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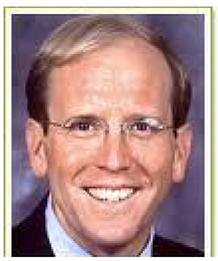
Rollup King Returns to SPAC Market with Eyes on Mobile Advertising



Jonathan Ledecky is making a big bet investing in mobile advertising. The king of the rollup has reentered the public markets, setting aside millions to re-launch his ill-fated **Ascend Acquisition Corp. (ASCQ)** SPAC and fund a reverse merger with **Kitara Media** and **New York Publishing Group**. The deal, which closed July 1, marks Ledecky's return to the SPAC market after a five-year hiatus, and the first SPAC focused on investing in companies in the global online advertising and exchange space.

Ledecky found a marquee name in the digital ad space to steer his investment vehicle. Ascend's new CEO is Robert Regular, who launched Kitara Media in June 2006 and built it into a company with $20 million in annual revenue. Regular told *Growth Capital Investor* it took three months for Ledecky to convince him to take his company public through a reverse merger, and he expects a positive reaction to the full set of financials he's filing to show the growth in Kitara.

Kitara rolled into Ascend Acquisition Corp. with Ledecky's fund, **Ironbound Partners**, executing a private placement to buy 4 million shares of the company's stock for an aggregate price of $2 million or $.50 per share, of which $300,000 was from the conversion of outstanding promissory notes held by Ironbound. Investors in the merger including Ledecky, Ironbound, and senior management agreed to a 12-month lockup of their holdings in the surviving company, Kitara Media.

Scott Miller of **Sullivan & Cromwell**, Darrin Ocasio of **Sichenzia Ross Friedman Ference**, and David Miller and Jeffery Gallant of **Graubard Miller** advised on the merger. No placement agents were disclosed.

Ascend was maintained as a SPAC shell since failing to successfully close a merger in 2008 with semiconductor maker e.Pak Resources. Ascend's shareholders agreed to keep the company alive as a reporting shell company after it redeemed $41 million to them from its 2006 IPO.

In 2012 Ledecky, along with a few tech executives Craig Dos Santos, Ben Lewis, and Lee Linden, used the SPAC to buy a mobile gaming company called **Andover Games**. But as of March 2013, public filings showed it had $295,000 of negative working capital and only $65,715 of assets. The SPAC stated in its first quarter 10-K of 2013 that it would likely be shifting directions.

Andover was shut down and in July Ledecky scored his first big fish with Kitara—a company that produces double- digit millions in revenue, with no debt and previous investor sponsorship. The founding SPAC investors now hold a combined 50.8% of the issued and outstanding company common stock as a result of the mergers.

Regular says Ledecky and Ironbound will be backing them up with more working capital when they are ready to buy their next company. “I’ll be looking for companies with $5-15 million in yearly revenue that have synergy with our space.” That could also mean we’ll see this SPAC buying up competitive companies that are mobile ad exchanges or leaders in roll-out video ads. It’s a strategy Ledecky became famous for with U.S. office products retailers in the 1990s, taking small independent companies doing similar things and merging them together to show big revenue growth and stream-line costs.

Kitara isn’t the first in its space to enter the public markets recently. **Tremor Video (TRMR)**, which is backed by $100 million of venture capital, went public in the last week of June, raising $75 million in its IPO by selling 7.5 million shares for $10 a share. And another VC-invested company called **Yune** just filed its S-1. The concept of exchanges to assist ad agencies to barter and move mobile video and display ads out to websites isn’t new but low entry barriers and mobile display use skyrocketing more players are entering the markets.

But SPAC activity in the last two years has been low. There were nine SPAC deals in 2012 for gross proceeds of $479 million, compared to 16 SPAC deals in 2011 for $1,110,000 billion. In 2013 only three SPAC deals have been completed according to researcher SPACAnalytics.

Private equity and VC market monitor Pitchbook notes a spike of VC investment in 2011 into the mobile advertising space, with 54 investments for a total of $554 million. This year 22 investments have been made in the mobile ad space for a total of $159 million. Last year eight VC deals exited for a total of $588 million. This year there is only one exit, for $15 million.

“It’s not hard to show growth when its small to start with,” admits Robert Regular, CEO of Kitara. Joel Yarmon of **Draper Associates** told *Growth Capital Investor* “mobile ads are still really new – the market is only $6 billion or so, but we’re invested.”

“Jonathan Ledecky is determined to repeat history with this strategy,” Regular said. Regular isn’t new to building growth and selling high either. He was president of **Oridian**, a company that was part of the first ad-exchange to get sold to **Yahoo (YHOO)** for $800 million in the mid 2000’s.

“I know reverse mergers do not have the best reputation these days with all the problems with the China companies but this is a real company with real growth and value,” Regular said.