

## RPT-IPO VIEW-Crunch time coming for blank-check companies

Sun Mar 26, 2006 11:55 AM ET

(Repeating item that initially moved on Friday)

By Scott Malone

NEW YORK, March 26 (Reuters) - Over the past two years, "blank-check" companies have raised more than \$3 billion through initial public offerings, promising investors to go out and find attractive acquisition candidates.

For many blank-check companies, which exist only to make deals, this year marks the deadline to acquire or to return shareholders' money. That has analysts and financial experts worried that time pressures will lead to some dud deals.

"In terms of the executives involved, they've got every incentive to do a deal, whether it makes sense or not, because if they don't do one, they give the money back," said Jay Ritter, a professor of finance at the University of Florida in Gainesville who specializes in IPOs.

"If they do a deal, that entitles them to a gravy train of salary for the foreseeable future," Ritter continued. "It would be a rare principal who is going to say: 'Hey, I've gone through this effort, but I've decided I can't find a good deal for the investors, and I'm going to find a new day job.'"

One blank-check company, Services Acquisition Corp. International <SVI\_u.A>, which went public in June, this month said it would acquire U.S. restaurant chain Jamba Juice in a deal worth about \$265 million. Its shares have run up more than 80 percent since it disclosed the plan and were trading at \$15.40 on the American Stock Exchange on Friday afternoon.

Another that has seen its shares rise is China Unistone Acquisition Corp. <CUAQ.OB>, which had its IPO in November 2004 and in December 2005 agreed to acquire two Chinese information technology companies serving the banking industry. Its shares were trading at \$8.35 over the counter on Friday, up more than 50 percent since it disclosed its plans in late December.

But shares in many more such companies have languished as investors wait for them to identify takeover targets.

A total of 48 blank-check companies have gone public in the United States since May 2004, according to Dealogic. A search of filings with the U.S. Securities and Exchange Commission showed that nine of the 10 blank-check companies that went public in 2004 have begun takeovers, while only three that have gone public since then have identified takeover targets.

## NARROW DEAL WINDOW

Under SEC regulations, blank-check companies have 18 months to identify a takeover target, with an extension of up to six months available to close a deal. The businesses, also called "special purpose acquisition companies," need the consent of 80 percent of their investors to make an acquisition.

Should they fail to complete a deal, SPACs are required to return the money they've raised -- minus fees and expenses, which can range from 8 percent to 15 percent of the total.

Nine blank-check companies have raised \$669.2 million in the United States so far this year, up from three that raised \$129.7 million in the comparable period last year, according to data provider Dealogic. Last year's crop of 29 new SPACs was almost triple the 2004 pace of 10 SPAC IPOs.

Analysts said the surge of SPACs, which must compete for deals with private equity funds and other investors, could make it harder for all bidders to find fairly priced targets.

"There haven't been a lot of transactions," said Tom Taulli, author of "Investing in IPOs." "It could just be dead money; you put your money in there and maybe a year-and-a-half goes by and nothing happens."

## INVESTIGATION

Concerns about irregularities in the trading of SPAC shares have prompted the NASD, a private U.S. financial regulator, to begin an investigation, sources have said.

In a statement, EarlyBirdCapital Inc., one of the leading SPAC underwriters, said it was cooperating with the NASD's investigation. An NASD spokesman declined to comment.

Securities experts cautioned that blank-check companies are highly risky investments.

"It's meant for a specific type of investor," said securities lawyer Mitchell Littman, a partner in Littman Krooks LLP, of New York.

"This is not something that anybody should be putting their 401(k) or (individual retirement account) into," Littman said. "It's really institutional types, hedge fund investors, that are buying these things."

---

© Reuters 2006. All rights reserved. Republication or redistribution of Reuters content, including by caching, framing or similar means, is expressly prohibited without the prior written consent of Reuters. Reuters and the Reuters sphere logo are registered trademarks and trademarks of the Reuters group of companies around the world.

[Close This Window](#)