

Citi's Menon Says Firing Was Retaliatory

Ramesh Menon, the former head of Citigroup's structured products group who was fired over a week ago, told CFW his dismissal was directly linked to the fact he filed a \$138 million lawsuit against the firm. Last month, in the suit, he alleged individuals at the firm discriminated against him on the basis of racial and cultural origin (CFW 11/07).

"I believe that my firing was transparently retaliatory and pretextual [sic], and I strongly dispute the basis for my termination," he said.

A Citi spokeswoman would not comment directly, but stressed the part of a company statement on the matter which suggests the two incidents were not connected, and that Menon was fired for failing to meet standards of professional conduct, including failing to show up to work on a regular basis, and that he'd been given a warning some weeks prior.

"We are aware that Mr. Menon recently filed a lawsuit against the company. We respect that right, but he also, like all employees, needs to come to work regularly and do his job. As we have stated previously, we believe the lawsuit is without merit, its allegations are false, and we will contest it vigorously," said the statement, which also included a more detailed explanation for the reasons behind the firing.

Menon said the move only adds ammunition to his suit. "This very much strengthens the case I have regarding retaliation," he said.

Bankers Tweak Terms On Acquisition Funds

As more management teams and investment banks look to float specified purpose acquisition companies, some deal engineers are adding sweeteners to make the vehicles more attractive to investors, according to a panel of experts that spoke at the Reverse Merger & SPAC Summit in New York last week.

"Some banks are aligning themselves with the SPAC by deferring part of their fee to the 'back end,'" said Mitchell Littman, a partner at Littman Krooks. He was referring to the final stage of a SPAC's life when it consummates an acquisition. In a SPAC, money is raised with investors and then put in a trust until the vehicle's managers find a target and consummate an acquisition. Deutsche Bank deferred part of its compensation in Cold Spring Capital, a SPAC that went public this month.

Another innovation has been to create a hierarchy of securities, similar to preferred and common shares, which gives investors a larger exposure to appreciation. HCFP Brenner

Securities, an underwriter, is said to have come up with a structure in which one class of shares represents 2 warrants, which is typical, while a second class represents 10 warrants but with no claim on the escrowed funds. Ira Greenspan at Brenner didn't return calls.

A third maneuver is to have management put its own money into the trust which they would only get back if the deal was consummated. That strategy differs from officers buying warrants in the deal, which has been common practice over the past year

U.S. Debt Underwriting Leaders Ranked by Number of Issues Thurs. Nov. 10-Thurs. Nov. 17

Book Runner	Number of Issues	Proceeds Amount + Overallotment Sold (US\$ Mil)
JP Morgan	16	4,897.2
Merrill Lynch & Co Inc	14	1,019.1
Citigroup	11	3,887.9
Goldman Sachs & Co	8	1,742.5
Morgan Stanley	8	908.3
Deutsche Bank AG	7	2,211.2
Banc of America Securities LLC	6	858.4
Credit Suisse First Boston	5	606.8
ABN AMRO	4	623.0
UBS	4	678.1
Wachovia Corp	3	282.4
Lehman Brothers	3	632.4
Barclays Capital	2	583.0
HSBC Holdings PLC	2	225.0
Bear Stearns & Co Inc	2	54.7
Williams Capital Group LP	1	166.4
Blaylock & Partners LP	1	166.4
BNP Paribas SA	1	124.3
KeyCorp/McDonald Investments	1	481.4
BB&T Corp	1	20.3
Industry Total	66	20,168.6

U.S. Equity Underwriting Leaders Ranked By Number Of Issues Thurs. Nov. 10-Thurs. Nov. 17

Book Runner	Number of Issues	Proceeds Amount + Overallotment Sold (US\$ Mil)
JP Morgan	4	658.5
UBS	3	248.1
Lehman Brothers	3	254.7
Goldman Sachs & Co	3	481.3
Morgan Stanley	3	651.2
Credit Suisse First Boston	2	274.5
Deutsche Bank AG	2	246.0
Citigroup	2	316.0
Banc of America Securities LLC	1	123.5
MDB Capital Corp	1	14.0
Merrill Lynch & Co Inc	1	126.0
AG Edwards & Sons Inc	1	66.8
Bear Stearns & Co Inc	1	38.3
Sandler O'Neill Partners	1	37.5
Ryan Beck & Co	1	41.1
Industry Total	19	3,577.5

Source: Thomson Financial

and a half. Under this stricter policy, any proceeds management spends on expenses related to deal searches would be returned to investors in addition to the 90% or so of the funds that sit in an escrow account. **The move dramatically reduces any downside for investors, said Littman.**

AMEX Accepts Acquisition Vehicles

The American Stock Exchange is accepting applications for specified purpose acquisition companies, according to executives close to the exchange. The AMEX had previously said it wouldn't accept the vehicles, but **Cold Spring Capital**, a **Deutsche Bank**-led SPAC, began trading on the exchange this month, marking a departure from the typical route taken by these vehicles, which involves a listing on the Over The Counter Bulletin Board exchange (CFW, 10/31).

While no official statements have been released on the matter, exchange officials confirmed they would be accepting applications from other blank check issuers, according to executives who spoke on a panel at the *Reverse Merger & SPAC Summit* in New York last week.

SPACs are publicly traded shell companies run by management teams whose mandate is to seek out an acquisition, usually within 18 months following its IPO.

If the AMEX had maintained its previous position not to allow SPACs, these vehicles would be stuck with only the OTC option, which is limiting because the exchange's listings aren't recognized by a number of U.S. states. That reduces the listed companies' liquidity and access to capital. AMEX officials didn't return calls by press time.

Lenders Eye Housing Sector With Caution

Lenders will likely be leery of making loans to building products and durable consumer products companies next year because of indications the housing market is softening, said **Joe Kenary**, president of **CapitalSource's** corporate finance group. The group writes senior and mezzanine cash flow loans for the Chevy Chase, Md.-based middle market lender.

Kenary mentioned two indications of the softening housing market. In a survey conducted earlier this month, real estate consulting firm **Real Trends** found the number of home-purchase contracts signed in October fell 8% compared with a year earlier at 48 of the nation's large real-estate brokerage firms. Also, home builder **Toll Brothers** recently reduced its sales forecast for fiscal 2006, blaming weaker demand in several markets.



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