

Ideation Acquisition Corp.
Form 10-Q
August 06, 2008

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended June 30, 2008

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from _____ to _____

Commission file number 001-33800

Ideation Acquisition Corp.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

77-0688094

(I.R.S. Employer Identification No.)

1990 South Bundy Boulevard, Suite 620
Los Angeles, California

(Address of principal executive offices)

90025

(Zip code)

(310) 694-8150

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

At August 6, 2008, 12,500,000 shares of the registrant's common stock were issued and outstanding.

TABLE OF CONTENTS

	Page
<u>PART 1 FINANCIAL INFORMATION</u>	2
<u>ITEM 1 FINANCIAL STATEMENTS</u>	2
<u>UNAUDITED CONDENSED BALANCE SHEETS AS OF JUNE 30, 2008 AND DECEMBER 31, 2007</u>	2
<u>UNAUDITED CONDENSED STATEMENTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2008 AND THE PERIOD FROM JUNE 1, 2007 (DATE OF INCEPTION) THROUGH JUNE 30, 2008</u>	3
<u>UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND FOR THE PERIOD FROM JUNE 1, 2007 (DATE OF INCEPTION) THROUGH JUNE 30, 2008 (UNAUDITED)</u>	4
<u>NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED)</u>	5
<u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	12
<u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	15
<u>ITEM 4. CONTROLS AND PROCEDURES</u>	15
<u>PART II OTHER INFORMATION</u>	16
<u>ITEM 1. LEGAL PROCEEDINGS</u>	16
<u>ITEM 1A. RISK FACTORS</u>	16
<u>ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	16
<u>ITEM 3. DEFAULTS UPON SENIOR SECURITIES</u>	16
<u>ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS</u>	16
<u>ITEM 5. OTHER INFORMATION</u>	16
<u>ITEM 6. EXHIBITS</u>	16
<u>SIGNATURES</u>	17
<u>EX-31.1 Section 302 Certification of CEO</u>	
<u>EX-31.2 Section 302 Certification of CFO</u>	
<u>EX-32.1 Section 906 Certification of CEO</u>	
<u>EX-32.2 Section 906 Certification of CFO</u>	

Table of Contents**PART 1 FINANCIAL INFORMATION****ITEM 1. Financial Statements**

IDEATION ACQUISITION CORP.
(a corporation in the development stage)
Unaudited Condensed Balance Sheets

	June 30, 2008	December 31, 2007
Assets		
Current Assets:		
Cash and cash equivalents	\$ 394,241	\$ 124,139
Interest receivable	136,275	291,835
Income Taxes Receivable	92,690	
Franchise Taxes Receivable	30,702	
Other current assets	61,640	49,256
Total current assets	715,548	465,230
Other asset, cash and cash equivalents held in trust	78,815,000	78,815,000
Deferred tax asset	135,224	
Total assets	\$ 79,665,772	\$ 79,280,230
Liabilities and Stockholders Equity		
Current Liabilities:		
Accrued expenses	\$ 50,757	\$ 26,721
Income taxes payable		74,244
Franchise taxes payable		68,666
Total current liabilities	50,757	169,631
Long-term liability		
Deferred underwriters fee	2,730,000	2,730,000
Common stock subject to possible redemption (2,999,999 shares at June 30, 2008 and December 31, 2007 at redemption value of \$7.88 per share)	23,639,992	23,639,992
Commitments and contingencies		
Stockholders Equity:		
Preferred Stock, \$0.0001 par value, 1,000,000 shares authorized; none issued and outstanding		
Common Stock, \$0.0001 par value, 50,000,000 shares authorized, 12,500,000 shares issued and outstanding including 2,999,999 shares subject to possible redemption, at June 30, 2008 and December 31, 2007	1,250	1,250
Additional paid-in capital	52,595,237	52,595,237
Income accumulated during the development stage	648,536	144,120

Edgar Filing: Ideation Acquisition Corp. - Form 10-Q

Total stockholders' equity	53,245,023	52,740,607
Total liabilities and stockholders' equity	\$ 79,665,772	\$ 79,280,230

(See accompanying notes to condensed financial statements)

2

Table of Contents

IDEATION ACQUISITION CORP.
(a corporation in the development stage)
Unaudited Condensed Statements of Operations

	For the Three Months Ended June 30, 2008	Period from June 1 2007 (inception) to June 30, 2007	For the six Months Ended June 30, 2008	Period from June 1, 2007 (Inception) to June 30, 2008
Revenue	\$	\$	\$	\$
Formation and operating costs	114,306	5,000	286,079	386,956
Loss from operations	(114,306)	(5,000)	(286,079)	(386,956)
Interest income	438,450		1,124,459	1,464,876
Income (Loss) before provision for income taxes (benefit)	324,144	(5,000)	838,380	1,077,920
Provision for income taxes (benefit)				
Current	174,654		469,188	564,608
Deferred	(45,533)		(135,224)	(135,224)
Total provision for income taxes	129,121		333,964	429,384
Net income (Loss)	\$ 195,023	\$ (5,000)	\$ 504,416	\$ 648,536
Maximum number of shares subject to possible redemption:				
Weighted average number of shares, basic and diluted	2,999,999		2,999,999	1,681,233
Income (Loss) per share amount, basic and diluted	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Weighted average number of common shares outstanding (not subject to possible redemption):				
Basic	9,500,001	1,462,833	9,500,001	6,353,536
Diluted	11,623,758	1,462,833	11,559,844	8,403,601
Income per share amount:				
Basic	\$ 0.02	\$ (0.00)	\$ 0.05	\$ 0.10
Diluted	\$ 0.02	\$ (0.00)	\$ 0.04	\$ 0.08

(See accompanying notes to condensed financial statements)

Table of Contents

IDEATION ACQUISITION CORP.
(a corporation in the development stage)
Unaudited Condensed Statements of Cash Flows

	For the Six Months Ended June 30, 2008	Period from June 1 2007 (inception) to June 30, 2007	Period from June 1, 2007 (Inception) to June 30, 2008
Cash flows from operating activities:			
Net income (loss)	\$ 504,416	\$ (5,000)	\$ 648,536
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Deferred tax assets	(135,224)		(135,224)
Changes in operating assets and liabilities:			
Interest receivable	155,560		(136,275)
Income Taxes Receivable	(92,690)		(92,690)
Franchise Taxes Receivable	(30,702)		(30,702)
Other current assets	(12,384)	(60,380)	(61,640)
Accrued expenses	24,036	52,480	50,757
Income taxes payable	(74,244)		
Franchise taxes payable	(68,666)		
Net cash (used in) provided by operating activities	270,102	(12,900)	242,762
Net cash used in investing activities:			
Cash and cash equivalents held in Trust Account			(78,815,000)
Cash flows from financing activities:			
Proceeds from notes payable to stockholders		200,000	200,000
Proceeds from common shares issued to founders		25,000	25,000
Proceeds from public offering			80,000,000
Proceeds from issuance of insider warrants			2,400,000
Repayment of notes payable to stockholders			(200,000)
Payment of underwriters discount and offering			(3,458,521)
Net cash provided by financing activities		225,000	78,966,479
Net increase in cash	270,102	212,100	394,241
Cash and cash equivalents, beginning of period	124,139		
Cash and cash equivalents, end of period	\$ 394,241	\$ 212,100	\$ 394,241

Edgar Filing: Ideation Acquisition Corp. - Form 10-Q

Supplemental disclosures:

Non-cash accrued offering costs	\$	\$	30,000	\$
Non-cash deferred underwriters fees	\$	\$		\$ 2,730,000
Cash paid for income taxes	\$	685,000	\$	\$ 685,000

(See accompanying notes to condensed financial statements)

4

Table of Contents

IDEATION ACQUISITION CORP.
(a corporation in the development stage)
NOTES TO CONDENSED FINANCIAL STATEMENTS

Note 1 Organization and Nature of Business Operations

Ideation Acquisition Corp. (a corporation in the development stage) (the Company) was incorporated in Delaware on June 1, 2007. The Company was formed to acquire through a merger, stock exchange, asset acquisition or similar business combination a currently unidentified business or businesses. The Company is considered to be in the development stage as defined in Statement of Financial Accounting Standards (SFAS) No. 7, Accounting and Reporting By Development Stage Enterprises, and is subject to the risks associated with activities of development stage companies.

The registration statement for the Company's initial public offering (Offering) was declared effective on November 19, 2007. The Company consummated the Offering on November 26, 2007. The Company's management has broad discretion with respect to the specific application of the net proceeds of the Offering of Units although substantially all of the net proceeds of the Offering are intended to be generally applied toward consummating a business combination with (or acquisition of) a Target Business (Business Combination). As used herein, Target Business shall mean one or more businesses that at the time of the Company's initial Business Combination has a fair market value of at least 80% of the Company's net assets (all of the Company's assets, including the funds then held in the Trust Account (as defined below), less the Company's liabilities (excluding deferred underwriting discounts and commissions of approximately \$2.73 million). Furthermore, there is no assurance that the Company will be able to successfully affect a Business Combination.

Upon closing of the Offering, \$78,815,000 was placed in a trust account maintained at Continental Stock Transfer & Trust Co. (the Trust Account) and invested in United States government securities within the meaning of Section 2(a)(16) of the Investment Company Act of 1940, as amended (Investment Company Act), having a maturity of 180 days or less, or in money market funds selected by the Company meeting certain conditions under Rule 2a-7 promulgated under the Investment Company Act, until the earlier of (i) the consummation of the Company's first Business Combination or (ii) the liquidation of the Company. The amounts placed in the Trust Account consists of the proceeds of our IPO (see Note 3) and the issuance of Insider Warrants (see Note 4) and \$2.73 million of the gross proceeds representing deferred underwriting discounts and commissions that will be released to the underwriters on completion of a Business Combination. The remaining proceeds outside of the Trust Account, along with the interest income of up to \$1.7 million earned on the Trust Account that may be released to the Company, may be used to pay for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses.

The Company will seek stockholder approval before it will affect any Business Combination, even if the Business Combination would not ordinarily require stockholder approval under applicable state law. In connection with the stockholder vote required to approve any Business Combination, all of the Company's existing stockholders (Initial Stockholders) have agreed to vote the shares of common stock owned by them immediately before the Company's IPO in accordance with the majority of the shares of common stock voted by the Public Stockholders.

Public Stockholders is defined as the holders of common stock sold as part of the Units in the Offering or in the aftermarket. The Company will proceed with a Business Combination only if a majority of the shares of common stock voted by the Public Stockholders are voted in favor of the Business Combination and Public Stockholders owning less than 30% of the shares sold in the Public Offering exercise their conversion rights. If a majority of the shares of common stock voted by the Public Stockholders are not voted in favor of a proposed initial Business Combination, but 24 months has not yet passed since closing of the Offering, the Company may combine with another Target Business meeting the fair market value criterion described above.

Public Stockholders voting against a Business Combination will be entitled to convert their stock into a pro rata share of the total amount on deposit in the Trust Account, before payment of underwriting discounts and commissions and including any interest earned on their portion of the Trust Account net of income taxes payable thereon, and net of any interest income of up to \$1.7 million on the balance of the Trust Account previously released to the Company, if a Business Combination is approved and completed.

Table of Contents

IDEATION ACQUISITION CORP.

(a corporation in the development stage)

NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)

The Company's Certificate of Incorporation was amended prior to the closing of the Offering to provide that the Company will continue in existence only until 24 months from the effective date. If the Company has not completed a Business Combination by such date, its corporate existence will cease except for the purposes of winding up its affairs and it will liquidate. In the event of liquidation, it is likely that the per share value of the residual assets remaining available for distribution (including Trust Account assets) will be less than the initial public offering price per share in the Offering (assuming no value is attributed to the Warrants contained in the Units to be offered in the Offering discussed in Note 3).

The Company will not generate any operating revenues until after the completion of its initial Business Combination, at the earliest. The Company will generate non-operating income in the form of interest income on cash and cash equivalents. The Trust Account assets are invested in JP Morgan US Government Money Market Funds (Ticker: OGAXX). At June 30, 2008, the Company earned approximately \$1,465,000 of interest income on the trust from inception including approximately \$438,000 earned during the quarter.

The accompanying unaudited condensed financial statements of the Company as of June 30, 2008 and December 31, 2007 and for the three and six month periods ended June 30, 2008, and for the period from inception (June 1, 2007) to June 30, 2008, reflect all adjustments of a normal and recurring nature to present fairly the financial position, results of operations and cash flows for the interim period. These unaudited condensed financial statements have been prepared by the Company pursuant to the instructions to Form 10-Q and Article 10 of Regulation S-X. Pursuant to such instructions, certain financial information and footnote disclosures normally included in such financial statements have been condensed or omitted.

These unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Company and notes thereto, together with management's discussion and analysis or plan of operations, contained in the Company's annual report on Form 10-K for the year ended December 31, 2007. The results of operations for the three and six month periods ended June 30, 2008 are not necessarily indicative of the results that may occur for the year ended December 31, 2008.

Note 2 Summary of Significant Accounting Policies

Basis of presentation

The financial statements of the Company are presented in U.S. dollars in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Concentration of Credit Risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash. The Company maintains deposits in federally insured financial institutions in excess of federally insured limits. However, management believes the Company is not exposed to significant credit risk due to the financial position of the depository institutions in which those deposits are held.

Cash and cash equivalents

Cash and cash equivalents are defined as cash and investments that have a maturity at date of purchase of three months or less.

Table of Contents

IDEATION ACQUISITION CORP.
(a corporation in the development stage)
NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)

Preferred Stock

The Company is authorized to issue 1,000,000 shares of preferred stock with such designations, voting and other rights and preferences as may be determined from time to time by the Board of Directors. There were no preferred shares issued as of June 30, 2008.

Net Income per Common Share

The Company complies with SFAS No. 128, Earnings Per Share, which requires dual presentation of basic and diluted earnings per share on the face of the statement of operations. Basic net income per share is computed by dividing net income by the weighted average common shares outstanding for the period. Diluted net income per share reflects the potential dilution that could occur if warrants were to be exercised or converted or otherwise resulted in the issuance of common stock that then shared in the earnings of the entity.

The Company's statement of operations includes a presentation of earnings per share for common stock subject to possible redemption in a manner similar to the two-class method of earnings per share. Basic and diluted net income per share amount for the maximum number of shares subject to possible redemption is calculated by dividing the net interest attributable to common shares subject to possible redemption by the weighted average number of shares subject to possible redemption. Basic and diluted net income per share amount for the shares outstanding not subject to possible redemption is calculated by dividing the net income exclusive of the net interest income attributable to common shares subject to redemption by the weighted average number of shares not subject to possible redemption.

New Accounting Pronouncements

In December 2007, the FASB issued SFAS 141(R), Business Combinations). SFAS 141(R) provides companies with principles and requirements on how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, liabilities assumed, and any non-controlling interest in the acquiree as well as the recognition and measurement of goodwill acquired in a business combination. SFAS 141(R) also requires certain disclosures to enable users of the financial statements to evaluate the nature and financial effects of the business combination. Acquisition costs associated with the business combination will generally be expensed as incurred. SFAS 141(R) is effective for business combinations occurring in fiscal years beginning after December 15, 2008, which will require the Company to adopt these provisions for business combinations occurring in fiscal 2009 and thereafter. Early adoption of SFAS 141(R) is not permitted.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements - An Amendment of ARB No. 51. SFAS No. 160 requires reporting entities to present noncontrolling (minority) interests as equity as opposed to as a liability or mezzanine equity and provides guidance on the accounting for transactions between an entity and noncontrolling interests. SFAS No. 160 is effective the first fiscal year beginning after December 15, 2008, and interim periods within that fiscal year. SFAS No. 160 applies prospectively as of the beginning of the fiscal year SFAS No. 160 is initially applied, except for the presentation and disclosure requirements which are applied retrospectively for all periods presented subsequent to adoption. The adoption of SFAS No. 160 will not have a material impact on the financial statements; however, it could impact future transactions entered into by the Company.

Redeemable common stock

The Company accounts for redeemable common stock in accordance with Emerging Issue Task Force D-98 Classification and Measurement of Redeemable Securities. Securities that are redeemable for cash or other assets are classified outside of permanent equity if they are redeemable at the option of the holder. In addition, if the redemption causes a redemption event, the redeemable securities should not be classified outside of permanent equity. As discussed in Note 1, the Business Combination will only be consummated if a majority of the shares of common stock voted by the Public Stockholders are voted in favor of the Business Combination and Public Stockholders holding less than 30% (2,999,999) of common shares sold in the Offering exercise their conversion rights. As further discussed in Note 1, if a Business Combination is not consummated within 24 months, the Company will liquidate. Accordingly,

2,999,999 shares have been classified outside of permanent equity at redemption value. The Company recognizes changes in the redemption value immediately as they occur and adjusts the carrying value of the redeemable common stock to equal its redemption value at the end of each reporting period.

Table of Contents

IDEATION ACQUISITION CORP.

(a corporation in the development stage)

NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)

Note 3 Initial Public Offering

In its initial public offering effective November 19, 2007 (consummated November 26, 2007), the Company sold 10,000,000 units (Units) at a price of \$8.00 per unit. Proceeds from the initial public offering totaled \$73,811,479 which was net of \$3,458,521 in underwriting and other expenses and \$2,730,000 of deferred underwriting fees. Each Unit consists of one share of the Company's common stock, \$0.0001 par value, and one Redeemable Common Stock Purchase Warrant (Warrant). Each Warrant will entitle the holder to purchase from the Company one share of common stock at an exercise price of \$6.00 commencing on the later of the completion of a Business Combination with a Target Business and November 19, 2008 and expiring November 19, 2011, unless earlier redeemed. The Warrants will be redeemable at a price of \$0.01 per Warrant upon 30 days' notice after the Warrants become exercisable, only in the event that the last sale price of the common stock is at least \$ 11.50 per share for any 20 trading days within a 30 trading day period ending on the third business day prior to the date on which notice of redemption is sent. In accordance with the warrant agreement, the Company is only required to use its best efforts to maintain the effectiveness of the registration statement covering the Warrants. The Company will not be obligated to deliver securities, and there are no contractual penalties for failure to deliver securities, if a registration statement is not effective at the time of exercise. Additionally, in the event that a registration is not effective at the time of exercise, the holder of such Warrant shall not be entitled to exercise such Warrant and in no event (whether in the case of a registration statement not being effective or otherwise) will the Company be required to net cash settle the warrant exercise. Consequently, the Warrants may expire unexercised and unredeemed.

Proceeds held in the Trust Account will not be available for the Company's use for any purpose, except to pay any income taxes and up to \$1.7 million can be taken from the interest earned on the Trust Account to fund the Company's working capital. These proceeds will be used to pay for business, legal, and accounting due diligence on prospective acquisitions and continuing general and administrative expenses. As of June 30, 2008, the Company includes approximately \$229,000 of these proceeds in their cash balance as they plan on withdrawing the cash as needed for operations. From June 1, 2007 (inception) to June 30, 2008, the company has transferred approximately \$1.1 million from the Trust Account, of which approximately \$.4 million has been used to fund the company's working capital requirements.

Note 4 Related Party Transactions

In June 2007, the Company issued 2,500,000 shares (Initial Shares) of common stock to the Initial Stockholders for \$0.01 per share or a total of \$25,000. The Initial Stockholders also purchased 250,000 units for \$2,000,000 in the IPO.

The Company issued unsecured promissory notes totaling \$200,000 to its Initial Stockholders, on June 12, 2007. The notes were non-interest bearing and were repaid from the proceeds of the Offering by the Company.

The Company paid approximately \$13,000 from inception to June 30, 2008 for office space and general and administrative services, leased from Clarity Partners, L.P. Barry A. Porter, one of our special advisors, is a co-founder and Managing General Partner of Clarity Partners, L.P., and the grantor trust of Mr. Porter, Nautilus Trust dtd 9/10/99, is one of our initial stockholders. Services commenced on November 19, 2007 and will terminate upon the earlier of (i) the consummation of a Business Combination or (ii) the liquidation of the Company. The Company terminated its agreement with Clarity Partners, L.P. effective March 31, 2008.

On March 20, 2008, the audit committee of Ideation Acquisition Corp approved a new sub-leasing and administrative and support services agreement. Effective April 1, 2008, the Company has moved its principal offices to 1990 S. Bundy Boulevard, Suite 620, Los Angeles, CA 90025. It subleases the space and pays approximately \$7,500 per month for office space and related services to Spirit EMX LLC. Robert N. Fried, our Chief Executive Officer and one of our initial shareholders, is the founder and Chief Executive Officer of Spirit EMX LLC. The Company incurred approximately \$22,000 from April 1, 2008 to June 30, 2008 for office space and administrative services and paid approximately \$15,000 to Sprint EMX LLC.

The Initial Stockholders purchased warrants (Insider Warrants) exercisable for 2,400,000 shares of common stock at a purchase price of \$1.00 per warrant concurrently with the closing of the Offering at a price of \$1.00 per Insider Warrant directly from the Company and not as part of the Offering. All of the proceeds from this private placement have been placed in a Trust Account until a business combination has been consummated. The Insider Warrants are identical to the Warrants included in the Units sold in the Offering except that if the Company calls the Warrants for redemption, the Insider Warrants may be exercisable on a cashless basis so long as such securities are held by the Initial Stockholders or their affiliates. Additionally, our Initial Stockholders have agreed that the Insider Warrants will not be sold or transferred by them until after the Company has completed a Business Combination. The Company believes based on a review of the trading prices of the public warrants of other blank check companies similar to the Company, that the purchase price of \$1.00 per Insider Warrant is not less than the approximate fair value of such warrants on the date of issuance. Therefore, the Company has not recorded stock-based compensation expense upon the sale of the Insider Warrants.

Table of Contents**IDEATION ACQUISITION CORP.****(a corporation in the development stage)****NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)**

The holders of the Initial Shares, as well as the holders of the Insider Warrants (and underlying securities), will be entitled to registration rights pursuant to an agreement signed on November 19, 2007. The holders of a majority of these securities will be entitled to make up to two demands that we register such securities. The holders of a majority of the Initial Shares will be able to make a demand for registration of the resale of their Initial Shares at any time commencing nine months after the consummation of a business combination. The holders of a majority of the Insider Warrants (or underlying securities) will be able to elect to exercise these registration rights with respect to the Insider Warrants (or underlying securities) at any time after the Company consummates a business combination. In addition, such holders will have certain piggy-back registration rights on registration statements filed subsequent to the date on which such securities are released from escrow. All our Initial Stockholders placed the initial shares and the insider warrants into an escrow account maintained by Continental Stock Transfer & Trust Company, acting as escrow agent. The Initial Shares will not be released from escrow until one year after the consummation of a Business Combination, or earlier if, following a Business Combination, the Company engages in a subsequent transaction resulting in the Company's stockholders having the right to exchange their shares for cash or other securities or if the Company liquidates and dissolves. The Insider Warrants will not be released from escrow until 90 days after the completion of a Business Combination. The Company will bear the expenses incurred in connection with the filing of any such registration statements.

Note 5 Income taxes

Deferred income taxes are provided for the differences between the bases of assets and liabilities for financial reporting and income tax purposes. A valuation allowance is established when necessary to reduce the deferred tax assets to the amount expected to be realized. The Company recorded a deferred income tax asset of nil and \$135,224 on December 31, 2007 and June 30, 2008, respectively, for the tax effect of temporary differences during the period from June 1, 2007 (Inception) to December 31, 2007, and during the three and six month periods ended June 30, 2008. Temporary differences during the period from June 1, 2007 (Inception) to December 31, 2007 and during the three and six month periods ended June 30, 2008 consist of start up costs and organizational expenses.

The Company's provision for income taxes reflects the application of federal and state statutory rates to the Company's income before taxes. The Company's consolidated effective tax rate was approximately 40.% during the periods from June 1, 2007 (Inception) to June 30, 2008 and the three and six month periods ended June 30, 2008.

Components of the current and deferred provision for income taxes are approximately as follows:

	For the Three Months Ended June 30, 2008	For the Six Months Ended June 30, 2008	Period from June 1, 2007 (Inception) to June 30, 2008
Current Tax Provision			
Federal	\$ 135,895	\$ 365,066	\$ 439,310
State	38,759	104,122	125,298
Total Current	174,654	469,188	564,608
Deferred Tax Provision:			
Federal	(35,428)	(105,215)	(105,215)
State	(10,105)	(30,009)	(30,009)
Total Deferred	\$ (45,533)	\$ (135,224)	\$ (135,224)

Table of Contents

IDEATION ACQUISITION CORP.
(a corporation in the development stage)

NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)

The following table reconciles the (provision) benefit for income taxes for all periods computed using the U.S. statutory rate of 34% to the (provision) benefit for income taxes from operations as reflected in the condensed financial statements:

	For the Three Months Ended June 30, 2008	For the Six Months Ended June 30, 2008	Period from June 1, 2007 (Inception) to March 31, 2008
Provision at statutory rate	\$ 100,467	\$ 259,851	\$ 334,096
State taxes, net of federal benefit	28,654	74,113	95,288
Provision for income taxes	\$ 129,121	\$ 333,964	\$ 429,384

Note 6 Fair Value Measurements

Effective January 1, 2008, the Company implemented Statement of Financial Accounting Standard No. 157, *Fair Value Measurement*, or SFAS 157, for its financial assets and liabilities that are re-measured and reported at fair value at each reporting period, and non-financial assets and liabilities that are re-measured and reported at fair value at least annually. In accordance with the provisions of FSP No. FAS 157-2, *Effective Date of FASB Statement No. 157*, the Company has elected to defer implementation of SFAS 157 as it relates to its non-financial assets and non-financial liabilities that are recognized and disclosed at fair value in the financial statements on a nonrecurring basis until January 1, 2009. The Company is evaluating the impact, if any, this standard will have on its non-financial assets and liabilities.

The adoption of SFAS 157 to the Company's financial assets and liabilities did not have an impact on the Company's financial results.

The following table presents information about the Company's assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2008, and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and includes situations where there is little, if any, market activity for the asset or liability (in millions):

Description	June 30, 2008	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents held in trust	\$ 78.8	\$ 78.8	\$	\$

Edgar Filing: Ideation Acquisition Corp. - Form 10-Q

Total	\$	78.8	\$	78.8	\$	\$
-------	----	------	----	------	----	----

The fair values of the Company's cash and cash equivalents held in the Trust Account are determined through market, observable and corroborated sources. The carrying amounts reflected in the balance sheets for other current assets and accrued expenses approximate fair value due to their short-term maturities.

Table of Contents

IDEATION ACQUISITION CORP.

(a corporation in the development stage)

NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)

Note 7 Commitments and contingencies

At the closing of the Offering, the Company paid a fee of 3.5% of the gross offering proceeds, excluding the proceeds received from the founding shareholders purchase of IPO Units, excluding the proceeds received from the founding shareholders purchase of IPO units. In addition, the Company has committed to pay a deferred fee of 3.5% of the gross proceeds, less the fees not paid on the founding shareholders purchase of IPO units, to the underwriters on the completion of an initial business combination by the Company.

In addition to the previously described fee, Lazard Capital Markets LLC was granted a 45-day option to purchase up to 1,500,000 Units (over and above the 10,000,000 Units referred to above) solely to cover over-allotments, if any. The over-allotment option was not used and expired on January 3, 2008.

The Company has sold to the underwriters in the Offering for \$100, as additional compensation, an option to purchase up to a total of 500,000 Units for \$10.00 per Unit. The Units issuable upon exercise of this option are identical to those offered in the Offering; however the Warrants will entitle the holder to purchase from the Company one share of common stock at an exercise price of \$7.00 per share. The purchase option and its underlying securities have been registered under the registration statement which was effective on November 19, 2007.

The sale of this option has been accounted for as an equity transaction. Accordingly, there was no net effect on the Company's financial position or results of operations, except for the recording of the \$100 proceeds from the sale. The Company has determined, based upon a Black-Scholes model, that the most recent fair market value of the option is approximately \$2.4 million, using an expected life of five years from the date of the IPO, volatility of 85.4% and a risk-free interest rate of 1.73%. Because the units do not have a trading history, the volatility factor is based on information currently available to management. The volatility factor of 85.4% is the average volatility of various sample blank check companies that have completed a business combination and have at least two years of trading history. The Company's management believes that this volatility is a reasonable benchmark, given the uncertainty of the industry of the target business, to use in estimating the expected volatility for its common stock.

The purchase option may be exercised for cash or on a cashless basis, at the holder's option, such that the holder may use the appreciated value of the purchase option (the difference between the exercise prices of the purchase option and the underlying Warrants and the market price of the Units and underlying securities) to exercise the purchase option without the payment of any cash. The Company will have no obligation to net cash settle the exercise of the purchase option or the Warrants underlying the purchase option. The holder of the purchase option will not be entitled to exercise the purchase option or the Warrants underlying the purchase option unless a registration statement covering the securities underlying the purchase option is effective or an exemption from a registration is available. If the holder is unable to exercise the purchase option or the underlying Warrants, the purchase option or Warrants, as applicable, will expire worthless.

Table of Contents

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is intended to help the reader understand the results of operations, financial condition, and cash flows of the Company. This discussion is provided as a supplement to, and should be read in conjunction with, our financial statements and the accompanying notes to the financial statements.

Special Note About Forward-Looking Statements

Certain statements under Management's Discussion and Analysis of Financial Conditions and Results of Operations, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the Securities Act) and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally are identified by the words believe, project, expect, anticipate, estimate, intend, strategy, plan, may, should, will, would, will be, will continue, and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. A detailed discussion of risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included in our filings with the Securities and Exchange Commission. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

Overview

References to we, us or the Company are to Ideation Acquisition Corp.

We are a blank check company organized under the laws of the State of Delaware on June 1, 2007. We were formed for the purpose of acquiring, through a merger, capital stock exchange, asset acquisition or other similar business combination, one or more businesses. While our efforts in identifying prospective target businesses will not be limited to a particular industry, we expect to focus on businesses in the digital media sector, which encompasses companies that emphasize the use of digital technology to create, distribute or service others that create or distribute content for various platforms including online, mobile, satellite, television, cable, radio, print, film, video games and software. Digital technology refers to the use of digitally-enabled means, as opposed to analog means, to process, transmit, store or display content. We may also focus on traditional media businesses, including motion picture exhibition companies, television and radio broadcast companies, print media publishing companies and traditional content libraries, if we believe that the incorporation of digital technology will enhance and accelerate the growth of those businesses. We have not established specific criteria that would trigger our consideration of businesses outside of the digital media sector. In addition, we intend to direct our search toward digital media businesses in the United States, but we would also consider businesses outside of the United States.

On November 26, 2007, we completed our initial public offering of 10,000,000 units (IPO), each unit consisting of one share of common stock, par value \$0.0001 per share, and one warrant exercisable for an additional share of common stock (a Warrant) at a price of \$8.00 per unit.

Each Warrant entitles the holder to purchase one share of our common stock at a price of \$6.00 exercisable on the later of our consummation of a business combination or November 19, 2008, provided in each case that there is an effective registration statement covering the shares of common stock underlying the warrants in effect. The Warrants expire on November 19, 2011, unless earlier redeemed. Additionally, our initial stockholders purchased an aggregate of 2,400,000 warrants at a price of \$1.00 per warrant (\$2.4 million in the aggregate) in a private placement transaction (the Private Placement) that occurred immediately prior to our IPO. Upon the closing of our IPO, on November 26, 2007, we sold and issued an option for \$100 to purchase up to 500,000 units, at an exercise price of \$7.00 per unit, to the representatives of the underwriters in our IPO.

We received net proceeds of approximately \$79.1 million from the IPO and the Private Placement. Of those net proceeds, approximately \$2.73 million is attributable to the portion of the underwriters' discount which has been deferred until our consummation of a business combination. Of these net proceeds, \$78.8 million was deposited into a trust account (the Trust Account) maintained at Continental Stock Transfer & Trust Company (the Trustee) and will be held in trust and not released until the earlier to occur of (i) the completion of a business combination or (ii) our

liquidation, in which case such proceeds will be distributed to our public stockholders.

Table of Contents

Results of Operation

We have not generated any revenues from operations to date. Our entire activity since inception has been to prepare for and consummate our initial public offering and to identify and investigate targets for a business combination. We will not generate any operating revenue until consummation of a business combination. We will generate non-operating income in the form of interest income on cash and cash equivalent.

Net income attributable to common stockholders for the period from June 1, 2007 (inception) to June 30, 2008, was approximately \$648,000, which consisted of \$1,465,000 in interest income partially offset by \$387,000 in formation and operating expenses and \$430,000 in income taxes.

Net income attributable to common stockholders for the three months ended June 30, 2008 was \$195,000 which consisted of approximately \$438,000 in interest income partially offset by \$114,000 in formation and operating expenses and \$129,000 in income taxes. Net income attributable to common stockholders for the six months ended June 30, 2008 was approximately \$504,000 which consisted of \$1,124,000 in interest income partially offset by \$286,000 in formation and operating expenses and \$334,000 in income taxes. We will pay any taxes resulting from interest accrued on the funds held in the Trust Account out of the funds held in the Trust Account.

Liquidity and Capital Resources

Approximately \$78.8 million of the net proceeds of our IPO and Private Placement, and a portion of the underwriters' discounts and expense allowance were deposited in the Trust Account, with the remaining net proceeds being placed in our operating account. We plan to use the interest income earned on the trust proceeds (up to a maximum of \$1.7 million) to identify, evaluate and negotiate with prospective acquisition candidates as well as cover our ongoing operating expenses until a transaction is approved by our shareholders or the assets held in the Trust Account is returned to them.

We intend to utilize our cash, including the funds held in the Trust Account, capital stock, debt or a combination of the foregoing to effect a business combination. To the extent that our capital stock or debt securities are used in whole or in part as consideration to effect a business combination, the proceeds held in the Trust Account as well as any other available cash will be used for general corporate purposes, including for maintenance or expansion of operations of the acquired business or businesses, the payment of principal or interest due on indebtedness incurred in consummating our initial business combination, to find the purchase of other companies, or for working capital.

At June 30, 2008, we had cash outside of the Trust Account of approximately \$394,000, cash held in the Trust Account of approximately \$78,815,000, accrued interest income and other current assets of approximately \$321,000 and total current liabilities of \$51,000. We believe that the funds available to us outside of the Trust Account will be sufficient to allow us to operate for the next twelve months (beginning April 1, 2008).

At our instructions, on February 13, 2008, April 8, 2008, and June 6, 2008 the Trustee transferred \$300,000, \$400,000 and \$400,000 respectively, of interest earned on the Trust Account into our operating cash account for the purposes of paying taxes on the aggregate amount of interest earned on the funds held in the Trust Account and to cover our operating expenses.

We do not believe we will need to raise additional funds in order to meet the expenditures required for operating our business. However, we may need to raise additional funds through a private offering of debt and/or equity securities if such funds were required to consummate a business combination. Subject to compliance with applicable securities laws, we would only consummate such financing simultaneously with the consummation of a business combination.

Recent Accounting Pronouncements

In December 2007, the FASB issued SFAS 141(R), Business Combinations. SFAS 141(R) provides companies with principles and requirements on how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, liabilities assumed, and any non-controlling interest in the acquiree as well as the recognition and measurement of goodwill acquired in a business combination. SFAS 141(R) also requires certain disclosures to enable users of the financial statements to evaluate the nature and financial effects of the business combination. Acquisition costs associated with the business combination will generally be expensed as incurred. SFAS 141(R) is effective for business combinations occurring in fiscal years beginning after December 15,

Table of Contents

2008, which will require us to adopt these provisions for business combinations occurring in fiscal 2009 and thereafter. Early adoption of SFAS 141(R) is not permitted.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements – An Amendment of ARB No. 51. SFAS No. 160 requires reporting entities to present noncontrolling (minority) interests as equity as opposed to as a liability or mezzanine equity and provides guidance on the accounting for transactions between an entity and noncontrolling interests. SFAS No. 160 is effective the first fiscal year beginning after December 15, 2008, and interim periods within that fiscal year. SFAS No. 160 applies prospectively as of the beginning of the fiscal year SFAS No. 160 is initially applied, except for the presentation and disclosure requirements which are applied retrospectively for all periods presented subsequent to adoption. The adoption of SFAS No. 160 will not have a material impact on the financial statements; however, it could impact future transactions entered into by the Company.

Redeemable common stock

We account for redeemable common stock in accordance with Emerging Issue Task Force D-98 Classification and Measurement of Redeemable Securities. Securities that are redeemable for cash or other assets are classified outside of permanent equity if they are redeemable at the option of the holder. In addition, if the redemption causes a redemption event, the redeemable securities should not be classified outside of permanent equity. As further described in our filings with the Securities and Exchange Commission, we will only consummate a business combination if a majority of the shares of common stock voted by the public stockholders owning shares sold in our IPO vote in favor of the business combination and public stockholders holding less than 30% (2,999,999) of common shares sold in our IPO exercise their conversion rights. If a business combination is not consummated by November 19, 2009, we will liquidate. Accordingly, 2,999,999 shares have been classified outside of permanent equity at redemption value. We recognize changes in the redemption value immediately as they occur and adjust the carrying value of the redeemable common stock to equal its redemption value at the end of each reporting period.

Critical Accounting Policies

Basis of presentation

Our financial statements are presented in U.S. dollars in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Concentration of Credit Risk

Financial instruments that potentially subject us to a significant concentration of credit risk consist primarily of cash. We maintain deposits in federally insured financial institutions in excess of federally insured limits. However, management believes we are not exposed to significant credit risk due to the financial position of the depository institutions in which those deposits are held.

Cash and cash equivalents

Cash and cash equivalents are defined as cash and investments that have a maturity at date of purchase of three months or less

Preferred Stock

We are authorized to issue 1,000,000 shares of preferred stock with such designations, voting and other rights and preferences as may be determined from time to time by the Board of Directors. There were no preferred shares issued as of June 30, 2008.

Net Income per Common Share

We comply with SFAS No. 128, Earnings Per Share, which requires dual presentation of basic and diluted earnings per share on the face of the statement of operations. Basic net income per share is computed by dividing net income by the weighted average common shares outstanding for the period. Diluted net income per share reflects the potential dilution that could occur if warrants were to be exercised or converted or otherwise resulted in the issuance of common stock that then shared in the earnings of the entity.

The Company's statement of operations includes a presentation of earnings per share for common stock subject to possible redemption in a manner similar to the two-class method of earnings per share. Basic and diluted net income per share

Table of Contents

amount for the maximum number of shares subject to possible redemption is calculated by dividing the net interest attributable to common shares subject to possible redemption by the weighted average number of shares subject to possible redemption. Basic and diluted net income per share amount for the shares outstanding not subject to possible redemption is calculated by dividing the net income exclusive of the net interest income attributable to common shares subject to redemption by the weighted average number of shares not subject to possible redemption.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the sensitivity of income to changes in interest rates, foreign exchanges, commodity prices, equity prices, and other market-driven rates or prices. We are not presently engaged in and, if a suitable business target is not identified by us prior to the prescribed liquidation date of the trust fund, we may not engage in, any substantive commercial business. Accordingly, we are not and, until such time as we consummate a business combination, we will not be, exposed to risks associated with foreign exchange rates, commodity prices, equity prices or other market-driven rates or prices.

The net proceeds of our initial public offering held in the trust fund have been invested only in money market funds meeting certain conditions under Rule 2a-7 promulgated under the Investment Company Act of 1940. Given our limited risk in our exposure to money market funds, we do not view the interest rate risk to be significant.

Our primary exposure to market risk is interest income sensitivity, which is affected by changes in the general level of U.S. interest rates, including recent reduction instituted by the U.S. Federal Reserve Bank, particularly because our investments held in the Trust Account are rate sensitive U.S. Government Money Market Fund. Due to the nature of our short-term investments, we believe that we are not subject to any material market risk exposure other than interest rate fluctuations. We do not have any foreign currency or other derivative financial instruments.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in company reports filed or submitted under the Securities Exchange Act of 1934 (the Exchange Act) is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in company reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our chief executive officer, as appropriate to allow timely decisions regarding required disclosure.

As required by Rules 13a-15 and 15d-15 under the Exchange Act, Dr. Uppaluri, our principal financial officer, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2007. Based upon his evaluation, he concluded that our disclosure controls and procedures were effective.

Our internal control over financial reporting is a process designed by, or under the supervision of, our president and chief executive officer and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with generally accepted accounting principles (United States). Internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of our financial statements in accordance with generally accepted accounting principles (United States), and that our receipts and expenditures are being made only in accordance with the authorization of our board of directors and management; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements. During the most recently completed fiscal quarter, there has been no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a

company have been detected. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving its objectives. Our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective at that reasonable assurance level.

Table of Contents

**IDEATION ACQUISITION CORP.
PART II OTHER INFORMATION**

ITEM 1. LEGAL PROCEEDINGS

We are not currently subject to any material legal proceedings, nor, to our knowledge, is any material legal proceeding threatened against us.

ITEM 1A. RISK FACTORS

An investment in our securities involves a high degree of risk. There have been no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2007 that was filed with the Securities and Exchange Commission on March 28, 2008.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of our shareholders during the second quarter of the fiscal year ended December 31, 2008.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

- 3.1 Certificate of Incorporation*
- 3.2 Bylaws*
- 3.3 Form of Amended and Restated Certificate of Incorporation*
- 4.1 Specimen Unit Certificate*
- 4.2 Specimen Common Stock Certificate*
- 4.3 Form of Warrant Certificate*
- 4.4 Form of Warrant Agreement between the Registrant and Continental Stock Transfer & Trust Company*
- 31.1 Certification of Chief Executive Officer Pursuant to SEC Rule 13a-14(a)/15d-14(a)**
- 31.2 Certification of Chief Financial Officer Pursuant to SEC Rule 13a-14(a)/15d-14(a)**
- 32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. §1350**
- 32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. §1350**

* Incorporated by reference to exhibits of the same number filed with the Registrant's Registration

Statement on
Form S-1 or
amendments
thereto (File
No. 333-144218)

** Filed herewith

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

IDEATION ACQUISITION CORP.

Date: August 6, 2008