.

If we were to expend all of the net proceeds of our offering, other than the proceeds deposited in the Trust Account, and without taking into account interest, if any, earned on the Trust Account after payments to us for working capital and amounts paid or accrued for taxes, the initial per-share liquidation price would be $7.88, or $0.12 less than the per unit offering price of $8.00. The proceeds deposited in the Trust Account could, however, become subject to the claims of our creditors (which could include vendors and service providers we have engaged to assist us in any way in connection with our search for a target business and that are owed money by us, as well as target businesses themselves) which could have higher priority than the claims of our public stockholders. Dr. Phillip Frost, Robert N. Fried, Rao Uppaluri, Steven D. Rubin and Jane Hsiao have agreed that they will be liable to us if and to the extent any claims by a vendor for services rendered or products sold to us, by a third party with which we entered into a contractual relationship following consummation of our IPO or by a prospective target business reduce the amounts in the Trust Account available for distribution to our stockholders in the event of a liquidation, except as to any claimed amounts owed to a third party who executed a valid and enforceable waiver. In the event that our board of directors determines that it is in our best interest to bring a claim against these persons to enforce our right to obtain indemnification from them, they will have a fiduciary obligation to bring such a claim (it may for example not be in our best interest to do so if the cost to bring the claim would be greater than the anticipated amount that we would receive if we successfully prosecuted the claim). We have questioned such persons on their financial net worth and reviewed their financial information and believe that they will be able to satisfy any indemnification obligations that may arise. However, we cannot assure you that they will be able to satisfy those obligations, if they are required to do so. Accordingly, the actual per-share liquidation price could be less than $7.88, plus interest, due to claims of creditors. Additionally, if we are forced to file a bankruptcy case or an involuntary bankruptcy case is filed against us which is not dismissed, the proceeds held in the Trust Account could be subject to applicable bankruptcy law, and may be included in our bankruptcy estate and subject to the claims of third parties with priority over the claims of our stockholders. To the extent any bankruptcy claims deplete the Trust Account, we cannot assure you we will be able to return to our public stockholders at least $7.88 per share.

Our public stockholders will be entitled to receive funds from the Trust Account only in the event of the expiration of our corporate existence and our liquidation or if they seek to convert their respective shares into cash upon a business combination which the stockholder voted against and which is completed by us. In no other circumstances will a stockholder have any right or interest of any kind to or in the Trust Account.

Under the Delaware General Corporation Law, stockholders may be held liable for claims by third parties against a corporation to the extent of distributions received by them in a dissolution. If the corporation complies with certain procedures set forth in Section 280 of the Delaware General Corporation Law intended to ensure that it makes reasonable provision for all claims against it, including a 60-day notice period during which any third-party claims can

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be brought against the corporation, a 90-day period during which the corporation may reject any claims brought, and an additional 150-day waiting period before any liquidating distributions are made to stockholders, any liability of stockholders with respect to a liquidating distribution is limited to the lesser of such stockholder s pro rata share of the claim or the amount distributed to the stockholder, and any liability of the stockholder would be barred after the third anniversary of the dissolution. However, as stated above, it is our intention to make liquidating distributions to our stockholders as soon as reasonably possible after November 19, 2009 and, therefore, we do not intend to comply with those procedures. As such, our stockholders could potentially be liable for any claims to the extent of distributions received by them (but no more) and any liability of our stockholders may extend well beyond the third anniversary of such date. Because we will not be complying with Section 280, Section 28 1(b) of the Delaware General Corporation Law requires us to adopt a plan that will provide for our payment, based on facts known to us at such time, of (i) all existing claims, (ii) all pending claims and (iii) all claims that may be potentially brought against us within the subsequent 10 years. Accordingly, we would be required to provide for any claims of creditors known to us at that time or those that we believe could be potentially brought against us within the subsequent 10 years prior to our distributing the funds in the Trust Account to our public stockholders. However, because we are a blank check company, rather than an operating company, and our operations will be limited to searching for prospective target businesses to acquire, the only likely claims to arise would be from our vendors and service providers (such as accountants, lawyers, investment bankers, etc.) and potential target businesses. As described above, pursuant to the obligation contained in our underwriting agreement, we will seek to have all third parties we engage and prospective target businesses execute agreements with us waiving any right, title, interest or claim of any kind whatsoever they may have in or to any assets held in the Trust Account. Such a waiver will apply to any kind of right, title, interest or claim that a potential contracted party may have. As a result, we believe the claims that could be made against us will be limited, thereby lessening the likelihood that any claim would result in any liability extending to the trust. We therefore believe that any necessary provision for creditors will be reduced and should not have a significant impact on our ability to distribute the funds in the Trust Account to our public stockholders.

If we are forced to file a bankruptcy case or an involuntary bankruptcy case is filed against us which is not dismissed, any distributions received by stockholders in our dissolution could be viewed under applicable debtor/creditor and/or bankruptcy laws as either a preferential transfer or a fraudulent conveyance. As a result, a bankruptcy court could seek to recover all amounts received by our stockholders in our dissolution. Furthermore, because we intend to distribute the proceeds held in the Trust Account to our public stockholders promptly after November 19, 2009, this may be viewed or interpreted as giving preference to our public stockholders over any potential creditors with respect to access to or distributions from our assets. Furthermore, our board of directors may be viewed as having breached their fiduciary duties to our creditors and/or may have acted in bad faith, and thereby exposing itself and our company to claims of punitive damages, by paying public stockholders from the Trust Account prior to addressing the claims of creditors. We cannot assure you that claims will not be brought against us for these reasons.

Competition

In identifying, evaluating and selecting a target business, we may encounter intense competition from other entities having a business objective similar to ours, including other blank check companies, venture capital firms, leveraged buyout firms and operating businesses looking to expand their operations through the acquisition of a target business. Many of these entities are well established and have extensive experience identifying and effecting business combinations directly or through affiliates. Many of these competitors possess greater technical, human and other resources than us and our financial resources will be relatively limited when contrasted with those of many of these competitors. While we believe there may be numerous potential target businesses that we could acquire with the net proceeds of our IPO, our ability to compete in acquiring certain sizable target businesses will be limited by our available financial resources. This inherent competitive limitation gives others an advantage in pursuing the acquisition of a target business. Further, the following may not be viewed favorably by certain target businesses:

- our obligation to seek stockholder approval of a business combination may delay or threaten the completion of a transaction;

- our obligation to convert into cash shares of common stock held by our public stockholders who vote against the business combination and exercise their conversion rights may reduce the resources available to us for a business combination; and

- our outstanding warrants, and the potential future dilution they represent.

Any of these factors may place us at a competitive disadvantage in successfully negotiating a business combination. Our management believes, however, that our status as a public entity and potential access to the United States public equity markets may give us a competitive advantage over privately-held entities having a similar business objective as ours in acquiring a target business with significant growth potential on favorable terms.

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If we succeed in effecting a business combination, there will be, in all likelihood, intense competition from competitors of the target business. We cannot assure you that, subsequent to a business combination, we will have the resources or ability to compete effectively.

Facilities

We maintain our principal executive offices at 100 North Crescent Drive, Beverly Hills, California 90210. The cost for this space is included in the $7,500 per-month fee that Clarity will charge us for office space and administrative and support services pursuant to an agreement between us and Clarity. We believe, based on rents and fees for similar services in the Beverly Hills, California area, that the fee charged by Clarity is at least as favorable as we could have obtained from any unaffiliated person. We consider our current office space, combined with the other office space otherwise available to our executive officers, adequate for our current operations.

Effective April 1, 2008, we intend to move our principal offices to 1990 S. Bundy Boulevard, Suite 620, Los Angeles, CA 90025. We will sublease space and pay $7,500 per month for office space and related services to Spirit SMX LLC. Robert N. Fried, our Chief Executive Officer and one of our initial shareholders, is the founder and Chief Executive Officer of Spirit SMX LLC. We believe, based on rents and fees for similar services in the Los Angeles, California area, that the fee charged by Spirit SMX LLC is at least as favorable as we could have obtained from any unaffiliated person. Our audit committee of Ideation Acquisition Corp approved the sub-leasing and administrative and support services agreement with Spirit SMX LLC on March 20, 2008. We will terminate our agreement with Clarity Partners, L.P. before March 31, 2008.

Employees

We have three executive officers. These individuals are not obligated to devote any specific number of hours to our matters and intend to devote only as much time as they deem necessary to our affairs. The amount of time they will devote in any time period will vary based on the availability of suitable target businesses to investigate, the course of negotiations with target businesses, and the due diligence preceding and accompanying a possible business combination. Accordingly, once management locates a suitable target business to acquire, they will spend more time investigating such target business and negotiating and processing the business combination (and consequently spend more time on our affairs) than they would prior to locating a suitable target business. We do not intend to have any full time employees prior to the consummation of a business combination.

Legal Proceedings

We are not involved in any litigation or administrative proceedings incidental to our business.

Periodic Reporting and Audited Financial Statements

We have registered our units, common stock and warrants under the Securities Exchange Act of 1934, and have reporting obligations thereunder, including the requirement that we file annual and quarterly reports with the SEC. In accordance with the requirements of the Securities Exchange Act of 1934, this annual report contains financial statements audited and reported on by our independent registered public accounting firm.

We will not acquire a target business if we cannot obtain audited financial statements for such target business. Additionally, We will provide stockholders with audited financial statements of the prospective target business as part of the proxy solicitation materials sent to stockholders to assist them in assessing the target business. In all likelihood, these financial statements will need to be prepared in accordance with, or reconciled to, United States generally accepted accounting principles. To the extent that his requirement cannot be met, we may not be able to acquire the proposed target business. While this may limit the pool of potential acquisition candidates, we do not believe that this limitation will be material.

The public may read and copy any materials we file with the SEC at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet website that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. The SEC s Internet website is located at http://www.sec.gov.

Item 1A. Risk Factors

An investment in our securities involves a high degree of risk. You should consider carefully all of the material risks described below, together with the other information contained in this Annual Report before making a decision to invest in our securities. If any of the following events occur, our business, financial condition and operating results may be materially adversely affected. In that event, the trading price of our securities could decline, and you could lose all or part of your investment.

We are a newly formed, development stage company with no operating history and no revenues and, accordingly, you will not have any basis on which to evaluate our ability to achieve our business objective.

We are a recently incorporated development stage company with no operating results to date. Because we do not have an operating history, you will have no basis upon which to evaluate our ability to achieve our business objective, which is to acquire one or more businesses. We have no plans, arrangements or understandings with any prospective acquisition candidates and may be unable to complete a business combination. We will not generate any revenues until, at the earliest, after the consummation of a business combination.

We may not be able to consummate a business combination within the required time frame, in which case, we would be forced to liquidate.

We must complete a business combination with a business or businesses whose fair market value is at least 80% of our net assets (excluding deferred underwriting discounts and commissions of $2.73 million) at the time of the business combination within 24 months after the consummation of our IPO. If we fail to consummate a business combination within the required time frame, we will be forced to liquidate our assets. We may not be able to consummate a business combination for any number of reasons. We may not be able to find suitable target businesses within the required time frame. In addition, our negotiating position and our ability to conduct adequate due diligence on any potential target may be reduced as we approach the deadline for the consummation of a business combination. Furthermore, we will be unable to consummate a business combination if holders of 30% or more of the shares sold in our IPO vote against the transaction and opt to convert their stock into a pro rata share of the Trust Account even if a majority of our stockholders approve the transaction. If we fail to complete a specific business combination after expending substantial management time and attention and substantial costs for accountants, attorneys and others, such costs likely would not be recoverable, which could materially adversely affect subsequent attempts to locate and combine with another target business within the required time frame.

If we are forced to liquidate before a business combination and distribute the Trust Account, our public stockholders will receive less than $8.00 per share and our warrants will expire worthless.

If we are unable to complete a business combination within the prescribed time frames and are forced to liquidate our assets, the per-share liquidation distribution will be less than $8.00 because of expenses related to our offering, our general and administrative expenses and the anticipated costs of seeking a business combination. Furthermore, there will be no liquidating distribution with respect to our outstanding warrants which will expire worthless if we liquidate before the completion of a business combination.

If the net proceeds of our IPO available to us outside of the Trust Account are insufficient to allow us to operate for at least the next 24 months, we may be unable to complete a business combination.

We have made funds available to us outside of the Trust Account of $250,000, and there will be additional funds available to us, up to an additional $1,700,000, to pay our income or other tax obligations and to fund our expenses relating to investigating and selecting a target business and other working capital requirements. These funds are derived solely from interest earned on the Trust Account balance, net of taxes payable on such interest. Our board of directors reviews and approves all significant expenditures by the Company. We believe that the funds available to us will be sufficient to allow us to operate for at least the next 24 months, assuming that a business combination is not consummated during that time. However, we cannot assure you that our estimates will be accurate. We may request the release of such funds for a number of purposes that may not ultimately lead to a business combination. For instance, we could use a portion of the funds available to us to pay fees to consultants to assist us with our search for a target business. We could also use a portion of the funds as a down payment with respect to a particular proposed business combination, or enter into a letter of intent where we pay for the right to receive exclusivity from a target business, where we may be required to forfeit funds (whether as a result of our breach or otherwise). In any of these cases, or in other situations where we expend the funds available to us outside of the Trust Account for purposes that do not result in a business combination, we may not have sufficient remaining funds to continue searching for, or to conduct due diligence with respect to, a target business, in which case we would be forced to obtain alternative financing or liquidate.

***Under Delaware law, our amended and restated certificate of incorporation may be amended, which could reduce or eliminate the protection afforded to our stockholders.*.**

Our amended and restated certificate of incorporation contains certain requirements and restrictions that will apply to us until the consummation of a business combination. Specifically, our amended and restated certificate of incorporation provides, among other things, that:

- proceeds from our offering and the private placement placed into the Trust Account are not to be disbursed from the Trust Account except in connection with a business combination, including the payment of the deferred underwriting discounts and commissions, or thereafter, upon our dissolution and liquidation, or as otherwise permitted in the amended and restated certificate of incorporation;

- prior to consummating a business combination, we must submit such business combination to our stockholders for approval;

- we may consummate the business combination if approved by a majority of our stockholders and public stockholders owning less than 30% of the shares sold in our IPO exercise their conversion rights;

- if a business combination is approved and consummated, public stockholders who voted against the business combination and who exercise their conversion rights will receive their pro rata share of the Trust Account, before payment of deferred underwriting discounts and commissions and including any intere