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#### ► SPAC IPOs IN 2008

In 1993, the first ever initial public offering for a specified purpose acquisition company (SPAC) was launched. It raised approximately \$14m and it took about one year to clear the various regulatory bodies in the United States. A lot has changed in 15 years. There were 37 SPAC IPOs consummated in 2006 and 65 consummated in 2007 as of this writing. SPAC IPOs raised an aggregate of \$3.4bn in 2006 and \$11.4bn thus far in 2007. Almost every major investment bank has now participated in a SPAC IPO.

We believe that the SPAC IPO market will continue to be strong in 2008, but the investor base has to be broadened. Currently, almost every SPAC IPO is being sold to the same

handful of institutional investors. The underwriters involved in SPAC IPOs must branch out and introduce SPACs to new institutional buyers in order for the positive SPAC IPO trend to continue.

On average, the business combinations consummated by the smaller SPACs are outperforming the larger ones, with several China-focused SPACs leading the way. For this reason, we believe there will be an abundance of smaller China (and Asia) focused SPAC IPOs launched in 2008.

We believe there will also be a handful of 'supersized' SPAC IPOs in 2008, possibly in excess of \$1bn – but only if there have been some 'big wins' by some of the larger SPACs which IPO'd in 2006 and 2007 and are currently looking for targets.

Prospective targets of the larger SPACs are complaining about the 'warrant overhang' creating too much dilution. To counter the warrant overhang issue, one SPAC IPO has already been sold with units which contain

only a fraction of a warrant. We believe there will be more of these fractional warrant deals in 2008, but these IPOs will be difficult to market except for 'repeat SPACmeisters' who have had tremendous success with their prior SPACs.

We believe that, in 2008, the per-share trust amount for SPACs will continue to increase closer and closer to 100 percent of the per-unit IPO price and that the typical conversion threshold will creep up to 40 percent from what used to be 20 percent and is now 30 percent.

With these caveats and potential changes, we expect the SPAC IPO marketplace to remain robust in 2008. ■

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