



Special Purpose Acquisition Company Conference Call — January 8, 2008

Operator:

Please stand by. We are about to begin. Good day ladies and gentlemen, thank you for standing by. Welcome to ICR's Special Purpose Acquisition Company Conference Call. At this time, all participants are in a listen-only mode. Following the presentation we will conduct a question and answer session. Instructions will be provided at that time for you to queue up for questions. I would like to remind everyone that this conference is being recorded and would now like to turn the conference over to Devlin Lander of ICR. Please go ahead.

Devlin Lander:

Thank you. Good morning and welcome to ICR's Special Purpose Acquisition Company Conference Call. We are pleased you could join us this morning and be a part of ICR's continuing conference call series. ICR is a leading financial communications consulting firm specializing in strategic investor relations, corporate communications and digital media and has been working with SPAC since early 2006. Since our first SPAC conference call was held in January of 2006, the SPAC market has grown substantially and has undergone significant change. Thus we felt it would be helpful to have a follow up call to discuss current trends. We've assembled a very impressive group of experts on SPACs and look forward to your questions for the panelists.

Our first panelist this morning is Mr. Robert Berger. Mr. Berger is a Director in the Corporate Finance Group at Lazard. He joined Lazard in 1999 and has been the leader of Lazard's SPAC team since mid 2006. Lazard and Lazard Capital Markets have emerged as leading participants in the SPAC market. Lazard Capital Markets executed 11 SPAC IPOs in 2007 including 6 as bookrunner representing 20% of the funds raised in the 2007 SPAC market. In addition, Lazard has advised on some of the largest M&A transactions involving SPACs.

Our next two panelists are from CRT Capital. Mr. Doug Harvey has been a Managing Director and Head of Capital Markets at CRT Capital since January 2005 during which time CRT has acted as lead manager and bookrunner on approximately \$3.0 billion of capital-raising activities. In addition, CRT has led 10 SPACs as bookrunner for a total of \$1.4 billion and has been a co-manager on 4 others totaling \$200 million.

We also have with us Mr. Burt Welly, Principal and Senior SPAC Trader at CRT Capital. CRT has a dedicated trading team focused on the entire SPAC market and is currently the leading trader of SPACs.

Finally, we have Mr. David Miller, Managing Partner and Head of the Corporate and Securities

Department at Graubard Miller. Mr. Miller helped create the initial SPAC structure in 1993, and as a result, Graubard Miller has worked on more SPAC IPOs and SPAC business combinations than any other law firm in the world. Mr. Miller will be available during the Q&A session to answer any questions from a legal perspective.

Unfortunately one of our original panelists, Mr. Brett Goetschius who is the Editor and Publisher of the SPAC Report is unable to participate this morning.

On today's call we plan on discussing the evolution and dramatic growth of the SPAC market and the significant role SPACs played in the 2007 IPO market. SPACs, which historically have targeted niche markets, have recently emerged as a mainstream component of the broader IPO market. Of the approximate \$54 billion raised in IPOs in 2007, about \$12 billion was in the form of SPACs, or approximately 20% of the total capital raised in the US IPO market. In addition to the substantial increase in the size and frequency of SPAC deals, a greater number of investment banks are now underwriting these types of transactions and the buyer pool has also expanded significantly.

Our panelist discussion will focus on the increasing popularity of SPACs and the recent changes and trends in the SPAC market. Following this discussion we will then open up the call to any questions you may have. Also please note that if you'd like to follow up with any of today's panelists, you can contact myself, Devlin Lander, at ICR at (415) 292-6855. We would also like to direct you to our website, www.icrinc.com where you can access updated materials to supplement the topics discussed on this call. The slide presentation can be accessed under the ICR Education section of our website.

Let's start with Mr. Rob Berger from Lazard who will discuss some of the key factors driving the growth in the SPAC market and some of the structural changes taking place. Go ahead, Rob.

Robert Berger:

Thanks Devlin. I appreciate you inviting me to participate on the call and good morning everybody. We at Lazard have played a major role in helping the SPAC market evolve as you said. The market really, the latest version of the market, really started in 2003 and has evolved significantly to where we are today. Really in 2003-2004 it was really more kind of a rudimentary structure. There were smaller deals, relatively lesser known sponsors, two warrants attached to a share of common stock, which is very dilutive. You had no deferral of underwriter's fees. You had no at risk investment to tie together the sponsor with the interest of the investors. So it was really a difficult structure to do deals in. What we've seen is that the structure has constantly evolved to strike a better balance between the investor and the sponsor and that's what's really driven at its core, the advancement of the market today. And there are a number of structural innovations such as reducing the warrant coverage. It went from two warrants to one warrant. Today we're really moving towards less than a warrant in the structure. There is just increased skin in the game for management teams and that incentivizes them to do deals. The deal sizes are getting larger and we're seeing, the structure really become more and more complex. It really all leads to the benefit of both the investors and the sponsors and ultimately the companies who are selling themselves to SPACs.

As this market's evolved, there was \$24 million in SPACs in 2003 and that's the entire market. The market grew to \$2 billion in 2005, \$3.4 billion in 2006 and \$12 billion just last year in 2007. So the market really has grown in leaps and bounds. And really there is what I'll call four key dynamics in place in the SPAC market which has really driven the volumes to the levels that we see today. The first is the quality of the sponsors has increased significantly. And we've seen this grow virtually every day since our participation in the SPAC market in the middle of 2006. You start to see more recognizable names. You see Tom Hicks. You see Nelson Peltz and when you see those kinds of recognizable names in the market, the capital flows towards that, as people are more willing to invest with names

that they are comfortable with. While the same organizations coming into SPAC such as, you know, the GSC groups, deal partners, we've seen hedge funds, you're seeing investment banks. You're seeing lots of different kinds of organizations to lever their organizations to find deals and having the capital to back that. It's an attractive proposition for sponsors. And really the SPAC at its core, it's really a compelling proposition for sponsors versus the alternative which is raising a private equity fund. The sponsors have full control over the management of the SPAC. It's permanent capital. It's not focused on an exit strategy. It's a quicker fund raising process and there's greater certainty to close relative to a private equity fund. And certainly the economics are attractive to the sponsors as well. And as the quality of the sponsors has increased they're able to command more capital so we're seeing the deal sizes grow. So the average SPAC in the fourth quarter of 2007 was over \$200 million whereas it was just \$91 million 2006 and much smaller in the earlier years. So, all of those factors really link to the quality of the sponsors increasing dramatically.

The second factor which we've seen help the growth in the market really is that hedge funds are looking for ways to invest in private equity. And the issue is that a lot of them cannot invest in an illiquid vehicle like a private equity fund. So they need ways to invest through the market to get exposure to private equity. And, despite what we read in the popular press hedge funds still have hundreds of billions of dollars in capital they need to put to work and a large portion of that is really geared towards private equity type investment. And really the SPACs are structurally advantaged in a number of ways to private equity investments in that they're freely tradable in the market. They're fully liquid so they can get out of positions and get into positions relatively easily. They have voting rights where in a private equity fund the LPs don't have any rights to vote on deals. They're merely investing in a portfolio. And also the SPACs have downside protection where if you don't like the deal, you can get your money back. It's a pretty attractive proposition from a risk-reward perspective. So it's really the hedge funds, they're really looking for ways to invest some private equity.

The third factor has been success breeds greater interest in the product. We've had some high profile success stories which has really driven new investors into the security, into the asset class. Deals like the Freedom GLG transaction which a number of people on the call are probably familiar with. A \$3.4 billion merger and that if you're looking where that the units are trading today, it does 90% in about a year's time. That kind of performance really gets more investors interested in the asset class. And as we've seen deals like this happen it's really raised the profile of SPACs and gets everyone interested in doing SPACs from investors to issuers and really to companies that are looking to sell to SPACs.

And lastly but importantly is the sponsorship of major banks like Lazard coming into the product in a significant way. To illustrate this trend, in 2007 55% of the SPACs were led by major banks versus just about 14% in 2006. If you look at that figure today with the deals in registration, it's more like 52%. So really, as the larger banks come in and provide that kind of sponsorship, what that means is that you get higher quality advice. You get better quality deal execution. You get a significant increase in deal flow which is the lifeblood of SPACs and access to a broader group of investors to bring more investors into the product.

Really those four factors, the quality of sponsors, the hedge funds looking to get into private equity, it's the success stories attracting new money, it's sponsorship in major banks, those are really the four factors that are driving the market to where we are today and what we see as a \$12 billion asset class in 2007 and we believe it's going to grow significantly in 2008.

Devlin Lander

Okay, that's great. Thank you, Rob. Next we'll turn the call over to Doug Harvey from CRT Capital who will give us some more color on how the dramatic increase in the number of SPACs and the amount of

capital raised has impacted the ability to find and consummate deals, Doug.

Doug Harvey

Well thank you very much. And I'm going to echo some of the comments but I'll try not to be repetitive to what was just discussed. I think that was fairly comprehensive. But I think two or three sort of broad themes probably emerge. When the SPAC business started several years ago and we at CRT started looking at it, we first started looking at it as kind of an optionality and kind of an investment side and from the perspective to see how we could actually make some money out of the warrants that were obviously sitting in the marketplace. They tended to be from companies that had very small market caps, obviously didn't trade very well, even on issuance and were situations that were basically looking for somebody to provide liquidity and somebody to provide a little bit of leadership in terms of fostering either a better distribution or a better acceptance from the market place. What's happened since we've got involved is that, I think the point that was made, the quality of the management teams have gone up. I think that's a definite. But I think what's even more important is that as the deal sizes have tended to migrate up through the absolute amount of capital that's raised, the resultant investment that falls out of the back end is a much more appealing equity for a broad range of investors. Obviously you could have, if you have a \$50 million market cap company as a result of a SPAC, it's going to have very limited liquidity and very limited after market interest. But if you have a billion dollar company plus as a result of a SPAC then you'll start to get real research focus, real interest and real after market support and real fundamental investors coming in to take position. And I think that's from our side of it, I think that's one of the largest things that we've noticed is that when we started this off several years ago, I mean if you walked into any of the large mutual fund or cash investors well they might have given you a, well that's interesting but we're not going to play that. And I think now what you'll see is that with a higher quality group of management teams and probably with larger market caps following at the back end you actually do get some people that are prepared to do some fundamental research and be what I think is the most critical buyers at the end of the game and those are the guys who buy the SPAC as fundamental investments.

Remember SPACs are really bifurcated into two kind of investment theses. There's the structured investors that will buy the original offering. Often those are hedge funds. Often they're doing it with a strategy that involves, selling of warrants, selling of common stock, combinations of the two in order to set up an investment that they find appealing. And the most appealing might simply be that they're looking on a yield of trust basis for the investment itself. Those investors, have to be convinced that if they're ever going to allow that trust to be pierced that the resulting investment in the back end is going to not only have, fundamental after market liquidity but a real sort of underpinning for the investment in the first place. And so I think that the larger deals have really sort of set a benchmark and helped that to move along.

I think another trend that shouldn't be disregarded is that and this started to happen maybe as far ago as a year ago is that the IPO market has been less ebullent for smaller cap companies. The SPAC has provided not a perfect but certainly an alternative means for a select group of those companies to otherwise go public which and it may have been otherwise much more cumbersome or difficult if not impossible deal to actually IPO and get the valuation that was being, trying to be extracted. And certainly we have been fortuitous and had the luck of falling into a situation like that in one of our transactions where the company was going to IPO, made the election that it probably wasn't going to get the valuation that it was looking for and then backed in and took a SPAC up to a board process and eventually got the shareholder votes from the SPAC and consummated the deal, so effectively a synthetic IPO at a slightly different valuation but notwithstanding that, still allows the stock to be traded publicly and that provided in that case a liquidity event for a private equity investor.

And I think on the other side of that too just to echo some of the other comments are that the private equity market itself, are a very competitive marketplace and not all companies that are for sale want to be lined up as a portfolio company in a private equity situation. So the SPAC has provided a little bit of an outlet and a little bit of a sort of a second leg for people to negotiate deals to ensure that they still keep their companies public if that's attractive for them.

The question on multiples that has been posed a bunch of times is a little bit of a specious question because at the end of the day if an acquisition has been announced and a quote comes cheap enough, the stock itself as a SPAC will trade just fine. In other words, it will trade through trust value. And the fundamental goal of every acquisition in which kind of ties around how you actually drive your negotiations perhaps and consummate the acquisition in the first place is that you have to be cognizant of the fact that the stock on a fully diluted basis including all the warrants and all of the management warrants and things like that has to trade through the trust value at that point in time to be considered as something that shareholders would typically support. Now and speaking fundamentally from more of a structured voters who are going to be concerned about trust value pre and post but also even some of the fundamental values that obviously are not going to be inclined to vote yes if they think that the post trading price of the transaction is going to be less than the SPAC itself.

So in terms of acquisition multiples, yeah larger pools of capital being raised by the SPACs I think is an enhancement but it doesn't change the fundamental fact that you still have to negotiate and strike a deal because of the publicly traded value of that resultant, SPAC common stock. And what does that, in a majority, or a minority position depending on how the deal is structured still has to trade well enough to be through the trust structure.

I think that kind of summarizes those comments. I can come back and ask, invite questions at the end but I'm going to turn it over to Burton now to talk a little bit more about the liquidity of the market place.

Devlin Lander:

Okay thanks Doug. Now we'll turn to Burt Welly, Senior Stock Trader at CRT Capital who will discuss the expanding buyer pool for SPACs and give us his thoughts on current investor sentiment. Go ahead Burt.

Burt Welly:

Yes hi, how is everybody doing? Hopefully well. Just some comments on the way the basic investor pool has expanded since '05 when we really started seeing more and more guys get involved in this marketplace. I think you can kind of break it down into several different categories. First of all you have kind of the structured buyers that are probably the mainstay of every deal on the IPO. And we've really seen that kind of grow, I'd say five to 10 fold in the last few years in terms of the amount of players that are kind of going after the arb play. What has changed, I think is as the deals have become bigger, better, and higher quality is that we're getting more and more investors that are then looking at this once the deal is announced, once the deal gets closer and closer to close we're seeing more and more guys that are both sponsor friendly investors as well as fundamental buyers coming into the marketplace and kind of transferring that stock from one holder to the next and that pool has really grown quite a bit and I think it's what has led to this product to be as successful as it has is just that ability to move that stock from one place to the other has been there. I think that that will continue to grow. I think with more and more money being raised it puts, a little bit of pressure on both the management team and the banker's underwriting I think to find quality deals and really, really make a whole second round of buyers appear in the marketplace. And we're seeing more and more accounts that are starting to look at that that never would have looked at a SPAC a few years ago

simply because they couldn't put enough money to work.

I think more and more we're seeing guys look at both the arb play like I said at the beginning. They're looking at both buying the common on the deal, kind of stripping off the warrants or stripping off the common buying warrants but as they announce deals we're seeing more and more companies coming in that want to buy the deals going forward from a fundamental basis. I think those guys are both, I think they come in later in the game are starting to look at this as a more long term investment. I think they're kind of looking at this deal as a good way to play, a good way to play a deal from a cheap basis. We've seen the structure kind of change from the \$6 deal with two warrants and move more towards the \$8 and \$10 deal with one warrant. I think you see that has happened more because it is a cleaner structure. I think there's a lot less dilution on the back end. I think companies are addressing this by taking some of the cash, I think the long term investors are asking companies to kind of take these warrants out and I think that overall that will ultimately decrease the dilution on the back end.

Devlin Lander

Okay that's great. I think now Teresa we can turn the call over to Q&A.

Operator:

Thank you. The question and answer session will be conducted electronically. If you would like to ask a question, please do so by pressing the star key followed by the digit one on your touchtone telephone. If you are using a speaker phone, please make sure your mute function is turned off to allow your signal to reach our equipment. We will proceed in the order that you signal us and we'll take as many questions as time permits. Once again, please press star one on your touchtone telephone to ask a question. We'll pause for just a moment to give everyone an opportunity to signal.

We'll go first to David Olson with All Financial Group. Please go ahead.

David Olson:

Yes I had a question. We're a middle market firm which was actually approached by a large SPAC about three months ago. We had some interesting conceptual discussions but it turned out that we would have to combine or make an acquisition before merging into the SPAC. Can somebody tell me how often a business combination needs or occurs, needs to occur, or occurs before a SPAC makes an acquisition of an entity?

Devlin Lander:

Rob, if you want to take that one that would be great.

Robert Berger:

Sure. Every case, you have to take it on a case by case basis. There is no one specific, you, one size fits all rule. I think it would be uncustomary for one to ask a company to make another acquisition before moving into a SPAC unless it was really a size consideration or there's an aspect of the business which required greater scale before the SPAC was interested in being an acquirer. As you may be aware, SPACs have a certain threshold that they need to get over. They need to invest at least 80, or they need to buy something that's worth at least 80% of the proceeds that they raise. So if they're a \$100 million SPAC they need to buy something that has an enterprise value of at least \$80 million or else they can't legally buy it. So that's one technical consideration. And if you look in practice, SPACs tend to buy companies with a higher enterprise value than they've actually raised. Such that, a \$100 million SPAC may buy something that's worth, three to \$400 million.

David Olson:

Thank you.

Operator:

And once again, it's star one to signal for a question.

We'll go - we'll go next to Steven Slawson with Titan.

Steven Slawson:

Good morning gentlemen and ladies. Is there an accepted methodology if you purchase a unit, you're

on the IPO or subsequent to the IPO and you then break the unit up into its components of a common and a warrant on the tax cost with two respective pieces?

Doug Harvey: What you're saying is what's the basis of the warrant versus the basis of the common stock?

David Olson: Exactly. For instance let's assume it's a \$10 deal, 9.80 held in trust and it's a 7.50 warrant...

Doug Harvey: I'm not a tax lawyer on this but if there is a lawyer that's on the line he can always respond. I mean, I think one rule of thumb you might want to think about is where is the value, being ascribed. Let's say you just issue an \$8 unit. The \$8 of value on that will be constituted between some sort of corpus which is embedded in the common stock which is obviously cash and an option which has got somewhere up to a four year or five year life on it which is driven by the warrant. The way those pieces of paper will trade is maybe something that you should talk to your tax people about if you issue the \$8 unit the stock will trade at a slight discount to the cash value embedded in the trust. So if we assume for a moment that the trust is \$0.98 on \$8, I guess just say the stock felt on a cash basis would be worth something like \$7.80 and would trade somewhere on the order of about \$7.25 and \$7.35, on a relative basis. That warrant obviously has got time value to it and it's in the money. So there would be some sort of base ascribed to that would be somewhere between 65 and \$0.75. Now those are rough numbers that you can certainly sit down and ask yourself, are those the correct numbers that you should be doing but ...

David Olson: You don't believe the applicable approach is to value the common at the initial held at trust as opposed to traditional common which does not have an effective put right this common does?

Doug Harvey: Well, I mean if you want to look at it that way, the common trust is \$7.80.

David Olson: Exactly so that would be using the numbers you chose, 7.80 and \$0.20 respectively.

Doug Harvey: Right and there's a range in there that sort of say you have to ask for some tax advice. I mean you're really buying a piece of stock that is worth 7.80 and effectively will trade at a discount to that. I'm not sure where the basis lies out on that but those are the, but that's the relatively tight range that you're talking about.

David Olson: Well, I don't want to belabor the point. It's not a tight range because in some cases you can, we take this to an extreme of 100% held in trust you'd have a zero cost on the warrant.

Doug Harvey: I understand.

David Olson: And in other cases you'd have a 70% cost on the warrant and I'd argue that that's a rather highly significant variance in valuation, not a minor one. I take it no one has, at least no one on this panel has developed a methodology that they're willing to promulgate and say this is the way it should be done.

Doug Harvey: We're not going to provide tax advice. I just gave you where the values were. But yes I hear what you're saying.

David Olson: Okay, thank you.

Operator: And we'll go next to Todd Emmerman with Katten.

Todd Emmerman: Hi, thanks. Maybe this is a question for David Miller. As much as this probably the biggest downside for a target company to do a deal with, in doing a deal with a SPAC is the time that it takes to get the deal done given the SEC review process. I'm wondering if David, in your experience with the maturing

of the product whether or not the SEC has eased up a bit and whether or not you've seen approximate review times from start to finish come down at all?

David Miller: Hey Todd, how are you?

Todd Emmerman: Real good.

David Miller: I think it varies. It's basically a case by case analysis. But I think you have to plan on at least five months at the Commission from the date of filing to the date of your stock holders meeting. You can accelerate that if the target has financials audited for the past two or three years and audited as a public company as opposed to a private company. That will clearly make your time at the Commission less than five months. If you're dealing with a company that has to put together financials or convert from private company accounting to public company accounting, it could take longer than four or five months. I don't think the SEC's familiarity with SPACs has made the process going from filing your merger proxy to consummating your business combination any easier.

Todd Emmerman: And from a business perspective, have you seen any strategies that have worked better than others in SPACs in addressing that issue with perspective targets?

David Miller: Yes, making sure that your targets before you sign your merger agreement are up to snuff when it comes to their financials.

Todd Emmerman: But otherwise it's, sit and wait for the few months that it's going to take inevitably.

David Miller: Unfortunately.

Doug Harvey: I think the comment there is probably really bang on. The thing that we've found has delayed the process as long as any is just meeting the accountants, developing the financial statements.

Todd Emmerman: Thank you.

Operator: We'll go next to Austin Harris, BB&T Capital Markets.

Austin Harris: Yes, good morning everyone. My question is basically, well I'm curious what methods you've seen in the market to move apparent no votes on deals to yes votes? And I guess in other words, how you've been able to sort of reposition shares at the last minute out of the hands of no voters into yes voters or more fundamental guys.

Devlin Lander: Rob, I don't know if you want to take this one.

Robert Berger: Well, I'll take a shot at it. I admit I had as much experience with this as much as others on the panel. Ultimately the deal has to stand up to the scrutiny of investors and if you have a good deal the transitioning of the shareholder base becomes quite simple. In the situations where, it's going down to the wire there have been various means that have been used to get the hands into no votes into yes votes some of which has been used which we have not been a part of which there is renegotiation of the terms of the deal with the target. There is some forfeiting of the promote on behalf of the sponsors to make the numbers work a little bit better from a valuation perspective. There have been some situations where shares have been transferred to certain investors by the sponsors and that's a situation where you start to get into situations where it's a difficult road to go down. I wouldn't advocate that. I think ultimately that the best strategy is to make sure that your target company understands the process, that both sides are willing to back the deal with their own capital should it come to that and really to, make sure that both sides together are willing to do as much as they can to

see the deal come to fruition.

Austin Harris: Thank you.

Operator: We'll go next to Doug Lavelle with HSBC.

Doug Lavelle: Yes hi, there was a comment made about the significant growth in this market expected in '08. Would anyone in the panel be able to comment on where you see that growth coming from in terms of is it US domestic or are we seeing more international, offshore deals?

Robert Berger: This is Rob. I'll take the first stab at this. There's about \$11 billion in the backlog today in registration. So that's already pointing toward a significant increase over 2007. Ultimately we'll see if all the deals get done. We think there is a high probability that they do and there'll be more in the second half of this year. These are all domestic deals. We're starting to see companies and sponsors look overseas to do SPACs. As we understand, there are some large SPACs that may be done on the Euronext for instance. There are SPACs that have been done on AIM. So we would expect that some of the increase in issuance will come from other exchanges outside the US. But right now for this moment in time the majority of the issuance is taking place in the US.

Doug Harvey: I would just, I would echo a little bit of that and just add to the one or two other components. There are investors more which are turning up in increasing numbers in, the other sort of money pockets of the world whether they're in Hong Kong, Singapore whatever that are now eminently sophisticated SPAC investors and I think that's a very good thing to happen because that means that they are very conversant with how the market actually works. Another thing which I find is intriguing is that we did a deal for a group in Brazil and in speaking with not only sponsors but investors down there it's pretty clear that they are very, very sophisticated in how the SPACs work and how they trade and it struck me as kind of a self-fulfilling prophecy that eventually some of those will step up as sponsors and want to do their own deal in some sort of capacity.

The other thing that's gone on and I think no one should ever lose sight of this is that the deepest most liquid market right now is the US market which and the best format is a registered offering with a listing which right now happens to be on AMEX so that you can get very broad distribution. You don't have to go through the OTC bulletin board and blue sky concerns. What that means is that you have broadly distributable stock that's available for the purchase of any investor including retail. And there's often a significant component of those goes retail which I think is important. You don't have that luxury in deals that have been looked on off the AIM it was a very liquid marketplace. They tended to be effective private placement because it was relatively a liquid trading they're after. And we tried as a firm and successfully offered one of the Euronext. I simply say that, we spent a lot of time working with the regulatory authorities over there in order to get it to happen. They were much more compliant with regard to some of the rules that are embedded in the SEC mechanism like the 80% rule and not seeing that as a fundamental structural issue, in other words not requiring it to be embedded. But having said that, it's still an embryonic investor base. So just because you see somebody getting something done over there and it sold to a European investor it doesn't necessarily mean it's the best, way to go. I still think fundamentally anything that's registered in the United States with a listing on the exchange is about as good as you get. But that may, more over time as this capital market broadens and the investor base becomes deeper but right now it's pretty centered right here in the United States.

Doug Lavelle: Thank you.

Operator: We'll go next to Ashley MacFarlane with ICR.

Ashley MacFarlane: Another question on the pipeline. So regardless of where the stock actually lists, can you talk about a pipeline and maybe talk a little bit about investor appetite for SPACs that target companies in Asia, mainly China.

Robert Berger: This is Rob here. Certainly if you look at the most successful SPACs in terms of their performance and the IPOs when they're currently trading, the SPACs that are focused on China have been stand outs among the SPACs that have been done. So it's logical to assume that more would like to do SPACs that are focused on China because of the popularity there. So we would, as long as that market remains hot and the valuation arbitrage between what sponsors can buy companies for locally on the ground in China where they actually trade in the US, as long as that arbitrage still remains wide as it does today we believe that that particular segment of the market will continue to be robust. All that being said, the size of the deals focused on China, the size of the SPACs in China, are relatively small. So in terms of the overall percentage of issuance we expect it to remain comparatively small but we expect in terms of number that they'll continue to be a meaningful portion of our business.

Doug Harvey: Yes, I think that's important. When we've spoken with sponsor teams from China, rightly or wrongly they are concerned about perhaps more so than any other sponsor groups about the size of the opportunity space there. And consequently given the 80% rule that they have here in the States is that they are a little bit more focused on limiting the size of their offerings than would other people here who might see much deeper and bountiful investment opportunities in the US marketplace, or the European marketplace. But I think that will change over time as frankly as you get more sophisticated companies with better accounting histories in the Chinese marketplace and I'm going to say that it's the emerging marketplace and not just the Chinese marketplace I think there will be some value opportunities. Remember fundamentally, what SPAC investors are looking for and what really triggers the vote is that the acquisition itself is on a comparable basis to whatever other pool of comparables you want to look to is attractively priced. Whether that's termed as being cheap or whether that's just it's got great market dynamics or whatever, that's what you're looking for. And obviously the Chinese market over the last 24 months has given not only SPAC investors but almost any equity investor (inaudible).

Ashley MacFarlane: Okay, thanks.

Operator: And once again, it's star one for questions.

We'll go next to Steve Schnipper with SPS Associates.

Steve Schnipper: This is a follow up to the gentlemen that was asking about allocating cost basis among the common, the warrants and the units. Generally, the way you do allocations, the IRS doesn't typically give exact guidance. That language is usually often spelled out in the prospectus but typically the approach that's most commonly followed is used relative to fair market value. So it doesn't always work so well on the day of the IPO because the components don't trade. But you take an \$8 unit that's currently traded with its components, if you buy the \$8 unit and the common is trading for seven and the warrant is trading for a dollar, that's how you would allocate it. Seven eighths ostensibly to one and a dollar out of the eight to the warrant. Analogous way of thinking the gentlemen was referencing well there's a so maybe it should be, there's \$8 in cash value at \$8, think of it as a zero coupon bond. If a zero coupon bond is worth \$1000 in two years from now and trading at 8.50 and somebody says, what's the fair market value? You wouldn't say \$1000, you'd say 8.50. So a typical approach is looking at where are the components trading? If a warrant is 75% of the cost, that's how you would

break up the units. On the day they come out with the IPO, sometimes you have to maybe look at the first day of trading and then kind of back date it but that's usually the more widespread approach as things go. But as always we love the disclaimer of consult your own tax attorney for specific advice.

Doug Harvey: I'm not sure who said that but.

Steve Schnipper: No, this is Steve Schnipper.

Doug Harvey: Steve, I'm sorry.

Steve Schnipper: Yes, I mean if you look actually a lot of the SPACs themselves on the prospectus is actually spell out this guidance from the IRS...

Doug Harvey: I know. I just didn't want to say exactly what it would be.

Steve Schnipper: Correct. No, there's no rule on an \$8 SPAC to say the warrant is a dollar and the common is seven because as you see with the warrants, there is great variability. This warrant may trade for \$0.60 and that warrant may trade for \$0.90 in the SPAC that has the same amount of trust so there is no hard and fast rule that could ever apply. You really have to look at the relative values of the components at the time it comes out. Relative interest rate, all the things that play out so I guess the rule is there is no rule. You use that kind of a general guidance for breaking it up.

Doug Harvey: The one thing I would say is that there is always a bit of a head scratch going on even up until, I think the maturation of the market and the better liquidity that's in the marketplace is probably just gotten rid of this but there was always a bit of a head scratch where you can price a unit which was obviously \$8 when somebody paid for it, it would turn around and trade for \$8.50 in the marketplace. Why is that? Well, some would say well it's the value of the warrant but what was probably going on is that people just weren't fully recognizing what the real embedded value should have been on the stock which should be not the trust value but at some sort of discount to the trust value. So even if you had 100% as your trust value, a stock isn't going to trade at \$8 and the warrant trade at a buck so therefore you've paid a buck to have \$9. It's still going to trade on some sort of relative basis such that it's, it settles in, maybe a slight premium to what the offer was but it's not going to be an immediate home run so that you could sell both and walk away with 35 or 40 or \$0.45.

Steve Schnipper: Right that's become more aware as they've tried to take down the...

Doug Harvey: And I think that's a great thing because that shows that there's some rationality coming into the marketplace and that there is some pricing discipline and some value discipline. The other thing that I think is embedded in these trust values that people should be cognizant of is that as they escalate up it obviously makes the acquisition a little bit more problematic that you're going to at some point in time find enough value that people are going to want to pierce the trust because obviously the trust accretes over some period of time and it becomes a little bit of a you chasing the rainbow but at the end of the day that's not, that is an issuers concern. That's not necessarily an investors concern.

Devlin Lander: Okay, we can go to the next question.

Operator: Thank you. We'll go next to Liyaquat Khan with Wolverine Asset Management.

Liyaquat Khan: Hi guys. I had a question regarding the cash part details you had just mentioned. So I think the past few months we are seeing more and more of new cash out there stepping into the field in the last minute and buying huge chunks of stock right before the vote. And some votes I have seen in a few of

the deals it looks like these companies are, these funds are actually (inaudible) the SPAC companies to take them out of the deal at prices which are (inaudible) and in some cases above the trust values. So how do you think this will affect the marketplace going forward as we see more and more cash out there coming in?

Devlin Lander: Rob, you want to take this one?

Robert Berger: I'll take the first stab at it. I mean ultimately the cash arb becomes much less of an issue if the deal is a good one and trades up. I think the SPAC sponsors tend to look at what they're buying as they'll look at an IPO where you should be buying something at a discount to where you would think that comparable companies may trade in the market such that there is the ability for the stock to trade up in the after market. It's the same concept with a SPAC. Ultimately, the sponsors are being paid for finding attractive companies at an attractive price. And as long as they find those, you see the stock trade up and the cash arb becomes really not much of an issue. Where it does become an issue is where the deal doesn't quite stand up on its merits quite so well and the valuation is difficult to justify and that's where it gets to be difficult. There have been some particularly acute cases about some of the cash arbs coming in which I won't get into in detail but we started to put, at least Lazard and Lazard Capital Markets as an underwriter have put some provisions into the documents to limit the convertibility into the trust to 10% of shares outstanding to prohibit a particular investor from coming in and acquiring a large block of stock that may in and of itself have the ability to push a deal in one direction or another. Ultimately we want to make this a fair playing field for both the investors and the sponsors.

Liyaquat Khan: I understand and I agree with you but looking historically like the deals, I would say 90% of the deals have had their stock trading a little bit or way below the trust value in most of the cases. So do you still perceive the cash players coming into the space not being problematic going forth?

Robert Berger: I think like I said before, I think it's problematic for the sponsors particularly because if the numbers don't quite stand up in terms of it being an attractive investment for an incremental investor that's when it becomes interesting to a cash arm so to speak to come in and earn some profit. It's much like the M&A market in general where you have the (inaudible) arbitrage market where people try to exploit differences in opinions and valuations and it's much the same here, different dynamic, different structure but ultimately everything depends on the quality of the deal and the price being paid and not so much on whether there's an unjust arbitrage or people not playing fair.

Liyaquat Khan: I understand. And I have the same question if you guys have some more time?

Robert Berger: Sure.

Liyaquat Khan: So I have a question regarding the optionality of the warrants. So I think when the marketplace begins with the early SPACs they were two warrants and it gave investors an added advantage in terms of getting optionality in the warrants. But I think as time has progressed we are seeing less and less optionality and too I agree with the underwriters that this reduces the warrant overhang going after the deal completion but how do you think it pays out in terms of being fair to the investors since it's kind of erasing their optionality?

Robert Berger: As with everything with the SPAC structure it's evolved to a point where we find the middle ground between what's appropriate for an investor and appropriate for the sponsor to be able to deal. Ultimately the lifeblood of the SPAC product is being able to find and close deals. If that is no longer the case the SPACs won't continue to exist in the form that we see today. So we are constantly, as

investment bankers, constantly striving for more creative structures that will facilitate deals getting done because in that instance, everybody makes more money, both the sponsors and the investors. If we start putting into place more restrictive structures it's going to inhibit the product succeeding and it's not in anybody's interest at this point in time. We believe the market will find a happy medium between what the investors require in terms of their returns and what the sponsors, the hurdles they must get over to get deals done.

Liyaquat Khan: I understand. I have a follow up question regarding one of the terms of most of the structure. So I think in the early deals that you saw coming through EarlyBird most of them have an underwriting fee of close to 4%, 5%. It was way much lower than what the typical underwriting fee is right now. Most of the fee was not being deferred as is the case right now. But how do you think the marketplace has evolved because right now I see most of the deals, the typical underwriting fee is 7% some of it is taken up and some of it is deferred. I was reading an article from (inaudible) that said the typical fee charged was 7% is a little bit higher than what the average typical IPO underwriting fee is.

Doug Harvey: I'll answer that. I would suspect that as deals get larger and more sophisticated, players come to the table there will obviously be some pressure on fees. But right now for a firm like CRT, that 7% fee is actually - sounds kind of self-interested but that's actually a certain amount of that fee for ourselves is that we distribute to other firms in the form of your selling concessions or core manager fees et cetera. And there is a fair amount of work that goes in not only on the front side of it but on the back side of it. The fact that the fee is bifurcated or split has really actually been both a bane as well as kind of a positive. In the one sense it was split in order to initially instead of driving up, to assist in getting trust values sufficiently high that investors would come in and buy the IPO in the first place. Obviously as less fees are paid out at the beginning and more deferred it puts more embedded into the trust and that trust is in marriage to the benefit of the common stockholders until a positive vote takes place. Having said that, there is an extraordinary amount of work that actually goes in the back end. In many respects, it's more work than on the front end to get it done. So it's actually probably been a little bit of a positive at least from our perspective. I don't know how all the other (inaudible) look at it but from our perspective it focuses not only our sales force but also our, the investment banking side of it to ensure that the best deal can get cut at the back end and there's still some means of getting paid. Remember these are SPAC and they decide to do a deal 18 months from now and you got paid all up front, nothing on the back end. I mean, somebody would have to come up with money in order to make this thing happen. So whether it's been fortuitous or good design or whatever but that's just the way it works. The absolute level of that number, I'm not going to debate. It's the marketplace.

Liyaquat Khan: I have a follow up question regarding the warrant overhang. So as you guys mentioned the newer deals are getting more and more creative in terms of being able to reproduce those warrants overhang for which ultimately would be good once the deal goes through. But at the same time you say that most of these newer deals are giving away units as promote instead of giving away stock as promote to the management of the SPAC which in turn is actually increasing the warrant overhang by at least 25%. So how do you think that plays in terms of being fair to the investors?

Doug Harvey: Well even worse would be getting, having investors coming in warrant.

Liyaquat Khan: I'm sorry. Can you repeat that?

Doug Harvey: Even worse obviously is where the investment, the sponsor investment is just in warrant as opposed to units.

Liyaquat Khan: Yes but the typical promote on a typical deal ...

Doug Harvey: I understand about the promote, you're talking about the promote. I'm sorry. Excuse me, yes.

Liyaquat Khan: Yes, I was talking about the promote when the management is getting the units of promote rather than getting stock as promote this in turn increases the warrant overhang after the deal goes through and at the same time the warrant optionality that the investor gets is being cut down. So how do you think this is being fair towards the investor or how do you think this is a happy medium?

Doug Harvey: Well, if I could just try to – I would say that over time almost inevitably terms will migrate to what is the correct balance or maybe the optimal balance between investor interest and obviously issuer requirement in order to get management teams stuck up to do this. Remember, it's a huge amount of commitment on the part of a management team. It may seem great but you're really talking about two years if you're really focused on it and not necessarily the case it's two years where you're getting paid by anyone else. Now some of the large high profile guys may have lots of other sources of income and so therefore it's a little less of a concern but there are certain lots of other sponsor teams out there where they're kind of rolling their sleeves up for two years and not necessarily getting paid. But I do think that there is a question that will start to take place and part of this is going to be driven off of how deals get approved, how many get approved, how many go simply can't find a deal and therefore get liquidated. And some of that is going to come back to what that requisite and fair balance is between if you will what the management team gets on one side versus what the real investors get on the other side. And so that will again dictate over time I think not only the form that (inaudible) but also how they're investment put in. And maybe on the absolute size of the carry that they get. Maybe you're going to start seeing deals at some point in time that will have some other way of embedding stocks that upside for the management team which isn't from dollar one on 20%. But I'm not going to speculate right now.

Rob Berger: I would add to that that the structure you're referring to where you have the promote in units instead of in common stock I think that's still in the minority in terms of the number of deals out there. The vast majority are in common stock only and there are some particular high profile stocks that have had the unit promote which is probably why you're raising the question. But still, the vast majority don't have that feature in them.

David Miller: Even when there is a unit promote, typically the warrant is included in the units given to the promoters have a threshold where the market price has to be at least double the exercise price before the promoters can exercise those warrants. So they are much more restrictive than the warrants given to the public.

Liyaquat Khan: So as underwriters, when you guys have more and more investors look at the deals, right at the IPO do you see, are you seeing more and more fundamental guys looking at the deals or do you see more you yield guys or cash out guys or people are trying to do any kind of (inaudible) and people who are like and what percentage of the people who are actually looking at the IPO are really very concerned about the terms as compared to being really concerned about just the management team itself?

Robert Berger: It really varies from deal to deal and it really depends on the quality of the sponsors and their profile. Some sponsors certainly have a following in the market where they've, you may have a sponsor that has a history of making money for investors in public markets and may be able to draw in some nontraditional SPAC investors who are less focused on structure and more focused on the sponsor's ability to find a deal that will make money. There are certainly a good share of those kinds of sponsors out there and then there are some who don't have that kind of following and they have to rely more on the investors who are investing for the structure and not necessarily for the overall quality and ability of the management team. It varies from deal to deal.

Liyaquat Khan: I understand. But do you think that the landscape of the investor in a typical deal is changing since most of the newer deals are high profile management teams behind them and a bigger IPO size?

Robert Berger: Yes.

Liyaquat Khan: I understand.

Devlin Lander: Operator, I think we're going to wrap it up if we have no further questions.

Operator: Thank you. That does conclude the question and answer session today. I'll turn the conference back over to Miss Devlin for additional or closing remarks.

Devlin Lander: Okay that's great. Thank you everyone for joining us this morning. We especially want to thank all of our panelists for their time and insights. Please feel free to follow up with myself, Devlin Lander at (415) 292-6855 if you have any further questions or wish to follow up with any of the panelists. Thank you again.

Operator: That does conclude today's conference. Thank you for your participation. You may disconnect at any time.