

Sports Properties Acquisition Corp.  
Form 10-Q  
May 14, 2008  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**  
**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the Quarterly Period Ended March 31, 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 001-33918

**SPORTS PROPERTIES ACQUISITION CORP.**

(Exact name of registrant as specified in its charter)

**DELAWARE**  
(State of Incorporation)

**74-3223265**  
(IRS Employer Identification No.)

**437 MADISON AVENUE, NEW YORK, NEW YORK 10022**

(Address of principal executive offices) (Zip Code)

**(212) 328-2100**

(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

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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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The number of outstanding shares of the registrant's common stock on May 13, 2008 was 26,945,371 shares.

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**SPORTS PROPERTIES ACQUISITION CORP.**

**FORM 10-Q**

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The following discussion should be read in conjunction with our financial statements and the notes to those statements and other financial information appearing elsewhere in this report.

This report contains forward-looking statements relating to future events and our future performance within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including, without limitation, statements regarding our expectations, beliefs, intentions, or future strategies that are signified by the words, expects, anticipates, intends, believes, or similar language. Actual results could differ materially from those anticipated in such forward-looking statements. All forward-looking statements included in this document are based on information available to us on the date hereof, and we assume no obligation to update any forward-looking statements. We caution investors that our business and financial performance are subject to substantial risks and uncertainties.

**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****SPORTS PROPERTIES ACQUISITION CORP.**

(a corporation in the development stage)

**Balance Sheets**

	March 31, 2008 (unaudited)	December 31, 2007
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 219,619	\$ 198,250
Cash and cash equivalents trust account	216,466,920	
Prepaid expenses	99,742	
<b>Total current assets</b>	<b>216,786,281</b>	<b>198,250</b>
Deferred offering costs		587,936
<b>Total assets</b>	<b>\$ 216,786,281</b>	<b>\$ 786,186</b>
<b>Liabilities and stockholders equity</b>		
<b>Current liabilities</b>		
Accrued expenses	\$ 546,492	\$ 147,268
Due to affiliate	78,557	245,261
Deferred underwriters fees	9,296,154	
Note payable to affiliate		200,000
<b>Total current liabilities</b>	<b>9,921,203</b>	<b>592,529</b>
<b>Common stock</b> , subject to possible redemption, 6,466,888 shares, at redemption value (note 1)	64,668,880	
<b>Commitments</b>		
<b>Stockholders equity</b>		
Preferred stock, \$0.001 par value, 1,000,000 shares authorized; none issued and outstanding		
Common stock, \$0.001 par value, 100,000,000 shares authorized; 26,945,371 and 5,750,000 shares issued and outstanding	26,945	5,750
Additional paid-in capital	141,375,683	196,254
Retained earnings (deficit) accumulated during the development stage	793,570	(8,347)

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<b>Total stockholders' equity</b>	<b>142,196,198</b>	<b>193,657</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 216,786,281</b>	<b>\$ 786,186</b>

The accompanying notes should be read in conjunction with the financial statements.

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(a corporation in the development stage)

**Statements of Operations**

	For the Three Months Ended March 31, 2008 (unaudited)	For the period from July 3, 2007 (Inception) to December 31, 2007	For the period from July 3, 2007 (Inception) to March 31, 2008 (unaudited)
<b>Interest income</b>	<b>\$ 1,322,176</b>	<b>\$</b>	<b>\$ 1,322,176</b>
Insurance expense	22,810		22,810
Administrative fees paid to affiliate	18,750		18,750
Organization costs and other operating expenses	6,607	8,347	14,954
<b>Total expenses</b>	<b>48,167</b>	<b>8,347</b>	<b>56,514</b>
<b>Income (loss) before income taxes</b>	<b>1,274,009</b>	<b>(8,347)</b>	<b>1,265,662</b>
<b>Provision for income taxes</b>	<b>472,092</b>		<b>472,092</b>
<b>Net income (loss)</b>	<b>\$ 801,917</b>	<b>(\$8,347)</b>	<b>\$ 793,570</b>
<b>Net income (loss) per share basic and diluted</b>	<b>\$ 0.04</b>	<b>(\$0.00)</b>	
<b>Weighted average shares outstanding basic and diluted</b>	<b>21,483,212</b>	<b>5,750,000</b>	

The accompanying notes should be read in conjunction with the financial statements.

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(a corporation in the development stage)

**Statements of Stockholders Equity**

	Common Stock			Retained Earnings (Deficit) Accumulated During the Development Stage	Total Stockholders Equity
	Shares	Amount	Additional Paid-in Capital		
		\$	\$	\$	\$
<b>Balance at July 3, 2007 (Inception)</b>					
Issuance of common stock on September 12, 2007 at \$0.01 per share for cash	5,750,000	5,750	51,750		57,500
Net loss				(8,347)	(8,347)
Offering expenses contributed by affiliate			144,504		144,504
<b>Balance at December 31, 2007 unaudited:</b>	<b>5,750,000</b>	<b>5,750</b>	<b>196,254</b>	<b>(8,347)</b>	<b>193,657</b>
Net income				801,917	801,917
Issuance of 6,000,000 warrants on January 17, 2008 at \$1.00 per warrant for cash			6,000,000		6,000,000
Issuance of 20,000,000 units (1 share of common stock and 1 warrant) to public stockholders on January 24, 2008 at \$10 per unit for cash, net of offering costs	20,000,000	20,000	125,504,171		125,524,171
Issuance of 1,556,300 units (1 share of common stock and 1 warrant) to public stockholders on February 1, 2008 at \$10 per unit for cash, net of offering costs	1,556,300	1,556	9,674,897		9,676,453
Forfeiture of 360,929 shares of common stock owned by founders, at no cost, on February 1, 2008, related to underwriters overallotment not being fully exercised	(360,929)	(361)	361		
<b>Balance at March 31, 2008 - unaudited</b>	<b>26,945,371</b>	<b>\$ 26,945</b>	<b>\$ 141,375,683</b>	<b>\$ 793,570</b>	<b>\$ 142,196,198</b>

The accompanying notes should be read in conjunction with the financial statements.

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(a corporation in the development stage)

**Statements of Cash Flows**

	For the Three Months Ended March 31, 2008 (unaudited)	For the period from July 3, 2007 (Inception) to December 31, 2007	For the period from July 3, 2007 (Inception) to March 31, 2008 (unaudited)
<b>Cash flows from operating activities</b>			
Net income (loss)	\$ 801,917	(\$ 8,347)	\$ 793,570
Adjustments to reconcile net income (loss) to net cash used in operating activities			
Net increase in prepaid expenses	(99,741)		(99,741)
Net increase in accrued expenses	471,492		471,492
Organizational expenses paid by affiliate		7,703	7,703
<b>Net cash used in operating activities</b>	<b>1,173,668</b>	<b>(644)</b>	<b>1,173,024</b>
<b>Cash flows from investing activities</b>			
Payment to trust account	(216,466,920)		(216,466,920)
<b>Net cash (used in) investing activities</b>	<b>(216,466,920)</b>		<b>(216,466,920)</b>
<b>Cash flows from financing activities</b>			
Proceeds from sale of stock and warrants public offering of units	215,563,000		215,563,000
Proceeds from sale of warrants private offering to founders	6,000,000		6,000,000
Payment of offering costs, net	(5,821,869)	(58,606)	(5,880,475)
Proceeds from (repayment of) note payable and due to affiliate	(426,510)	200,000	(226,510)
Proceeds from sale of stock private offering to founders		57,500	57,500
<b>Net cash provided by financing activities</b>	<b>215,314,621</b>	<b>198,894</b>	<b>215,513,515</b>
Net increase in cash	<b>21,369</b>	<b>198,250</b>	<b>219,619</b>
Cash at beginning of period	198,250		
Cash at end of period	<b>\$ 219,619</b>	<b>\$ 198,250</b>	<b>\$ 219,619</b>
<b>Supplemental schedule of non-cash financing activities</b>			
Deferred underwriters fees	\$ 9,296,154	\$	\$ 9,296,154
Accrual of deferred offering costs	75,000	384,827	75,000
Offering costs due to affiliate	59,807		59,807
Offering expenses contributed by affiliate		144,504	144,504
<b>Supplemental information</b>			
Cash paid during the period for income taxes	\$ 600		\$ 600

The accompanying notes should be read in conjunction with the financial statements.





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**SPORTS PROPERTIES ACQUISITION CORP.**

**(a corporation in the development stage)**

**Notes to Financial Statements**

**March 31, 2008**

**Note 1 Organization and Nature of Business Operations**

Sports Properties Acquisition Corp., a development stage company, (the Company) was incorporated in Delaware on July 3, 2007 for the purpose of effecting a merger, capital stock exchange, stock purchase, asset acquisition or other similar business combination with one or more existing operating businesses in the sports and entertainment industries.

At March 31, 2008, the Company had limited operations. All activity through January 24, 2008 related to the Company's formation and public offering (the Offering) as described below, and subsequent to the Offering included efforts to identify potential Business Combination targets. The Company has selected December 31 as its fiscal year end.

The Company's registration statement was declared effective on January 17, 2008, and the offering was closed on January 24, 2008. Upon closing of the Offering, 100% of the proceeds (\$200,000,000) of this offering was placed in a Trust Account invested until the earlier of (i) the consummation of the Company's first Business Combination or (ii) the liquidation of the Company. The proceeds in the Trust Account include the deferred underwriting discount of \$9,296,154 that will be released to the underwriters on completion of a Business Combination (subject to an approximately \$0.43 per share reduction for public stockholders who exercise their conversion rights). Interest (net of taxes) earned on assets held in the Trust Account will remain in the Trust Account. However, up to \$2,250,000 of the interest earned on the Trust Account (net of taxes payable on such interest) may be released to the Company to cover a portion of the Company's operating expenses.

On January 29, 2008, the underwriters informed the Company they had exercised the over-allotment option in part, for 1,556,300 units of the 3,000,000 total units subject to the over-allotment option, and had waived their right to exercise the over-allotment option with respect to any additional units. This transaction closed on February 1, 2008. The exercise was at \$10 per unit and resulted in net proceeds of \$15,144,744, inclusive of the deferred underwriting fees of \$671,154, which amount was placed in the Trust Account. This exercise resulted in the forfeiture of 360,929 founder shares, at no cost to the Company, leaving the founders with shareholdings of 5,389,071, and Medallion's ownership position is 18%.

The Company's management has broad discretion with respect to the specific application of the net proceeds of this Offering, although substantially all of the net proceeds of the Offering are intended to be applied toward effecting a merger, capital stock exchange, stock purchase, asset acquisition or other similar business combination. As used herein, a Business Combination shall mean the acquisition of one or more businesses that at the time of the Company's initial business combination has a fair value of at least 80.0% of the Company's assets held in the Trust Account (the Trust Account), excluding the deferred underwriting discounts and commissions from the offering of \$9,296,154, and taxes payable.

The Company will seek stockholder approval before it will effect any Business Combination. The Company will proceed with a Business Combination only if a majority of the shares of common stock sold as part of the units in the Offering or in the aftermarket (the Public Stockholders) are voted in favor of the Business Combination and Public Stockholders owning no more than 29.9% of the shares sold in the Public Offering vote against the Business Combination and exercise their right to convert their shares into a pro rata share of the aggregate amount then on deposit in the Trust Account (up to 6,466,888 shares at \$10 per share, or \$64,668,880), and a majority of the outstanding shares of the Company's common stock vote in favor of an amendment to the Company's amended and restated certificate of incorporation to provide for its perpetual existence, see Note 5.

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 including the deferred underwriter's discount, and including any interest earned on their portion of the Trust Account, net of up to \$2,250,000 of the net interest income earned on the Trust Account which may be released to the Company to cover a portion of the Company's operating expenses and income taxes payable thereon if a Business Combination is approved and completed. Public Stockholders who convert their stock into their share of the Trust Account will continue to have the right to exercise any warrants they may hold.

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The Company will liquidate and promptly distribute only to its Public Stockholders the amount in the Trust Account, less any income taxes payable on interest income, plus any remaining net assets, if the Company does not effect a Business Combination by January 17, 2010.

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### **Note 2 Summary of Significant Accounting Policies**

#### ***Basis of Preparation***

The accompanying unaudited condensed financial statements of the Company have been prepared in accordance with Rule 10-1 of Regulation S-X promulgated by the Securities and Exchange Commission and, accordingly, do not include all information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America. In the opinion of the Company, however, these financial statements contain all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the Company's financial position and results of operations as of March 31, 2008 and the results of its operations for the period from July 3, 2007 (date of inception) to March 31, 2008 and the three months ended March 31, 2008. The results of operations for these periods are not necessarily indicative of the results of operations to be expected for a full fiscal year. These financial statements should be read in conjunction with the financial statements that were included in the Company's Annual Report on Form 10-K for the period ended December 31, 2007. The December 31, 2007 balance sheet has been derived from the audited financial statements included therein.

#### ***Net Income (Loss) per Common Share***

Net income (loss) per share is computed by dividing the net income (loss) applicable to common stockholders by the weighted average number of common shares outstanding for the period. Warrants have not been considered in the calculation of net income (loss) per share because the shares underlying the warrants are contingently issuable.

#### ***Cash and Cash Equivalents***

The Company considers all highly liquid instruments with an original purchased maturity of three months or less to be cash equivalents.

#### ***Concentration of Credit Risk***

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash accounts in a financial institution, which at times exceeds the Federal Depository Insurance coverage of \$100,000. The Company has not experienced losses on these accounts and management believes the Company is not exposed to significant risks on such accounts.

#### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the US requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

#### ***Income Taxes***

The Company has provided for income taxes, all of which are currently payable, of \$472,092 at the statutory rate for net income earned through March 31, 2008. 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 deferred tax assets to the amount expected to be realized. The Company recorded a deferred tax asset for the tax effect of temporary differences of \$2,838 as of December 31, 2007. In recognition of the uncertainty regarding the ultimate amount of income tax benefits to be derived, the Company recorded a full valuation allowance at December 31, 2007. As a result, the effective tax rate differed from the statutory rate of 34% due to the increase in the valuation allowance of \$2,838.

#### ***Deferred Offering Costs***

Deferred offering costs consist of legal fees, consulting fees paid to certain founding stockholders, and accounting fees, and other administrative costs incurred through the balance sheet date that relate to the Offering and that were charged to stockholders' equity upon completion of the Offering.

#### ***Recently Issued Accounting Pronouncements***

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The Company does not believe that any recently issued, but not yet effective accounting pronouncements, if currently adopted, would have a material effect on the accompanying financial statements.

### **Note 3 Initial Public Offering**

On January 24, 2008, the Company consummated its initial public offering of 20,000,000 units (the Units ) at a price of \$10.00 per unit, for gross proceeds of \$200,000,000, which were netted against offering expenses of \$14,475,840. In addition, the Company's underwriters exercised the over-allotment option for 1,556,300 units of the 3,000,000 total units subject to the over-allotment option, and waived their right to exercise the over-allotment option with respect to any additional units on February 1, 2008. The exercise was at \$10 per unit and resulted in net proceeds of \$15,144,744, inclusive of the deferred underwriting fees of \$671,154, which amount was placed in the Trust Account. Each Unit consists of one share of the Company's common stock, \$0.001 par value, and one warrant. Each warrant entitles the holder to purchase from the Company one share of common stock at an exercise price of \$7.00, payable in readily available funds or through a net cashless exercise, commencing upon the later of the completion of a Business Combination or January 17, 2009, and expiring January 17, 2012, unless earlier redeemed. The warrants, including any warrants held by the underwriter, will be redeemable at the Company's option, at a price of \$0.01 per warrant upon 30 days' written notice after the warrants become exercisable.

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only in the event that the last sale price of the common stock is at least \$14.25 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 given.

If the Company calls the warrants for redemption, it will have the option to require all holders that exercise their warrants to do so on a cashless basis. In such event, each holder would pay the exercise price by surrendering the warrants for that number of shares of common stock equal to the quotient obtained by dividing (x) the product of the number of shares of common stock underlying the warrants, multiplied by the difference between the exercise price of the warrants and the fair market value by (y) the fair market value. The fair market value shall mean the average reported last sale price of the common stock for the 10 trading days ending on the third trading day prior to the date on which the notice of redemption is sent to the holders of warrants.

In accordance with the warrant agreement relating to the warrants sold as part of the units in the Offering, the Company is only required to use its best efforts to maintain the effectiveness of a registration statement for the shares underlying the warrants. If a registration statement is not effective, the Company cannot redeem 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.

The Company agreed to pay the underwriters in the Offering an underwriting discount of 7%, of which 2.6875% was paid from the gross proceeds of the Offering, and the underwriters have agreed that the remaining 4.3125% (\$9,296,154) of the underwriting discount will not be payable unless and until the Company completes a Business Combination, and have waived their right to receive such payment upon the Company's liquidation if it is unable to complete a Business Combination. The underwriters reimbursed the Company for \$500,000 of offering expenses.

### **Note 4 Note Payable to Affiliate, Related Party Transactions, and Commitments**

The Company issued a \$200,000 unsecured promissory note to Medallion, its sponsor, on September 4, 2007. The note was non-interest bearing and was repaid on the consummation of the offering by the Company. Due to the short-term nature of the note, the carrying value of the note approximated fair value. As of March 31, 2008, Medallion owned 18% of the outstanding equity interests in the Company, with the balance held primarily by the public stockholders. In addition, Medallion paid \$449,572 on the Company's behalf for various organizational and offering expenses, \$245,261 which has been reimbursed by the Company to Medallion, \$144,504 which has been recorded as additional paid-in capital, and \$59,807 which is included in offering costs due to affiliate at March 31, 2008.

The Company incurred legal fees of approximately \$410,314 during the period from July 3, 2007 (inception) to March 31, 2008 with a law firm in which a member of the Company's Board of Directors is senior counsel.

The Company presently occupies office space provided by Medallion, which has agreed that until the Company consummates a Business Combination, it will make such office space as may be required, as well as certain office and secretarial services, available to the Company. The Company has agreed to pay \$7,500 a month in total for office space and general and administrative services to Medallion. Services commenced on the effective date of the offering and will terminate upon the earlier of (i) the completion of the Business Combination, or (ii) the Company's liquidation.

Certain officers and directors of Medallion are also officers and directors of the Company.

Pursuant to letter agreements which the founding stockholders entered into with the Company and the underwriters, the founding stockholders waived their rights to receive distributions with respect to their founding shares should the Company be liquidated.

Medallion has agreed that it will be liable to ensure that the proceeds in the Trust Account are not reduced by the claims of target businesses or claims of vendors, service providers, providers of financing, or other entities that are owed money by the Company for services or financing rendered or contracted for, or for products sold to the Company.

In the event of liquidation, the Company will pay the costs of liquidation from the remaining assets outside of the Trust Account. To the extent such funds are not available, Medallion has agreed to provide the Company the necessary funds (currently anticipated to be no more than approximately \$50,000 in the event that the Company's corporate existence ceases by operation of law), and has agreed not to seek repayment for such expenses.



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Medallion, the Company's primary stockholder, acquired 5,900,000 warrants to purchase 5,900,000 shares of common stock from the Company and Tony Tavares, the Company's President and Chief Executive Officer, acquired 100,000 warrants to purchase 100,000 shares of common stock from the Company, in each case, at a price of \$1.00 per warrant for a total of \$6,000,000 in a private placement just prior to the completion of the Offering. Medallion and Tony Tavares have each further agreed that they will not sell or transfer these warrants until after the Company consummates a Business Combination.

The purchase price of \$1.00 per warrant for the private placement warrants exceeded the fair value of such warrants on the date of purchase and, accordingly, no compensation expense was recognized with respect to the issuance of the founder warrants.

The Company's founding stockholders are entitled to require the Company to register their shares of common stock at any time after their shares of common stock or warrants are released from escrow, which will not be before one year from the consummation of a business combination, provided that, if, after the consummation of a business combination, the surviving entity of such business combination subsequently consummates a liquidation, merger, stock exchange or other similar transaction which results in all of the stockholders of such entity having the right to exchange their shares of common stock for cash, securities or other property, then such shares or warrants may be released in order to enable holders of such founder warrants to participate in such exchange. In addition, the founding stockholders and the holders of the founder warrants (or underlying securities) have certain piggy-back registration rights on registration statements filed after the Company's consummation of a Business Combination.

### **Note 5 Common Stock**

As of March 31, 2008, 26,945,371 shares of common stock are outstanding, 18% held by Medallion, and the balance held primarily by the public stockholders. On February 1, 2008, the Company's underwriters exercised the over-allotment option for 1,556,300 units of the 3,000,000 total units subject to the over-allotment option, and waived their right to exercise the over-allotment option with respect to any additional units, resulting in the forfeiture of 360,929 founder shares, at no cost to the Company. On January 24, 2008, the Company issued 20,000,000 units, which included 20,000,000 shares of common stock and 20,000,000 warrants for a purchase price of \$10 per unit. On September 12, 2007, the Company issued 5,750,000 shares for \$57,500 in cash, for a purchase price of \$0.01 per share to the founding stockholders.

On September 25, 2007, the Company's Board of Directors and stockholders approved an increase in the authorized common shares from 50,000,000 to 100,000,000, and provided for the liquidation of the Trust Account in the event the Company does not consummate a Business Combination by January 17, 2010. The amended and restated certificate of incorporation reflecting the approved increase in the number of shares of common stock and term of corporate existence was filed with the Secretary of State in the State of Delaware on January 17, 2008.

### **Note 6 Preferred Stock**

The Company is authorized to issue 1,000,000 shares of \$0.001 par value preferred stock with such designations, voting and other rights and preferences as may be determined from time to time by the Board of Directors.

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

### **Overview**

We are a blank check company organized under the laws of the State of Delaware on July 3, 2007. We were formed to acquire, through a merger, capital stock exchange, asset or stock acquisition, exchangeable share transaction or other similar business combination, one or more businesses in the sports, leisure or entertainment industries. We intend to utilize cash derived from the proceeds of our initial public offering, our capital stock, debt, or a combination of cash, capital stock and debt, in effecting a business combination. The issuance of additional shares of our capital stock:

may significantly reduce the equity interest of our stockholders;

may subordinate the rights of holders of common stock if preferred stock is issued with rights senior to those afforded to the holders of our common stock;



will likely cause a change in control if a substantial number of our shares of common stock are issued, which may affect, among other things, our ability to use our net operating loss carry forwards, if any, and most likely will also result in the resignation or removal of our present officers and directors; and

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may adversely affect prevailing market prices for our common stock.  
Similarly, if we incur substantial debt, it could result in:

default and foreclosure on our assets if our operating cash flow after a business combination is insufficient to pay our debt obligations;

acceleration of our obligations to repay the indebtedness even if we have made all principal and interest payments when due if the debt security contains covenants that require the maintenance of certain financial ratios or reserves and any such covenant is breached without a waiver or renegotiation of that covenant;

our immediate payment of all principal and accrued interest, if any, if the debt security is payable on demand;

covenants that limit our ability to acquire capital assets or make additional acquisitions;

our inability to obtain additional financing, if necessary, if the debt security contains covenants restricting our ability to obtain additional financing while such security is outstanding;

our inability to pay dividends on our common stock;

using a substantial portion of our cash flow to pay principal and interest on our debt, which will reduce the funds available for dividends on our common stock, working capital, capital expenditures, acquisitions and other general corporate purposes;

limitations on our flexibility in planning for and reacting to changes in our business and in the industry in which we operate;

our stockholders receiving less than \$10.00 per share from the trust account upon liquidation if such debt is incurred prior to consummation of a business combination and the trust account is subsequently liquidated;

increased vulnerability to adverse changes in general economic, industry and competitive conditions and adverse changes in government regulation; and

limitations on our ability to borrow additional amounts for working capital, capital expenditures, acquisitions, debt service requirements, execution of our strategy and other purposes; and other disadvantages compared to our competitors who have less debt.

## **Results of Operation and Liquidity**

Our entire activity since inception has been limited to organizational activities, activities relating to our initial public offering and, since our initial public offering, activities relating to identifying and evaluating prospective acquisition targets. We have neither engaged in any operations nor generated any revenues to date, other than interest income earned on the proceeds of our initial public offering.

For the quarter ended March 31, 2008, interest income on the trust account amounted to \$1,322,176. Our operating expenses during the period were \$48,167, consisting of \$22,810 in insurance expense, \$18,750 in administrative fees paid to Medallion and \$6,607 in organization costs and

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other operating expenses. Our net income after provision for income taxes was \$801,917.

On January 24, 2008, we consummated our initial public offering of 20,000,000 units. Each unit issued in our initial public offering consists of one share of common stock, \$.001 par value per share, and one warrant to purchase one share of common stock at \$7.00 per share. The units were sold at an offering price of \$10.00 per unit, generating aggregate gross proceeds of \$200,000,000. Of the \$200,000,000 gross proceeds, \$194,000,000, including deferred underwriters' discounts and commissions of \$8,625,000, was deposited into a trust account. Prior to the initial public offering, we issued 6,000,000 warrants at a purchase price of \$1.00 per warrant to certain of our founding stockholders in a private placement for aggregate proceeds of \$6,000,000, which were also placed into the trust account. On February 1, 2008 we sold an additional 1,556,300 units which were subject to the over-allotment option of the underwriters in our initial public offering. The sale of these units resulted in total proceeds of approximately \$15,144,744, net of the underwriters' discounts and commissions, but including deferred underwriters' discounts and commissions of approximately \$671,154. This amount was also deposited into the trust account, resulting in a total amount held in trust of approximately \$215,144,744, exclusive of any interest earned by such trust account.

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The funds held in the Trust Account are currently invested in money market funds meeting the criteria under Rule 2a-7 under the 1940 Act. We also have the option to invest the funds in Treasury Bills issued by the United States government have a maturity of 180 days or less. Interest earned will be applied in the following order of priority:

payment of taxes on Trust Account interest;

our working capital requirements before we complete a business combination, to a maximum of \$2,250,000, and, if necessary, funding up to \$50,000 of the costs of our potential dissolution and liquidation; and

the balance, if any, to us if we complete a business combination or to our public stockholders if we do not complete a business combination.

We believe that the interest earned on Trust Account funds in the period before we effect a business combination will be sufficient to fund our operations and costs relating to the acquisition of a target business or to fund the costs and expenses relating to our liquidation and dissolution if we do not consummate a business combination.

We expect to use substantially all of the net proceeds of our initial public offering and the private placement to acquire a target business, including payment of expenses we incur in identifying and evaluating prospective acquisition candidates, selecting the target business, and structuring, negotiating and consummating the business combination. To the extent that we use debt or equity securities as consideration in a business combination and do not use all of the funds in the trust account, we will use the remaining trust account funds to finance the operations of the target business. We believe that the \$2,250,000 that we are allowed to draw from interest earned on the trust account will be sufficient to allow us to operate until at least April 1, 2009, even if we do not complete a business combination during that time.

## **Critical Accounting Policies**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

Management does not believe that any recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on the accompanying financial statements.

## **Contractual Obligations**

We did not have any long term debt, capital lease obligations, operating lease obligations, purchase obligations or other long term liabilities. Following the end of our fiscal year, on January 17, 2008, we entered into a services agreement with Medallion Financial Corp. requiring us to pay \$7,500 per month. The agreement terminates on the earlier of the completion of a business combination or upon our dissolution.

## **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 account, 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. We are subject to interest rate fluctuation risk on the earnings in the trust account which was funded in January 2008.

## **ITEM 4T. CONTROLS AND PROCEDURES**

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Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of its disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act). Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of March 31, 2008. There was no change in internal control over financial reporting occurred during the quarter ended March 31, 2008 that has materially affected, or is reasonably likely to materially affect, such internal control over financial reporting.

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### **PART II OTHER INFORMATION**

#### **ITEM 1. LEGAL PROCEEDINGS**

There is no litigation currently pending or, to our knowledge, contemplated against us or any of our officers or directors in their capacity as such.

#### **ITEM 1A. RISK FACTORS**

##### **Risks Related to Our Business**

**We are a development stage company with no operating history and, accordingly, there is no basis on which to evaluate our ability to achieve our business objective.**

We are a recently incorporated development stage company with no operating results to date other than organizational activities. Since we have had very limited operations since our initial public offering, other relating principally to commencement of our search for a business combination, you have an extremely limited basis upon which to evaluate our ability to achieve our business objective, which is to acquire one or more operating businesses in the sports, leisure or entertainment industries. We will not generate any significant revenues or income until, at the earliest, after the consummation of a business combination.

**We will liquidate if we do not consummate a business combination.**

Pursuant to our amended and restated certificate of incorporation, we have until January 17, 2010 to complete a business combination. If we fail to consummate a business combination within the required time frame, our corporate existence will, in accordance with our amended and restated certificate of incorporation, cease except for the purposes of winding up our affairs and liquidating. We may not be able to find suitable target businesses within the required time frame. In addition, our negotiating position and our ability to conduct adequate due diligence on any potential target may be reduced as we approach the deadline for the consummation of a business combination. We do not have any specific business combination under consideration. We view this obligation to liquidate as an obligation to our stockholders and that investors will make an investment decision, relying, at least in part, on this provision. Thus, without the affirmative vote cast at a meeting of stockholders of at least 95% of the common stock issued in our initial public offering, neither we nor our board of directors will take any action to amend or waive any provision of our amended and restated certificate of incorporation to allow us to survive for a longer period of time. In addition, we will not support, directly or indirectly, or in any way endorse or recommend, that stockholders approve an amendment or modification to such provision if it does not appear we will be able to consummate a business combination within the foregoing time periods. Our founding stockholders have waived their rights to participate in any liquidation distribution with respect to the shares of common stock owned by each of them prior to our initial public offering or acquired in the private placement, including the shares of common stock underlying the founder warrants. There will be no distribution from the trust account with respect to the founder warrants which will expire worthless. We will pay the costs of liquidation, which we currently estimate to be up to \$50,000, from our remaining assets held outside of the trust account. In addition, Medallion has agreed to indemnify us for all claims of any vendors, service providers, providers of financing or other entities that are owed money by us for services or financing provided or contracted for, or products sold to us or the claims of any target businesses to the extent that we fail to obtain valid and enforceable waivers from such vendors, service providers, prospective target business, providers of financing or other entities in order to protect the amounts held in trust.

**There are no assurances that certain provisions of our amended and restated certificate of incorporation will not be amended other than in connection with the consummation of a business combination.**

We believe that a vote to amend or waive any provision of our amended and restated certificate of incorporation would likely take place only to allow additional time to consummate a pending business combination. We view these provisions to be obligations to our stockholders and we believe that investors will make an investment decision relying, at least in part, on these provisions. Although we are contractually obligated not to amend or waive these provisions pursuant to the underwriting agreement that we entered into with the underwriters in connection with our initial public offering, we cannot assure you that other provisions of our amended and restated certificate of incorporation will not be amended or waived by the affirmative vote cast at a meeting of stockholders of at least 95% of the common stock issued in our initial public offering. Such an amendment or waiver may result in changes to other provisions to which we do not intend to propose any amendment and that we view as obligations to our stockholders, and in reliance upon which we believe that investors will make an investment decision, including the requirement that a target business have a fair market value of at least 80% of our



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net assets held in trust (net of taxes and other than the portion representing our underwriters' deferred discount) at the time of such acquisition, the conversion rights of public stockholders or the requirement that a business combination may not proceed if 30% or more of public stockholders both vote against a business combination and exercise their conversion rights. If such an amendment or waiver were approved, we would be able to enter into a business combination that is less advantageous for our public stockholders or with which a substantial number of our public stockholders disagree, such as a business combination stockholders opposed to which are not entitled to conversion rights or a business combination with a target business having a fair market value of less than 80% of our net assets held in trust (net of taxes and other than the portion representing our underwriters' deferred discount) at the time of acquisition.

### **You will not have any rights or interest in funds from the trust account, except under certain limited circumstances.**

Our public stockholders will be entitled to receive funds from the trust account only in the event of our liquidation or if they elect to convert their respective shares of common stock into cash upon a business combination which the stockholder voted against and which is completed by us. In no other circumstances will a stockholder have any right or interest of any kind in the trust account.

### **If we are forced to liquidate before the completion of a business combination and distribute the trust account, our public stockholders may receive significantly less than \$10.00 per share and our warrants will expire worthless.**

We must complete a business combination with a fair market value of at least 80% of our net assets held in trust (net of taxes and other than the portion representing our underwriters' deferred discount) at the time of such acquisition by January 17, 2010. If we are unable to complete a business combination within the prescribed time frame and are forced to liquidate the trust account, the per-share liquidation price received by our public stockholders from the trust account will be less than \$10.00 because of the expenses of our initial public offering, our general and administrative expenses and the anticipated costs of seeking a business combination. Upon the liquidation of the trust account, public stockholders will be entitled to receive (unless there are claims not otherwise satisfied by the amount not held in the trust account or the indemnification provided by our executive officers and directors) \$10.00 per share plus interest earned on their pro rata portion of the trust account (net of taxes payable and amounts disbursed for working capital purposes), which includes \$9,296,154 (approximately \$0.43 per unit) of deferred underwriting discounts and commissions and \$6,000,000 (\$0.30 per unit) of the purchase price of the founder warrants. Medallion has agreed to indemnify us for claims by any vendors, service providers, providers of financing or other entities that are owed money by us for services or financing provided or contracted for, or products sold to us or the claims of any target businesses to the extent we do not obtain valid and enforceable waivers from vendors, service providers, providers of financing, prospective target businesses or other entities, in order to protect the amounts held in the trust account. There will be no contractual limits on our ability to borrow money, including from Medallion or our other stockholders. In the event that we liquidate and it is subsequently determined that the reserve for claims and liabilities is insufficient, stockholders who received a return of funds from the liquidation of our trust account could be liable for claims made by our creditors. We assume that in the event we liquidate we will not have to adopt a plan to provide for payment of claims that may potentially be brought against us. Should this assumption prove to be incorrect, we may have to adopt such a plan upon our liquidation, which could result in the per-share liquidation amount to our stockholders being significantly less than \$10.00 per share. Furthermore, there will be no distribution with respect to our outstanding warrants which will expire worthless if we liquidate the trust account in the event we do not complete a business combination within the prescribed time period.

### **If we are unable to consummate a business combination, our public stockholders will be forced to wait until January 17, 2010 before receiving liquidation distributions.**

We have until January 17, 2010 in which to complete a business combination. We have no obligation to return funds to investors prior to such date unless we consummate a business combination prior thereto and only then in cases where investors have sought conversion of their shares. Only after the expiration of this full time period will public stockholders be entitled to liquidation distributions if we are unable to complete a business combination. Accordingly, investors' funds may be unavailable to them until such date.

### **We may choose to redeem our outstanding warrants at a time that is disadvantageous to our warrant holders.**

Subject to there being a current prospectus under the Securities Act of 1933 with respect to the common stock issuable upon exercise of the warrants, we may redeem the warrants issued as a part of our units, including any warrants held by the underwriter, at any time after the warrants become exercisable in whole and not in part, at a price of \$0.01 per warrant, upon a minimum of 30 days prior written notice of redemption, if and only if, the last sales price of our common stock equals or exceeds \$14.25 per share for any 20 trading days within a 30 trading day period ending three business days before we send the notice of redemption. In addition, we may not redeem the warrants unless the warrants comprising the units sold in our initial public offering and the shares of common stock underlying those warrants are covered by an effective registration





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statement from the beginning of the measurement period through the date fixed for the redemption. Redemption of the warrants could force the warrant holders (i) to exercise the warrants and pay the exercise price at a time when it may be disadvantageous for the holders to do so, (ii) to sell the warrants at the then current market price when they might otherwise wish to hold the warrants, or (iii) to accept the nominal redemption price which, at the time the warrants are called for redemption, is likely to be substantially less than the market value of the warrants. We expect most purchasers of our warrants will hold their securities through one or more intermediaries and consequently you are unlikely to receive notice directly from us that the warrants are being redeemed. If you fail to receive notice of redemption from a third party and your warrants are redeemed for nominal value, you will not have recourse to the Company.

**Our management's ability to require holders of our warrants to exercise such warrants on a cashless basis will cause holders to receive fewer shares of common stock upon their exercise of the warrants than they would have received had they been able to pay the exercise price of their warrants in cash.**

If we call our warrants for redemption after the redemption herein have been satisfied, our management will have the option to require any holder that wishes to exercise his warrant to do so on a cashless basis. In such event, each holder would pay the exercise price by surrendering the warrants for that number of shares of common stock equal to the quotient obtained by dividing (x) the product of the number of shares of common stock underlying the warrants, multiplied by the difference between the exercise price of the warrants and the fair market value and (y) the fair market value. The fair market value shall mean the average reported last sales price of our common stock for the 10 trading days ending on the third trading day prior to the date on which notice of redemption is sent to the holders of the warrants. If our management chooses to require holders to exercise their warrants on a cashless basis, the number of shares of common stock received by a holder upon exercise will be fewer than it would have been had such holder exercised his warrant for cash. This will have the effect of reducing the potential upside of the holder's investment in our company.

**Although we are required to use our best efforts to have an effective registration statement covering the issuance of the shares of common stock underlying the warrants at the time that our warrant holders exercise their warrants, we cannot guarantee that a registration statement will be effective, in which case our warrant holders may not be able to exercise their warrants and therefore the warrants could expire worthless.**

Holders of our warrants will be able to exercise the warrants only if (i) a current registration statement under the Securities Act of 1933 relating to the shares of our common stock underlying the warrants is then effective and (ii) such shares of common stock are qualified for sale or exempt from qualification under the applicable securities laws of the states in which the various holders of warrants reside. Although we have undertaken in the Warrant Agreement, and therefore have a contractual obligation, to use our best efforts to maintain a current registration statement covering the shares of common stock underlying the warrants following completion of our initial public offering to the extent required by federal securities laws, and we intend to comply with our undertaking, we cannot assure that we will be able to do so and therefore the warrants could expire worthless. Such expiration would result in each holder paying the full unit purchase price solely for the shares of common stock underlying the unit. In addition, we have agreed to use our reasonable efforts to register the shares of common stock underlying the warrants under the blue sky laws of the states of residence of the existing warrant holders, to the extent an exemption is not available. The value of the warrants may be greatly reduced if a registration statement covering the shares of common stock issuable upon the exercise of the warrants is not kept current or if the securities are not qualified, or exempt from qualification, in the states in which the holders of warrants reside. In no event will the registered holder of a warrant be entitled to receive a net-cash settlement or other consideration in lieu of physical settlement in shares of our common stock if the common stock underlying the warrants is not covered by an effective registration statement. Holders of warrants who reside in jurisdictions in which the shares of common stock underlying the warrants are not qualified and in which there is no exemption will be unable to exercise their warrants and would either have to sell their warrants in the open market or allow them to expire unexercised. If and when the warrants become redeemable by us, we may exercise our redemption right even if we are unable to qualify the underlying securities for sale under all applicable state securities laws.

**Although historically blank check companies have used a 20% threshold for conversion rights, we allow up to approximately 29.99% of our public stockholders to exercise their conversion rights. This higher threshold will make it easier for us to consummate a business combination with which you may not agree, and you may not receive the full amount of your original investment upon exercise of your conversion rights.**

We will consummate the initial business combination only if the following conditions are met: (i) a majority of the outstanding shares of common stock sold in our initial public offering voted by the public stockholders are voted in favor of the business combination, (ii) public stockholders owning 30% or more of the shares of common stock sold in our initial public offering do not vote against the business combination and exercise their conversion rights and (iii) a majority of the shares of common stock then outstanding vote to approve an amendment to our amended and restated certificate of



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incorporation to provide for our perpetual existence. Our founding stockholders will not have such conversion rights with respect to any shares of common stock owned by them. Historically, blank check companies have had a conversion threshold of 20%, which makes it more difficult for such companies to consummate their initial business combination. Thus, because we permit a larger number of stockholders to exercise their conversion rights, it will be easier for us to consummate an initial business combination with a target business which you may believe is not suitable for us, and you may not receive the full amount of your original investment upon exercise of your conversion rights.

**The ability of a larger number of our stockholders to exercise their conversion rights may not allow us to consummate the most desirable business combination or optimize our capital structure.**

When we seek stockholder approval of a business combination, we will offer each public stockholder (but not our founding stockholders with respect to any shares each of them owned prior to the consummation of our initial public offering) the right to have his, her or its shares of common stock converted to cash if the stockholder votes against the business combination and the business combination is approved and consummated. Such holder must both vote against such business combination and then exercise his, her or its conversion rights to receive a pro rata share of the trust account. We allow up to approximately 29.99% of our public stockholders to exercise their conversion rights, which is greater than the 19.99% limit on the percentage of public stockholders who historically have been allowed to exercise their conversion rights in similarly structured companies. Accordingly, if our business combination requires us to use substantially all of our cash to pay the purchase price, because we will not know how many stockholders may exercise such conversion rights, we may either need to reserve part of the trust account for possible payment upon such conversion, or we may need to arrange third party financing to help fund our business combination in case a larger percentage of stockholders exercise their conversion rights than we expect. In the event that the acquisition involves the issuance of our stock as consideration, we may be required to issue a higher percentage of our stock to make up for a shortfall in funds. Raising additional funds to cover any shortfall may involve dilutive equity financing or incurring indebtedness at higher than desirable levels. Our need to reserve a larger amount of funds, issue more of our stock or obtain greater outside financing than many other similarly structured companies that allow a smaller percentage of public stockholders to exercise their conversion rights may present a competitive disadvantage for us compared with such other similarly structured companies and limit our ability to effectuate the most attractive business combination available to us.

**Stockholders may be held liable for claims by third parties against us to the extent of distributions received by them.**

Our amended and restated certificate of incorporation provides that we will continue in existence only until January 17, 2010. If we have not completed a business combination by such date and amended this provision in connection therewith, pursuant to the Delaware General Corporation Law, our corporate existence will cease except for the purposes of winding up our affairs and liquidating. Under Sections 280 through 282 of the Delaware General Corporation Law, stockholders may be held liable for claims by third parties against a corporation to the extent of distributions received by them in a dissolution. If the corporation complies with certain procedures set forth in Section 280 of the Delaware General Corporation Law intended to ensure that it makes reasonable provision for all claims against it, including a 60-day notice period during which any third-party claims can be brought against the corporation, a 90-day period during which the corporation may reject any claims brought, and an additional 150-day waiting period before any liquidating distributions are made to stockholders, any liability of stockholders with respect to a liquidating distribution is limited to the lesser of such stockholder's pro rata share of the claim or the amount distributed to the stockholder, and any liability of the stockholder would be barred after the third anniversary of the dissolution. However, it is our intention to make liquidating distributions to our stockholders as soon as reasonably possible after our corporate existence terminates and, therefore, we do not intend to comply with those procedures. Because we will not be complying with those procedures, we are required, pursuant to Section 281 of the Delaware General Corporation Law, to adopt a plan that will provide for our payment, based on facts known to us at such time, of (i) all existing claims, (ii) all pending claims and (iii) all claims that may be potentially brought against us within the subsequent 10 years. Accordingly, we would be required to provide for any creditors known to us at that time or those that we believe could be potentially brought against us within the subsequent 10 years prior to distributing the funds held in the trust to stockholders. We cannot assure you that we will properly assess all claims that may be potentially brought against us. As such, our stockholders could potentially be liable for any claims to the extent of distributions received by them and any liability of our stockholders may extend well beyond the third anniversary of such date. Accordingly, we cannot assure you that third parties will not seek to recover from our stockholders amounts owed to them by us. In the event of our liquidation, we may have to adopt a plan to provide for the payment of claims that may potentially be brought against us, which could result in the per-share liquidation amount to our stockholders being significantly less than \$10.00.

**Our placing of funds in trust may not protect those funds from third party claims against us.**

Third party claims may include contingent or conditional claims and claims of directors and officers entitled to indemnification under our amended and restated certificate of incorporation. We intend to pay any claims, to the extent

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sufficient to do so, from our funds not held in trust. Although we will seek to have all vendors, service providers and prospective target businesses or other entities with which we execute agreements waive any right, title, interest or claim of any kind in or to any monies held in the trust account for the benefit of our public stockholders, there is no guarantee that they will execute such agreements. Even if they execute such agreements, they could bring claims against the trust account including but not limited to fraudulent inducement, breach of fiduciary responsibility or other similar claims, as well as claims challenging the enforceability of the waiver, in each case in order to gain an advantage with a claim against our assets, including the funds held in the trust account. If any third party refused to execute an agreement waiving such claims to the monies held in the trust account, we would perform an analysis of the alternatives available to us if we chose not to engage such third party and evaluate if such engagement would be in the best interest of our stockholders if such third party refused to waive such claims.

Examples of possible instances where we may engage a third party that refused to execute a waiver include the engagement of a third party consultant whose particular expertise or skills are believed by management to be significantly superior to those of other consultants that would agree to execute a waiver or in cases where management is unable to find a provider of required services willing to provide the waiver. In any event, our management would perform an analysis of the alternatives available to it and would only enter into an agreement with a third party that did not execute a waiver if management believed that such third party's engagement would be significantly more beneficial to us than any alternative. In addition, there is no guarantee that such entities will agree to waive any claims they may have in the future as a result of, or arising out of, any negotiations, contracts or agreements with us and not seek recourse against the trust account for any reason. Accordingly, the proceeds held in trust could be subject to claims that could take priority over the claims of our public stockholders and the per-share liquidation price could be less than the \$10.00 per share held in the trust account, plus interest (net of any taxes due on such interest, which taxes, if any, shall be paid from the trust account), due to claims of such creditors. If we are unable to complete a business combination and liquidate the company, Medallion will be liable if we did not obtain a valid and enforceable waiver from any vendor, service provider, provider of financing, prospective target business or other entity of any rights or claims to the trust account, to the extent necessary to ensure that such claims do not reduce the amount in the trust account. We cannot assure you that Medallion will be able to satisfy those obligations. The indemnification provisions are set forth in a letter executed by Medallion. The letter specifically sets forth that in the event we obtain a valid and enforceable waiver of any right, title, interest or claim of any kind in or to any monies held in the trust account for the benefit of our stockholders from a vendor, service provider, provider of financing, prospective target business or other entity, the indemnification from Medallion will not be available.

Additionally, if we are forced to file a bankruptcy case or an involuntary bankruptcy case is filed against us which is not dismissed, the funds held in our trust account will be subject to applicable bankruptcy law, and may be included in our bankruptcy estate and subject to the claims of third parties with priority over the claims of our stockholders. To the extent any bankruptcy claims deplete the trust account we cannot assure you we will be able to return to our public stockholders the liquidation amounts due them.

**In certain circumstances, our board of directors may be viewed as having breached their fiduciary duties to our creditors, thereby exposing itself and our company to claims of punitive damages.**

If we are forced to file a bankruptcy case or an involuntary bankruptcy case is filed against us which is not dismissed, any distributions received by stockholders could be viewed under applicable debtor/creditor and/or bankruptcy laws as either a preferential transfer or a fraudulent conveyance. As a result, a bankruptcy court could seek to recover all amounts received by our stockholders. Furthermore, because we intend to distribute the proceeds held in the trust account to our public stockholders promptly after the termination of our existence by operation of law, this may be viewed or interpreted as giving preference to our public stockholders over any potential creditors with respect to access to or distributions from our assets. Furthermore, our board of directors may be viewed as having breached its fiduciary duty to our creditors and/or may have acted in bad faith, thereby exposing itself and our company to claims of punitive damages, by paying public stockholders from the trust account prior to addressing the claims of creditors. We cannot assure you that claims will not be brought against us for these reasons.

**If the net proceeds of our initial public offering not being placed in trust together with interest earned on the trust account available to us are insufficient to allow us to operate until January 17, 2010, we may not be able to complete a business combination.**

We currently believe that, upon consummation of our initial public offering, the funds available to us outside of the trust account together with up to \$2,250,000 of net interest income earned on the trust account that may be released to us will be sufficient to allow us to operate until January 17, 2010, assuming that a business combination is not consummated during that time. Based upon the experience of the members of our board and consultation with them regarding a reasonable budget for consummating a transaction of this kind and nature, and a review of budgets publicly disclosed by blank-check

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companies, we determined that this was an appropriate approximation of the expenses. If costs are higher than expected we might not have sufficient funds to continue searching for, or conduct due diligence with respect to, any potential target acquisitions. In such event, we would need to obtain additional funds from our founding stockholders or another source to continue operating. The \$401,317 not held in the trust account and up to \$2,250,000 of net interest income earned on the trust account will be reserved for working capital purposes. We could use a portion of these funds to pay due diligence costs in connection with a potential business combination or to pay fees to consultants to assist us with our search for a target acquisition. We could also use a portion of these funds as a down payment, reverse break-up fee (a provision in a merger agreement designed to compensate the target for any breach by the buyer which results in a failure to close the transaction), or to fund a no-shop provision (a provision in letters of intent designed to keep target acquisitions from shopping around for transactions with others on terms more favorable to such target acquisitions) with respect to a particular proposed business combination, although we do not have any current intention to do so. If we entered into such a letter of intent where we paid for the right to receive exclusivity from a target acquisition and were subsequently required to forfeit such funds (whether as a result of our breach or otherwise) or if we agree to a reverse break-up fee and subsequently were required to pay such fee as a result of our breach of the acquisition agreement, we might not have sufficient funds to continue searching for, or conduct due diligence with respect to any other potential target acquisitions. In such event, we would need to obtain additional funds from our founding stockholders or another source to continue operations. We are contractually limited in our ability to issue equity securities prior to the consummation of a business combination. Although we are not contractually limited from borrowing money, we may be unable to borrow money on terms which are favorable to us, if at all.

### **Our current officers and directors may resign upon consummation of a business combination.**

Upon consummation of a business combination, the role of our founding officers and directors in the target business cannot presently be fully ascertained. While it is possible that one or more of our founding officers and directors will remain in senior management or as directors following a business combination, we may employ other personnel following the business combination. If we acquire a target business in an all cash transaction, it would be more likely that our founding officers and our directors would remain with us if they chose to do so. If a business combination were structured as a merger whereby the stockholders of the target company were to control the combined company, following a business combination, it may be less likely that our founding officers or directors would remain with the combined company unless it was negotiated as part of the transaction through the acquisition agreement, an employment agreement or other arrangement.

### **Negotiated retention of officers, directors and advisors after a business combination may create a conflict of interest.**

If, as a condition to a potential business combination, our founding officers, directors and advisors negotiate to be retained after the consummation of the business combination, such negotiations may result in a conflict of interest. Such negotiations would take place simultaneously with the negotiation of the business combination and could provide for such individuals to receive compensation in the form of cash payments and/or our securities for services they would render to us after the consummation of the business combination. While the personal and financial interests of such individuals may influence their motivation in identifying and selecting a target acquisition, the ability of such individuals to remain with us after the consummation of a business combination will not be the determining factor in our decision as to whether or not we will proceed with any potential business combination. In making the determination as to whether current management should remain with us following the business combination, we will analyze the experience and skill set of the target business management and negotiate as part of the business combination that our founding officers, directors and advisors remain if it is believed that it is in the best interests of the combined company after the consummation of the business combination. Although we intend to closely scrutinize any additional individuals we engage after a business combination, we cannot assure you that our assessment of these individuals will prove to be correct.

### **There may be tax consequences associated with our acquisition, holding and disposition of target companies and assets.**

We may incur significant taxes in connection with effecting acquisitions; holding, receiving payments from, and operating target companies and assets; and disposing of target companies and assets.

### **Because any target business with which we attempt to complete a business combination may be required to provide our stockholders with financial statements prepared in accordance with and reconciled to United States generally accepted accounting principles or in accordance with International Financial Reporting Standards the pool of prospective target businesses may be limited.**

In accordance with the requirements of United States federal securities laws, in order to seek stockholder approval of a business combination, a proposed target business may be required to have certain financial statements which are prepared in accordance with, or which can be reconciled to, U.S. generally accepted accounting principles or in accordance with International Financial Reporting Standards and audited in accordance with the standards of the Public Company Accounting Oversight Board (United States).



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Although we would attempt to provide such audited or unaudited historical financial statement if required by applicable law or regulations, such historical financial statements are often not required, and, therefore, stockholders voting on a proposed transaction would not have the benefit of financial statements of past operations. However, to the extent that a proposed target business does not have, or cannot prepare, financial statements which have been prepared with, or which can be reconciled to, U.S. GAAP or in accordance with International Financial Reporting Standards, such as if we acquire certain assets, and audited in accordance with the standards of the Public Company Accounting Oversight Board (United States) and such audited or unaudited financial statements are required by applicable law or regulations, we will not be able to acquire that proposed target business. These financial statement requirements may limit the pool of potential target businesses.

### **Because of our limited resources and the significant competition for business combination opportunities, including numerous companies with a business plan similar to ours, it may be more difficult for us to complete a business combination.**

Based on publicly available information as of January 11, 2008, approximately 143 similarly structured blank check companies have completed initial public offerings since the beginning of 2004, and numerous others have filed registration statements. Of these 143 similarly structured blank check companies, only 42 have consummated a business combination, while 24 others have announced that they have entered into definitive agreements or letters of intent with respect to potential business combinations, but have not yet consummated such business combinations and another 7 will be or have liquidated.

Accordingly, there are approximately 70 blank check companies with approximately \$11.2 billion in trust and potentially an additional 66 blank check companies with approximately \$13.0 billion in trust that have filed registration statements and are seeking, or will be seeking, to complete business combinations. While some of these companies have specific industries in which they must identify a potential target business, a number of these companies may consummate a business combination in any industry and/or geographic location they choose. As a result, we may be subject to competition from these and other companies seeking to consummate a business combination within any of our target sectors, which, in turn, will result in an increased demand for privately-held companies in these industries. Because of this competition, we cannot assure you that we will be able to effectuate a business combination within the required time period. Further, the fact that only 66 of such companies have either consummated a business combination or entered into a definitive agreement for a business combination may indicate that there are fewer attractive target businesses available to such entities or that many privately-held target businesses are not inclined to enter into these types of transactions with publicly-held blank check companies like ours.

We expect to encounter intense competition from other entities having a business objective similar to ours, including private investors (which may be individuals or investment partnerships), other blank check companies, and other entities, domestic and international, competing for the type of businesses that we may intend to acquire. Many of these individuals and entities are well established, have capital available to them and have extensive experience in identifying and effecting, directly or indirectly, acquisitions of sports-related properties, assets and entities. Many of these competitors possess greater technical, human and other resources, or more local industry knowledge, than we do and our financial resources will be relatively limited when contrasted with those of many of these competitors. While we believe that there are numerous target acquisitions that we could potentially acquire with the net proceeds of our initial public offering, our ability to compete with respect to the acquisition of certain target acquisitions that are sizable will be limited by our available financial resources. This inherent competitive limitation gives others an advantage in pursuing the acquisition of certain target acquisitions. Furthermore, the obligation we have to seek stockholder approval of a business combination may delay the consummation of a transaction. Additionally, our outstanding warrants and the future dilution they potentially represent may not be viewed favorably by certain target acquisitions. Also, our obligation to convert into cash the shares of common stock in certain instances may reduce the resources available for a business combination. Any of these obligations may place us at a competitive disadvantage in successfully negotiating a business combination.

We cannot assure you we will be able to successfully compete for an attractive business combination. Additionally, because of this competition, we cannot assure you we will be able to effectuate a business combination within the prescribed time period. If we are unable to consummate a business combination within the prescribed time period, we will be forced to liquidate.

### **You are not entitled to protections normally afforded to investors of blank check companies.**

Since the net proceeds of our initial public offering are intended to be used to complete a business combination with an unidentified target acquisition, we may be deemed to be a blank check company under the United States securities laws. However, since we have net tangible assets in excess of \$5,000,000 and have filed a Current Report on Form 8-K with the SEC including an audited balance sheet demonstrating this fact, we are exempt from rules promulgated by the SEC to protect investors of blank check companies such as Rule 419. Accordingly, stockholders are not afforded the benefits or protections of those rules, such as entitlement to all the interest earned on the funds deposited in the trust account. Because we are not





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subject to these rules, including Rule 419, our units are immediately tradable and we have a longer period of time to complete a business combination in certain circumstances than we would if we were subject to such rule.

**Since we have not yet selected any target acquisition with which to complete a business combination, we are unable to currently ascertain the merits or risks of the business operations and investors will be relying on management's ability to source business transactions.**

Because we have not yet identified a prospective target acquisition, investors currently have no basis to evaluate the possible merits or risks of the target acquisition. Although our management will evaluate the risks inherent in a particular target acquisition, we cannot assure you that they will properly ascertain or assess all of the significant risk factors. We also cannot assure you that an investment in our units will ultimately prove to be more favorable to investors than a direct investment, if such opportunity were available, in a target acquisition. Except for the limitation that a target acquisition have a fair market value of at least 80% of our net assets held in the time of the acquisition, we will have virtually unrestricted flexibility in identifying and selecting a prospective acquisition candidate. Investors will be relying on management's ability to source business transactions, evaluate their merits, conduct or monitor diligence and conduct negotiations.

**If we were to structure our business combination as an asset acquisition, it is possible that proxy materials provided to our stockholders would not include historical financial statements and, accordingly, investors will not have historical financial statements on which to rely in making their decision whether to vote for the acquisition.**

Although we would provide such audited or unaudited historical financial statements if required by applicable law or regulations, such historical financial statements are often not required, and, therefore, stockholders voting on a proposed transaction would not have the benefit of financial statements of past operations. We are unable to predict the facts and circumstances surrounding any possible future asset acquisition and, accordingly, cannot provide assurances with respect to the provision of audited historical financial information. If, however, we determined that such audited historical financial information was not required, instead of audited or unaudited historical financial statements, the proxy statement we would send to our stockholders would contain the same information that would typically be provided in the business section of the prospectus for an initial public offering of a start-up company without historical financial statements, such as: (i) historical and prevailing market rates for assets on the basis of type, age and proposed employment; (ii) our expectations of future market trends and proposed strategy for employment of the assets; (iii) our anticipated operational (overhead) expenses; and (iv) the valuation of the assets generally, all of which, in turn, depend on the sector of the sports, leisure or entertainment industry in which we consummate such a business combination. Thus, stockholders would not necessarily be able to rely on historical financial statements when deciding whether to approve a business combination involving the acquisition of assets.

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**We may issue additional shares of our capital stock to complete a business combination, which would reduce the equity interest of our stockholders and likely cause a change in control of our ownership.**

Our amended and restated certificate of incorporation authorizes the issuance of up to 100,000,000 shares of common stock, par value \$0.001 per share, and 1,000,000 shares of preferred stock, par value \$0.001 per share. There are 45,498,329 authorized but unissued shares of our common stock available for issuance (after appropriate reservation for the issuance of shares of common stock upon full exercise of our outstanding warrants) and all of the 1,000,000 shares of preferred stock available for issuance. Although we have no existing commitment to do so, we are likely to issue a substantial number of additional shares of our common or preferred stock, or a combination of common and preferred stock, to complete a business combination. The issuance of additional shares of our common stock or any number of shares of our preferred stock:

may significantly reduce the equity interest of our stockholders;

may subordinate the rights of holders of common stock if preferred stock is issued with rights senior to those afforded to the holders of our common stock;

will likely cause a change in control if a substantial number of our shares of common stock are issued, which may affect, among other things, our ability to use our net operating loss carry forwards, if any, and most likely will also result in the resignation or removal of our present officers and directors; and

may adversely affect prevailing market prices for our common stock.

**We may issue notes or other debt securities, or otherwise incur substantial debt, which may adversely affect our leverage and financial condition.**

Although we have no existing commitments to issue any notes or other debt securities, or to otherwise incur debt, we may choose to incur substantial debt to complete a business combination. The incurrence of debt could result in:

default and foreclosure on our assets if our operating cash flow was insufficient to pay our debt obligations;

acceleration of our obligations to repay the indebtedness even if we have made all principal and interest payments when due, if the debt security contained covenants that required the maintenance of certain financial ratios or reserves and any such covenant were breached without a waiver or renegotiation of that covenant;

our immediate payment of all principal and accrued interest, if any, if the debt security was payable on demand;

our stockholders receiving less than \$10.00 per share from the trust account upon liquidation if such debt is incurred prior to consummation of a business combination and the trust account is subsequently liquidated;

covenants that limit our ability to pay dividends on our common stock, to acquire capital assets or make additional acquisitions; and

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our inability to obtain additional financing, if necessary, if the debt security contained covenants restricting our ability to obtain additional financing while such security was outstanding.

**Our investments in any future joint investment could be adversely affected by our lack of sole decision-making authority, our reliance on a partner's financial condition and disputes between us and our partners.**

While we will not structure our initial business combination in such a way that we will be the minority stockholder of a combined company, we may in the future co-invest with third parties through partnerships or joint investment in an acquisition target or other entities. In such circumstances, we may not be in a position to exercise sole decision-making authority regarding a target business, partnership or other entity. Investments in partnerships or other entities may, under certain circumstances, involve risks not present were a third party not involved, including the possibility that partners might become insolvent or fail to fund their share of required capital contributions. Partners may have economic or other business interests or goals which are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives. Such partners may also seek similar acquisition targets as us and we may be in competition with them for such acquisition targets. Disputes between us and partners may result in litigation or arbitration that would increase our expenses and distract our officers and/or directors from focusing their time and effort on our business. Consequently, actions by, or disputes with, partners might result in subjecting assets owned by the partnership to additional risk. We may also, in certain circumstances, be liable for the actions of our third-party partners. For example, in the future we may agree to guarantee indebtedness incurred by a partnership or other entity. Such a guarantee may be on a joint and several basis with our partner in which case we may be liable in the event such party defaults on its guaranty obligation. In addition, if we were to partner with other entities to acquire a target acquisition, it may result in us reporting a minority interest held by a third party in such acquisition target on our financial statements, which would result in us only recognizing our ownership percentage of such target's earnings.

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### **Our ability to successfully effect a business combination and to be successful thereafter will be totally dependent upon the efforts of our key personnel, including our officers, directors and others who may not continue with us following a business combination.**

Our ability to successfully effect a business combination is dependent upon the efforts of our key personnel. Our key personnel are also officers, directors, and/or members of other entities, who we anticipate we will have access to on an as needed basis, although there are no assurances that any such personnel will be able to devote either sufficient time, effort or attention to us when we need it. None of our key personnel, including our executive officers have entered into employment or consultant agreements with us. Further, although we presently anticipate that our officers will remain associated in senior management, advisory or other positions with us following a business combination, some or all of the management associated with a target acquisition may also remain in place. As such, our key personnel may not continue to provide services to us after the consummation of a business combination if we are unable to negotiate employment or consulting agreements with them in connection with or subsequent to the business combination, the terms of which would be determined at such time between the respective parties. Such negotiations would take place simultaneously with the negotiation of the business combination and could provide for such individuals to receive compensation in the form of cash payments and/or our securities for services they would render to us after the consummation of the business combination. While the personal and financial interests of such individuals may influence their motivation in identifying and selecting a target acquisition, the ability of such individuals to remain with us after the consummation of a business combination will not be the determining factor in our decision as to whether or not we will proceed with any potential business combination.

### **We will have only limited ability to evaluate the management of the target business.**

While we intend to closely scrutinize any individuals we engage after a business combination, we cannot assure you that our assessment of these individuals will prove to be correct. These individuals may be unfamiliar with the requirements of operating a public company which could cause us to have to expend time and resources helping them become familiar with such requirements. This could be expensive and time-consuming and could lead to various operational issues which may adversely affect our operations.

### **Our officers, directors and advisors will allocate some portion of their time to other businesses thereby causing conflicts of interest in their determination as to how much time to devote to our affairs. This conflict of interest could have a negative impact on our ability to consummate a business combination.**

Our officers, directors and advisors are not required to commit their full time to our affairs, which could create a conflict of interest when allocating their time between our operations and their other commitments. We do not intend to have any full time employees prior to the consummation of a business combination. Our executive officers, directors and advisors are currently employed by other entities and are not obligated to devote any specific number of hours to our affairs. If other entities require them to devote more substantial amounts of time to their business and affairs, it could limit their ability to devote time to our affairs and could have a negative impact on our ability to consummate a business combination. We cannot assure you that these conflicts will be resolved in our favor.

### **Our officers, directors, advisors or founding stockholders may have interests in a potential business combination which may raise potential conflicts.**

We will not propose any business combination with any potential target business to our stockholders if any of our officers, directors, advisors or founding stockholders is an affiliate of such potential target business, or if such potential target business has received a material investment from any of these individuals or entities. Nevertheless, several of our officers, directors, advisors and founding stockholders are engaged in other business activities and have extensive relationships in the sports, leisure or entertainment industries. Our Chief Executive Officer, Tony Tavares, is the President and Chief Executive Officer of ProEminent Sports, LLC. Pursuant to a consulting agreement between ProEminent Sports, LLC and Medallion Financial Corp., Mr. Tavares acts as a consultant to Medallion for sports related investments and, included within the scope of his duties is his service to us. Pursuant to the consulting agreement, Mr. Tavares has, among other things, agreed to serve as our Chief Executive Officer, review and help define our scope of business. Mr. Tavares has agreed to help us identify a target business in the sports, entertainment and leisure industries, perform due diligence on the proposed target and negotiate and consummate a business combination with such a target business. Our advisors, Robert Caporale and Randel Vataha, are Chairman and President, respectively, and each own 50% of the membership interests, of Game Plan LLC. Medallion is a party to an agreement with Game Plan LLC pursuant to which Game Plan LLC provides certain consulting services to Medallion and to us, including advising us in identifying a target business in the sports, entertainment and leisure industries. Mr. Caporale and Mr. Vataha have agreed to help us identify a target business in the sports, entertainment and leisure industries, perform due diligence on the proposed target and negotiate and consummate a business combination with such a target business. We may separately engage Game Plan LLC in the future to provide consulting services to us in connection with identifying a target business in the sports, entertainment and leisure industries and consummating a business



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combination with such a target business. The services to be rendered and the fees to be paid to Game Plan under any future engagement will be the subject of negotiation between the parties prior to such engagement. Our Vice Chairman and Secretary, Andrew M. Murstein, also serves as the President of Medallion, and our Chief Financial Officer, Larry D. Hall, also serves as the Chief Financial Officer of Medallion. ProEminent Sports, LLC, Medallion, Game Plan LLC, or any of our officers, directors, advisors or founding stockholders may have relationships or have clients who have relationships with a potential target business. Other than the fees under these agreements and under any future agreement with Game Plan LLC into which we may enter and the compensation paid by Medallion to these officers and advisors, in no event will any of our existing officers, directors or stockholders or any entity with which they are affiliated, be paid any finder's fee, consulting fee or other compensation prior to, or for any services they render, in order to effectuate the consummation of a business combination. However, such individuals and entities will be reimbursed for any out-of-pocket expenses incurred in connection with activities on our behalf such as identifying potential target acquisitions and performing due diligence on suitable business combinations. After a business combination, such individuals may be paid consulting, management or other fees from target businesses, with any and all amounts being fully disclosed to stockholders, to the extent known, in the proxy solicitation materials furnished to the stockholders. Any such compensation to be paid to our officers, directors or founding stockholders after a business combination may influence their evaluation of a potential business combination, resulting in a conflict of interest when determining whether the terms, conditions and timing of a particular business combination are appropriate and in our stockholders' best interest.

In the course of their other business activities, our officers, directors, advisors and founding stockholders may also become aware of investment and business opportunities that may be appropriate for presentation to us as well as the other entities with which they are affiliated. They may have conflicting fiduciary duties in determining to which entity a particular business opportunity should be presented or in determining whether an entity is a suitable business opportunity for us. To minimize potential conflicts of interest, we have agreed not to consummate a business combination with an entity that is affiliated with any of our officers, directors, advisors or founding stockholders. However, we cannot assure you that our officers, directors, advisors and founding stockholders will present every attractive potential target business opportunity to us or that the potential target business opportunities that they present to us will be the best potential target business opportunities available.

**Medallion's status as a business development company under the Investment Company Act of 1940 may result in a conflict of interest in determining whether a particular target acquisition structure is appropriate for a business combination.**

Medallion has elected to be treated as a business development company, or BDC, under the Investment Company Act of 1940 (the "1940 Act"). As a BDC, Medallion is subject to restrictions on its ability to invest in companies that are not "eligible portfolio companies" under the 1940 Act, and Medallion could face material adverse consequences if it were to violate those restrictions. Medallion believes that it is able to treat its investment in us as an investment in an eligible portfolio company on the basis that it controls us, and, as a result of exercising a controlling influence over our management or policies, has at least one affiliate serving as a member of our board of directors. Under the 1940 Act, control is defined as the power to exercise a controlling influence over our management or policies. Although control does not require ownership of a particular percentage of securities, the 1940 Act contains a rebuttable presumption that a party who owns 25% or more of the voting securities of a company has control of such company. In structuring a business combination, to the extent that Medallion desires to continue to treat its investment in us as an investment in an eligible portfolio company, Medallion's desire may influence its motivation, and those of its officers and directors who are also our officers and directors, in identifying and selecting a target business and completing a business combination. For example, Medallion may desire to retain one or more board seats or to own a minimum percentage interest in us. If a transaction structure required us to issue additional shares of our common stock as part of the consideration, it could cause Medallion to lose control of us unless Medallion purchased additional shares of us in open market purchases or in private placements from us, which could adversely affect Medallion. Similarly, if a transaction would result in the removal of one or more of the Medallion representatives on our board, Medallion might be unable to exercise a controlling influence over our policies or management and, in the event of the removal of all of the Medallion representatives on our board, Medallion would be unable to treat its investment in us as an investment in an eligible portfolio company. As a result, the interest of Medallion in maintaining ownership of a large percentage of our outstanding voting securities or the ability to retain one or more of its affiliates as members of our board of directors may cause Medallion's interests with respect to a potential business combination to differ from the best interests of our stockholders. Consequently, the discretion to be exercised by those officers and directors of Medallion who are also our officers and directors in identifying and selecting a suitable target acquisition may result in a conflict of interest when determining whether the terms, conditions and timing of a particular business combination are appropriate and in our stockholders' best interest, in the event that Medallion still wants to treat us as an eligible portfolio company.

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**Our officers, directors, advisors and founding stockholders currently are, and may in the future become, affiliated with additional entities that are engaged in business activities similar to those intended to be conducted by us and, accordingly, may have conflicts of interest in determining to which entity a particular business opportunity should be presented.**

None of our officers, directors, advisors or founding stockholders have been or currently are a principal of, or affiliated or associated with, a blank check company. However, our officers, directors, advisors and founding stockholders may in the future become affiliated with additional entities, including other blank check companies which may be engaged in activities similar to those intended to be conducted by us. Additionally, officers, directors, advisors and founding stockholders may become aware of business opportunities which may be appropriate for presentation to us and the other entities to which they owe fiduciary duties or other contractual obligations. No procedures have been established to determine how conflicts of interest that may arise due to duties or obligations owed to other entities will be resolved. However, each of our officers, directors and advisors have entered into an agreement with us and with the underwriter(s) whereby he has agreed to present to us, prior to presentation to any other person or entity, opportunities to acquire entities, until the earlier of our consummation of a business combination, our liquidation or until such time as he ceases to be an officer, director or advisor, subject to any pre-existing fiduciary or contractual obligation he has. Medallion has entered into an agreement with us and with the underwriter(s) whereby it has agreed to present to us, prior to its own consideration or presentation to any other person or entity, opportunities to acquire entities in the sports, leisure or entertainment industries that, in its reasonable discretion, have a value equal to or exceeding 80% of our total assets held in trust at the time that Medallion becomes aware of such opportunity. The terms of these agreements may only be modified or waived by written instrument executed and delivered by the party against whom such modification or waiver is to be enforced. There can be no assurance that any such terms will not be modified or waived, which could result in the presentment of business opportunities to other entities before a presentment to us; provided, however, neither we nor the underwriters has any current intentions to permit such a modification or amendment.

Accordingly, because of their pre-existing fiduciary duties or a waiver by us of the terms of these agreements, our officers, directors, advisors and founding stockholders may have conflicts of interest in determining to which entity a particular business opportunity should be presented.

**Our founding stockholders currently own shares of our common stock which will not participate in the liquidation of the trust account and a conflict of interest may arise in determining whether a particular target acquisition is appropriate for a business combination.**

Our founding stockholders own shares of our common stock that were issued prior to our initial public offering, but have waived their rights to receive distributions with respect to those shares of common stock upon the liquidation of the trust account if we are unable to consummate a business combination. Additionally, Medallion and Tony Tavares, our President and Chief Executive Officer, purchased 5,900,000 and 100,000 warrants, respectively, directly from us in a private placement transaction prior to the effective date of this our initial public offering at a purchase price of \$1.00 per warrant for a purchase price of \$6,000,000. The shares of common stock acquired prior to our initial public offering and any warrants owned by any founding stockholder will be worthless if we do not consummate a business combination. The personal and financial interests of our officers and our directors may influence their motivation in timely identifying and selecting a target acquisition and completing a business combination. Consequently, our officers' discretion, and the discretion of our directors, in identifying and selecting a suitable target acquisition may result in a conflict of interest when determining whether the terms, conditions and timing of a particular business combination are appropriate and in our stockholders' best interest and as a result of such conflicts management may choose a target acquisition that is not in the best interests of our stockholders.



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**The requirement that we complete a business combination by January 17, 2010 may give potential target businesses leverage over us in negotiating a business combination.**

We will liquidate and promptly distribute only to our public stockholders the amount in our trust account (subject to our obligations under Delaware law for claims of creditors) plus any remaining net assets if we do not effect a business combination by January 17, 2010. Any potential target business with which we enter into negotiations concerning a business combination will be aware of this requirement. Consequently, such target businesses may obtain leverage over us in negotiating a business combination, knowing that if we do not complete a business combination with that particular target business, we may be unable to complete a business combination with any target business. This risk will increase as we get closer to the time limits referenced above.

**The requirement that we complete a business combination by January 17, 2010 may motivate our officers and directors to approve a business combination during that time period so that they may get their out-of-pocket expenses reimbursed.**

Each of our officers and directors may receive reimbursement for out-of-pocket expenses incurred by him in connection with activities on our behalf such as identifying potential target businesses and performing due diligence on suitable business combinations. The funds for such reimbursement will be provided from the money not held in trust. There is no limit on the amount of out-of-pocket expenses that could be incurred and there will be no review of the reasonableness of the expenses by anyone other than our board of directors, which would include persons who may seek reimbursement, or a court of competent jurisdiction if such reimbursement is challenged. In the event that we do not effect a business combination by January 17, 2010, then any expenses incurred by such individuals in excess of the money being held outside of the trust will not be repaid as we will liquidate at such time. On the other hand, if we complete a business combination within such time period, those expenses will be repaid by the target business. Consequently, our officers, who are also our directors, may have an incentive to complete a business combination other than just what is in the best interest of our stockholders.

**None of our officers or directors, or any of their affiliates, has ever been associated with a blank check company and such lack of experience could adversely affect our ability to consummate a business combination.**

None of our officers or directors, or any of their affiliates, has ever been associated with a blank check company. Accordingly, you may not have sufficient information with which to evaluate the ability of our management team to identify and complete a business combination using the proceeds of our initial public offering. Our management's lack of experience in operating a blank check company could adversely affect our ability to consummate a business combination and could result in our having to liquidate our trust account. If we liquidate, our public stockholders could receive less than the amount they paid for our securities, causing them to incur significant financial losses.

**Other than with respect to the business combination, our officers, directors, securityholders and their respective affiliates may have a pecuniary interest in certain transactions in which we are involved, and may also compete with us.**

Other than with respect to the business combination, we have not adopted a policy that expressly prohibits our directors, officers, securityholders or affiliates from having a direct or indirect pecuniary interest in any investment to be acquired or disposed of by us or in any transaction to which we are a party or have an interest. Nor do we have a policy that expressly prohibits any such persons from engaging for their own account in business activities of the types conducted by us. Currently, Messrs. Murstein and Hall, our Vice Chairman and Secretary and our Chief Financial Officer, respectively, are President and Chief Financial Officer, respectively, of Medallion, one of our directors, Richard Mack, is a Managing Director of Apollo Real Estate Investment Funds, and Messrs. Vataha and Caporale, our advisors, are President and Chairman, respectively, of Game Plan LLC, a sports only investment bank. Accordingly, such parties may have an interest in certain transactions such as strategic partnering or joint venturing in which we are involved, and may also compete with us or advise other entities seeking to engage in a business combination with the same target as our company.

**If our common stock becomes subject to the SEC's penny stock rules, broker-dealers may experience difficulty in completing customer transactions and trading activity in our securities may be adversely affected.**

If our common stock becomes subject to the penny stock rules promulgated under the Securities Exchange Act of 1934, as amended, (the Exchange Act) broker-dealers may find it difficult to effectuate customer transactions and trading activity in our securities may be adversely affected. As a result, the market price of our securities may be depressed, and you may find it more difficult to sell our securities.

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If at any time we have net tangible assets of less than \$5,000,000 and our common stock has a market price per share of less than \$5.00, transactions in our common stock will be subject to these penny stock rules. Under these rules, broker-dealers who recommend such securities to persons other than institutional accredited investors must:

make a special written suitability determination for the purchaser;

receive the purchaser's written agreement to the transaction prior to sale;

provide the purchaser with risk disclosure documents which identify certain risks associated with investing in penny stocks and which describe the market for these penny stocks as well as a purchaser's legal remedies; and

obtain a signed and dated acknowledgment from the purchaser demonstrating that the purchaser has actually received the required risk disclosure document before a transaction in a penny stock can be completed.

**Initially, we may only be able to complete one business combination, which will cause us to be solely dependent on a single asset or property.**

The net proceeds from our initial public offering and the private placement (excluding \$9,296,154 in the trust account which represents deferred underwriting discounts and commissions) provided us with approximately \$205,848,590 which will be held in trust and may be used by us to complete a business combination. We currently have no restrictions on our ability to seek additional funds through the sale of securities or through loans. As a consequence, we could seek to acquire a target business that has a fair market value significantly in excess of 80% of our net assets held in trust (net of taxes and excluding the amount held in the trust account representing a portion of the underwriters' discount) at the time of such acquisition and could seek to fund such a business combination by raising additional funds through the sale of our securities or through loan arrangements. However, if we were to seek such additional funds, any such arrangement would only be consummated simultaneously with our consummation of a business combination. Consequently, it is probable that we will have the ability to complete only a single business combination, although this may entail the simultaneous acquisitions of several assets or closely related operating businesses at the same time. However, should our management elect to pursue more than one acquisition of target businesses simultaneously, our management could encounter difficulties in consummating all or a portion of such acquisitions due to a lack of adequate resources, including the inability of management to devote sufficient time to the due diligence, negotiation and documentation of each acquisition. Furthermore, even if we complete the acquisition of more than one target business at substantially the same time, there can be no assurance that we will be able to integrate the operations of such target businesses. Accordingly, the prospects for our ability to effect our business strategy may be:

solely dependent upon the performance of a single business; or

dependent upon the development or market acceptance of a single or limited number of products, processes or services.

In this case, we will not be able to diversify our operations or benefit from the possible spreading of risks or offsetting of losses, unlike other entities which may have the resources to complete several business combinations in different industries or different areas of a single industry. Furthermore, since our business combination may entail the simultaneous acquisitions of several assets or operating businesses at the same time and may be with different sellers, we will need to convince such sellers to agree that the purchase of their assets or businesses is contingent upon the simultaneous closings of the other acquisitions.

**We may be unable to obtain additional financing, if required, to complete a business combination or to fund the operations and growth of the target business, which could compel us to restructure the transaction or abandon a particular business combination.**

Although we believe that the net proceeds of our initial public offering and the private placement will be sufficient to allow us to consummate a business combination, because we have not yet identified any prospective target acquisition to acquire, we cannot ascertain the capital requirements for any particular transaction. If the net proceeds of our initial public offering and the private placement prove to be insufficient, either because of the size of the business combination, the depletion of the available net proceeds in the course of searching for suitable target

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acquisition that we can afford to acquire, or the obligation to convert into cash a significant number of shares of common stock from dissenting stockholders, we will be required to seek additional financing. We cannot assure you that any additional financing will be available to us on acceptable terms, if at all. To the extent that additional financing proves to be unavailable when needed to consummate a particular business combination, we would be compelled to either restructure the transaction or abandon that particular business combination and seek an alternative target acquisition candidate. In addition, it is possible that we could use a portion of the funds not in the trust account to make a deposit, down payment or fund a no-shop provision with respect to a proposed business combination, although we do not have any current intention to do so. In the event that we were ultimately required to forfeit such funds (whether as a result of our breach of the agreement relating to such payment or otherwise), we

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may not have a sufficient amount of working capital available outside of the trust account to conduct due diligence and pay other expenses related to finding a suitable business combination without securing additional financing. If we are unable to secure additional financing, we would most likely fail to consummate a business combination in the allotted time and would liquidate the trust account, resulting in a loss of a portion of your investment. In addition, if we consummate a business combination, we may require additional financing to fund continuing operations and/or growth. The failure to secure additional financing if required could have a material adverse effect on our ability to continue to develop and grow, even if we consummate a business combination. None of our officers, directors or stockholders is required to provide any financing to us in connection with or after a business combination. For a more complete discussion regarding the liquidation of our trust account if we cannot consummate a business combination, see Proposed Business Effecting a Business Combination Liquidation if no Business Combination.

### **Medallion controls a substantial interest in us and thus may influence certain actions requiring a stockholder vote.**

Medallion owns approximately 18.1% of our issued and outstanding common stock. Our directors, officers, advisors and founding stockholders may purchase shares of common stock in the open market for investment purposes or to influence the stockholder vote to approve a business combination. Our directors, officers, advisors and founding stockholders have agreed to vote any shares of common stock acquired by them in our initial public offering in accordance with a majority of the public stockholders and any shares of common stock acquired by them after our initial public offering in favor of a business combination. As a result, Medallion may be able to influence the outcome of our initial business combination.

This ownership interest, together with any other acquisitions of our shares of common stock (or warrants which are subsequently exercised), could also allow Medallion or any other founding stockholder who purchases additional units, shares of common stock or warrants through open market purchases to influence the outcome of matters requiring stockholder approval, including the outcome of our initial business combination, the election of directors and approval of significant corporate transactions after completion of our initial business combination. The interests of Medallion and your interests may not always align and taking actions which require approval of a majority of our stockholders, such as selling the company, may be more difficult to accomplish.

### **We could be liable for up to the amount of the purchase price of the founder warrants plus interest to Medallion and Tony Tavares, our President and Chief Executive Officer, or their designees, who purchased the founder warrants in a private placement conducted concurrently with our initial public offering.**

We sold in a private placement occurring immediately prior to the effective date of our initial public offering 5,900,000 and 100,000 founder warrants, respectively, to Medallion and Tony Tavares, our President and Chief Executive Officer. This private placement of \$6,000,000 in founder warrants was made in reliance on an exemption from registration under the Securities Act. This exemption requires that there be no general solicitation of investors with respect to the sales of the founder warrants. If our initial public offering were deemed to be a general solicitation with respect to the founder warrants, the offer and sale of such warrants would not be exempt from registration and the purchaser of those warrants could have a right to rescind its purchase. The rescinding purchaser could seek to recover the purchase price paid, with interest, or if it no longer owns the warrants, to receive damages. The founder warrants purchase agreements contain provisions under which the purchasers waive any and all rights to assert present or future claims, including the right of rescission, against us with respect to their purchase of the founder warrants and agree to indemnify and hold us and the underwriters harmless from all losses, damages or expenses that relate to claims or proceedings brought against us or the underwriters by each purchaser of the founder warrants, although it is unclear whether these waivers and indemnifications would be enforceable.

### **If we redeem our public warrants, the founder warrants, which are non redeemable, could provide the purchaser thereof with the ability to realize a larger gain than the public warrant holders.**

The warrants held by our public warrant holders and any warrants held by the underwriter, may be called for redemption at any time after the warrants become exercisable:

in whole and not in part;

at a price of \$.01 per warrant;

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upon not less than 30 days prior written notice of redemption to each warrant holder; and

if, and only if, the last sale price of the common stock equals or exceeds \$14.25 per share, for any 20 trading days within a 30 trading day period ending on the third business day prior to the notice of redemption to warrant holders.

In addition, we may not redeem the warrants unless the warrants comprising the units sold in our initial public offering and the shares of common stock underlying those warrants are covered by an effective registration statement from the beginning of the measurement period through the date fixed for the redemption.

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As a result of the founder warrants not being subject to the redemption features that our publicly-held warrants are subject to, a holder of the founder warrants, or its permitted transferees, could realize a larger gain than our public warrant holders in the event we redeem our public warrants.

### **Our outstanding warrants may have an adverse effect on the market price of common stock and make it more difficult to effect a business combination.**

In connection with our initial public offering, we issued warrants to purchase up to 21,556,300 shares of common stock. To the extent we issue shares of common stock to effect a business combination, the potential for the issuance of a substantial number of additional shares of common stock upon exercise of these warrants could make us a less attractive acquisition vehicle in the eyes of a target acquisition. Such securities, when exercised, will increase the number of issued and outstanding shares of our common stock and reduce the value of the shares of common stock issued to complete the business combination. Therefore, our warrants may make it more difficult to effectuate a business combination or increase the cost of acquiring the target acquisition. Additionally, the sale, or even the possibility of sale, of the shares of common stock underlying the warrants could have an adverse effect on the market price for our securities or on our ability to obtain future financing. If and to the extent these warrants are exercised, you may experience dilution to your holdings.

### **A market for our securities may not develop, which would adversely affect the liquidity and price of our securities.**

Prior to our initial public offering, there was no public market for our securities. An active trading market for our securities may never develop or, if developed, it may not be sustained. You may be unable to sell your securities unless a market can be established or sustained.

### **If our founding stockholders exercise their registration rights, it may have an adverse effect on the market price of our common stock and the existence of the registration rights may make it more difficult to effect a business combination.**

Our founding stockholders are entitled to require us to register the resale of their shares of common stock at any time after the date on which their shares of common stock or warrants are released from escrow, which will not be before one year from the consummation of a business combination, provided that, if, after the consummation of a business combination, the surviving entity of such business combination subsequently consummates a liquidation, merger, stock exchange or other similar transaction which results in all of the stockholders of such entity having the right to exchange their shares of common stock for cash, securities or other property, then such shares or warrants may be released in order to enable holders of such founder warrants to participate in such exchange. If our founding stockholders exercise their registration rights with respect to all of their shares of common stock beneficially owned by them, then there will be an additional 5,389,071 shares of common stock eligible for trading in the public market. Further, Medallion and Tony Tavares, our President and Chief Executive Officer, have purchased in a private placement 5,900,000 and 100,000 founder warrants, respectively, that are identical to the units and warrants sold in our initial public offering, respectively, except that (i) such founder warrants were placed in escrow and will not be released before one year from the consummation of a business combination, provided that, if, after the consummation of a business combination, the surviving entity of such business combination subsequently consummates a liquidation, merger, stock exchange or other similar transaction which results in all of the stockholders of such entity having the right to exchange their shares of common stock for cash, securities or other property, then such warrants may be released in order to enable holders of such founder warrants to participate in such exchange, (ii) such founder warrants were purchased pursuant to an exemption from the registration requirements of the Securities Act and will become freely tradable only after they are registered pursuant to a registration rights agreement, (iii) the founder warrants will be non-redeemable so long as such founding stockholders hold them, and (iv) the founder warrants are exercisable in the absence of an effective registration statement covering the shares of common stock underlying the warrants. If all of the founder warrants are exercised, there will be an additional 6,000,000 shares of our common stock eligible for trading in the public market.

The presence of these additional numbers of securities eligible for trading in the public market may have an adverse effect on the market price of our common stock. In addition, the existence of these rights may make it more difficult to effectuate a business combination or increase the cost of the target business, as the stockholders of the target business may be discouraged from entering into a business combination with us or will request a higher price for their securities as a result of these registration rights and the potential future effect their exercise may have on the trading market for our common stock.

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**If we are deemed to be an investment company, we may be required to institute burdensome compliance requirements and our activities may be restricted, which may make it difficult for us to complete a business combination, or we may be required to incur additional expenses if we are unable to liquidate after the expiration of the allotted time periods.**

If we are deemed to be an investment company under the Investment Company Act of 1940, we may be subject to certain restrictions that may make it more difficult for us to complete a business combination, including:

restrictions on the nature of our investments; and

restrictions on the issuance of securities.

In addition, we may have imposed upon us certain burdensome requirements, including:

registration as an investment company;

adoption of a specific form of corporate structure; and

reporting, record keeping, voting, proxy, compliance policies and procedures and disclosure requirements and other rules and regulations.

We do not believe that our anticipated principal activities will subject us to the Investment Company Act of 1940, as amended. To this end, the proceeds held in trust may be invested by the trust agent only in United States government securities within the meaning of Section 2(a)(16) of the Investment Company Act of 1940 with a maturity of 180 days or less, or in money market funds meeting certain conditions under Rule 2a-7 promulgated under the Investment Company Act of 1940. By restricting the investment of the proceeds to these instruments, we intend to avoid being deemed an investment company within the meaning of the Investment Company Act of 1940. An investment on our securities is not intended for persons who are seeking a return on investments in government securities. The trust account and the purchase of government securities for the trust account is intended as a holding place for funds pending the earlier to occur of either: (i) the consummation of our primary business objective, which is a business combination, or (ii) absent a business combination, liquidation and return of the funds held in this trust account to our public stockholders.

If we are deemed to be an investment company at any time, we will be required to comply with additional regulatory requirements under the Investment Company Act of 1940, as amended, which would require additional expenses for which we have not budgeted.

### **Uncertainties in management's assessment of a target business could cause us not to realize the benefits anticipated to result from an acquisition.**

It is possible that, following our initial acquisition, uncertainties in assessing the value, strengths and potential profitability of, and identifying the extent of all weaknesses, risks, contingent and other liabilities (including environmental liabilities) of, acquisition or other transaction candidates could cause us not to realize the benefits anticipated to result from an acquisition.

### **The potential loss of key customers, management and employees of a target business could cause us not to realize the benefits anticipated to result from an acquisition.**

It is possible that, following our initial acquisition, the potential loss of key customers, management and employees of an acquired business could cause us not to realize the benefits anticipated to result from an acquisition.

### **The lack of synergy from an acquisition could cause us not to realize the benefits anticipated to result from an acquisition.**

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It is possible that, following our initial acquisition, the inability to achieve identified operating and financial synergies anticipated to result from an acquisition or other transaction could cause us not to realize the benefits anticipated to result from an acquisition.

**Resources could be wasted in researching acquisitions that are not consummated, which could materially adversely affect subsequent attempts to locate and acquire or merge with another business.**

It is anticipated that the investigation of each specific target business and the negotiation, drafting and execution of relevant agreements, disclosure documents and other instruments will require substantial management time and attention and substantial costs for accountants, attorneys and other advisors. If a decision is made not to complete a specific business combination, the costs incurred up to that point for the proposed transaction likely would not be recoverable. Furthermore, even if an agreement is reached relating to a specific target business, we may fail to consummate the business combination for any number of reasons, including those beyond our control, such as that 30% or more of our public stockholders vote



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against the business combination and opt to have us redeem their stock for a pro rata share of the trust account even if a majority of our stockholders approve the business combination. Any such event will result in a loss to us of the related costs incurred which could materially adversely affect subsequent attempts to locate and acquire or merge with another business.

### **Our directors may not be considered independent and we thus may not have the benefit of independent directors examining our financial statements and the propriety of expenses incurred on our behalf subject to reimbursement.**

Although we believe that three of the members of our board of directors are independent under the rules of the American Stock Exchange, because our directors may receive reimbursement for out-of-pocket expenses incurred by them in connection with activities on our behalf such as identifying potential target businesses and performing due diligence on suitable business combinations, it is likely that state securities administrators would take the position that we do not have the benefit of independent directors examining the propriety of expenses incurred on our behalf and subject to reimbursement. Additionally, there is no limit on the amount of out-of-pocket expenses that could be incurred and there will be no review of the reasonableness of the expenses by anyone other than our board of directors, which would include persons who may seek reimbursement, or a court of competent jurisdiction if such reimbursement is challenged. Although we believe that all actions taken by our directors on our behalf will be in our best interests, whether or not any directors are deemed to be independent, we cannot assure you that this will actually be the case. If actions are taken or expenses are incurred that are actually not in our best interests, it could have a material adverse effect on our business and operations and the price of our stock held by the public stockholders.

### **We may not obtain an opinion from an unaffiliated third party as to the fair market value of the target acquisition or that the price we are paying for the business is fair to our stockholders.**

We are only required to obtain an opinion from an unaffiliated third party that either the target acquisition we select has a fair market value in excess of 80% of our net assets held in trust (net of taxes and excluding the amount held in the trust account representing a portion of the underwriters' discount) or that the price we are paying is fair to stockholders if (i) our board is not able to independently determine that a target acquisition has a sufficient market value or (ii) there is a conflict of interest with respect to the transaction. If no opinion is obtained, our stockholders will be relying on the judgment of our board of directors. To the extent that our business combination consists of the acquisition of assets that do not have historical financial information, we will determine whether such business combination has a fair market value of at least 80% of the amount in our trust account (exclusive of the deferred underwriting compensation plus interest thereon held in the trust account) based on the value of the assets, as determined by the advice of our financial advisors consistent with industry practice.

### **The American Stock Exchange may delist our securities from quotation on its exchange which could limit investors' ability to make transactions in our securities and subject us to additional trading restrictions.**

Our securities are listed on the American Stock Exchange, a national securities exchange. We cannot assure you that our securities will continue to be listed on the American Stock Exchange in the future. In addition, in connection with a business combination, it is likely that the American Stock Exchange may require us to file a new listing application and meet its initial listing requirements, as opposed to its more lenient continued listing requirements. We cannot assure you that we will be able to meet those initial listing requirements at that time.

If the American Stock Exchange delists our securities from trading on its exchange, we could face significant material adverse consequences, including:

a limited availability of market quotations for our securities;

a determination that our common stock is a penny stock, which would require brokers trading in our common stock to adhere to more stringent rules and possibly resulting in a reduced level of trading activity in the secondary trading market for our common stock;

a more limited amount of news and analyst coverage for our company;

a decreased ability to issue additional securities or obtain additional financing in the future; and

a decreased ability of our security holders to sell their securities in certain states.

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### **Provisions in our charter documents and Delaware law may inhibit a takeover of us, which could limit the price investors might be willing to pay in the future for our common stock and could entrench management.**

Our charter and bylaws contain provisions that may discourage unsolicited takeover proposals that stockholders may consider to be in their best interests. Our board of directors is divided into three classes, each of which will generally serve for a term of three years with only one class of directors being elected in each year. As a result, at any annual meeting only a minority of the board of directors will be considered for election. Since our staggered board would prevent our stockholders from replacing a majority of our board of directors at any annual meeting, it may entrench management and discourage unsolicited stockholder proposals that may be in the best interests of stockholders.

Moreover, our board of directors has the ability to designate the terms of and issue new series of preferred stock.

We are also subject to anti-takeover provisions under Delaware law, which could delay or prevent a change of control. Together these provisions may make more difficult the removal of management and may discourage transactions that otherwise could involve payment of a premium over prevailing market prices for our securities.

### **Risks Related to the Sports, Leisure and Entertainment Industries**

Our business is expected to be focused on the presentation and marketing of sporting events, contests, exhibitions, games, and related products, so our risk factors include those factors that impact, either positively or negatively, the markets for such products. The key risk factors currently influencing the sports market are discussed below.

### **Because our focus on the sports, leisure and entertainment industries is unique to the type of business model we are pursuing, we cannot predict success or failure based on the history of these types of ventures.**

The majority of blank check companies such as ours pursue opportunities for merger in growth industries such as health care, technology, biotechnology, manufacturing, retail, media, telecommunications, logistics, and, more recently, homeland security. We are not aware of another blank check company that has pursued an investment in the sports, leisure and entertainment industries. As a result, our plan targets an industry with risks that are difficult to gauge, including the likelihood that we will be able to acquire a company, the short-term profitability of the company or franchise that we acquire, and our ability to raise additional capital should additional fundraising be necessary.

### **In consideration of concerns over corporate power struggles and other negative aspects of public ownership, the Major Four Sports leagues have either written or unwritten rules that strictly limit public ownership of professional teams, which could compel us to structure a transaction to give our company a minority interest or abandon an acquisition altogether.**

The professional leagues of the Major Four Sports place substantial restrictions on the ability of teams to either go public or be owned by a public company which has as its sole purpose the owning of the professional sports team. While Major League Baseball does not formally prohibit public ownership of its teams, MLB's constitution requires 75% of owners to vote on the approval of a change of control of any of its teams and has an informal policy requiring a single individual to control at least 90% of the team's voting interests. The National Football League has an informal NFL policy forbidding teams from taking their companies public or selling to public companies, and this rule has been questioned by at least one federal appellate court. Within the past year, a group of Pittsburgh-area businessmen and politicians announced that they would sue to allow public ownership of the Pittsburgh Penguins, challenging an NHL policy prohibiting public ownership. The National Basketball Association requires a single individual to own at least 15% of an NBA team and, generally, have exclusive authority to manage its operations and act on its behalf. The NBA also has a policy requiring league approval of transfers of more than 10% of a team's ownership interests. Many of these restrictions on public ownership and free transferability of interests in sports teams have been challenged as violations of the federal antitrust laws, but these challenges have been unsuccessful. We may not have sufficient funds to mount a legal challenge to any of these rules. In addition, another bidder who is not publicly held may be preferred in any auction situation as a result of this vulnerability. As a result, these restrictions could prohibit our acquisition of a professional sports team operating in one of the Major Four Sports or could force us to adopt an ownership structure that limits our ability to control the day-to-day operations of such team or is otherwise not optimal for our public stockholders.

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**The small number of public offerings employed by sports franchises in the Major Four Sports are different public offerings from our business model, making it difficult for our company to use their success or lack thereof as a predictor for the success of our plan for raising the capital necessary to effect a business combination.**

In the past two decades, several professional sports teams have engaged in public offerings, including the NFL's Green Bay Packers, the NBA's Boston Celtics, MLB's Cleveland Indians, and the NHL's Florida Panthers. However, each of these public offerings were marketed extensively to fans with the sales pitch of the emotional satisfaction of owning part of one's favorite team. For example, the Packers have been publicly owned since 1923; however, they are non-profit, do not pay dividends to their stockholders, their stock does not increase in value, and public stockholders can receive only a minimal redemption price for their shares. The Cleveland Indians public offering was structured so that the private owners would retain 99% of all voting power through a superclass of shares. Florida Panthers owner Wayne Huizenga, on the night of the Panthers' initial public offering, explained the reasons why an individual would buy his company's shares "[y]ou buy these stocks because you love the sport or want to be part of owning a team in your local community. Because we have not identified a target franchise or a target sport, and because we have a larger shareholder base, we will be pursuing a strategy that is very different from the business model used by the franchises discussed in this paragraph. Further, since our strategy is unique and different from the strategies employed by the teams discussed above, we strongly caution you against using the results of their public offerings as a predictor for the success of our fundraising activities.

**The professional sports industry is dependent on the services of highly-skilled professional athletes, and throughout recent history, there has been a substantial number of costly labor disputes and work stoppages which cause not only the obvious impact to the presentation of sporting events, but also to all of the related branches of the sports, leisure and entertainment industries discussed in the Prospectus Summary.**

Beginning with the rapid growth of player salaries in the Major Four Sports in the 1970s, labor disputes and work stoppages have become much more common over the past several decades, including the players' strike that resulted in the cancellation of the 1994 World Series and the owners' lockout that resulted in the cancellation of the entire 2005 National Hockey League season. Major League Baseball has suffered a total of eight work stoppages, both strikes and lockouts, since 1970. The NFL and NBA have also experienced work stoppages during this period, with the last NFL work stoppage resulting in cancellation of one week of games and the use of replacement athletes for three weeks of games during the 1987 season. The last NBA work stoppage was a lockout beginning in July 1998 that lasted 191 days. Each work stoppage cost owners of the affected sports teams millions of dollars of lost revenue. The absence of competitive play during a work stoppage may also result in a significant loss of revenue for broadcasting outlets and businesses selling team apparel or other sports merchandise. If we are able to successfully acquire a professional sports franchise or a business related to a sports franchise, we cannot assure you that there will not be further work stoppages that would adversely affect our profitability.

**The sports, leisure and entertainment industries are highly cyclical, which may affect our future performance and ability to sell our products or services and, in turn, hurt our profitability.**

Certain sports, leisure and entertainment products and services are relatively expensive and buyers may defer purchases of such products and services during periods of economic weakness. Conversely, during periods of economic strength, sports, leisure and entertainment sales frequently exceed expectations. As a consequence, revenues and earnings for sports, leisure and entertainment companies may fluctuate more than those of less economically sensitive companies. Due to the cyclical nature of these industries, inventories may not always be properly balanced, resulting in lost sales when there are shortages or write-offs when there are excess inventories. This may adversely affect the business, financial condition, and results of operations of any target businesses that we may acquire.

**The speculative nature of the entertainment industry may result in our inability to produce products or services that receive sufficient market acceptance for us to be successful.**

Certain segments of the entertainment industry are highly speculative and historically have involved a substantial degree of risk. For example, the success of a particular film, video game, program or recreational attraction depends upon unpredictable and changing factors, including the success of promotional efforts, the availability of alternative forms of entertainment and leisure time activities, general economic conditions, public acceptance and other tangible and intangible factors, many of which are beyond our control. If we complete a business combination with a target business in such a segment, we may be unable to produce products or services that receive sufficient market acceptance for us to be successful.

**Changes in technology may reduce the demand for the products or services we may offer following a business combination.**

The sports, leisure and entertainment industries are substantially affected by rapid and significant changes in technology. These changes may reduce the demand for certain existing services and technologies used in these industries or



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render them obsolete. We cannot assure you that the technologies used by or relied upon or produced by a target business with which we effect a business combination will not be subject to such occurrence. While we may attempt to adapt and apply the services provided by the target business to newer technologies, we cannot assure you that we will have sufficient resources to fund these changes or that these changes will ultimately prove successful.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS****Recent Sales of Unregistered Securities**

During the past three years, we sold the following shares of common stock without registration under the Securities Act:

<b>Stockholders</b>	<b>Number of Shares</b>
Medallion Financial Corp.(1)	5,203,750
Tony Tavares	287,500
Kemp Partners(2)	115,000
Game Plan LLC(3)	115,000
Richard Mack	14,375
Doug Ellenoff	14,375
<b>Total</b>	<b>5,750,000</b>

Each of the stockholders listed above forfeited a portion of their previously issued shares upon the expiration of the underwriter's over-allotment option on February 1, 2008. The number of shares owned by such stockholders following the forfeiture is as follows:

<b>Stockholders</b>	<b>Number of Shares</b>
Medallion Financial Corp.(1)	4,877,112
Tony Tavares	269,453
Kemp Partners(2)	107,781
Game Plan LLC(3)	107,781
Richard Mack	13,472
Doug Ellenoff	13,472
<b>Total</b>	<b>5,389,071</b>

- (1) Mr. Murstein, our Vice Chairman and Secretary, is the President and a Director of Medallion Financial Corp. and, as of May 13, 2008, owned 1,630,000 shares of Medallion, approximately 9.32% of its issued and outstanding shares. Our Chief Executive Officer, Tony Tavares, is an employee of ProEminent Sports, LLC. Pursuant to a consulting agreement between ProEminent Sports, LLC and Medallion, Mr. Tavares acts as a consultant to Medallion for sports related investments and, included within the scope of his duties is his service to the Company. Our advisors, Robert Caporale and Randel E. Vataha, are Chairman and President, respectively, and each own 50% of the membership interests, of Game Plan LLC. Medallion is party to an agreement with Game Plan LLC pursuant to which Game Plan LLC will provide certain consulting services to Medallion and to us, including advising us in identifying a target business in the sports, entertainment and leisure industries. Our Chief Financial Officer, Larry D. Hall, also serves as the Chief Financial Officer of Medallion As of May 13, 2008, Messrs. Aaron, Cuomo and Kreitman, each members of our Board of Directors and of the Board of Directors of Medallion, owned 11,000, 12,000 and 16,000 shares, respectively, of Medallion, in each case, constituting less than one percent of its issued and outstanding shares.



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- (2) Kemp Partners is a limited liability company of which our Chairman, Mr. Kemp, owns 44% of the outstanding membership interests.
- (3) Game Plan LLC is a limited liability company of which our advisor, Bob Caporale, is the Chairman and our advisor, Randel E. Vataha, is the President. Messrs. Caporale and Vataha each own 50% of the outstanding limited liability company interests of Game Plan LLC. Such shares of common stock were issued on September 12, 2007 in connection with our organization pursuant to the exemption from registration contained in Section 4(2) of the Securities Act, as they were sold to accredited investors as defined in Rule 501(a) of the Securities Act. The shares of common stock issued to the persons above were sold for an aggregate offering price of \$57,500 at a purchase price of \$.01 per share. No underwriting discounts or commissions were paid with respect to such sales.

Medallion and Tony Tavares purchased 5,900,000 and 100,000 founder warrants, respectively, from us. Founder warrants are exercisable for one share of common stock at an exercise price of \$7.00 per share. The founder warrants become exercisable on the later of the completion of a business combination exercise or January 17, 2012 or earlier upon redemption. These founder warrants were issued pursuant to the exemption from registration contained in Section 4(2) of the Securities Act as they were sold to an accredited investor as defined in Rule 501(a) of the Securities Act. No underwriting discounts or commissions were paid with respect to such sales.

**Use of Proceeds from the Registered Offering and the Private Placement**

On January 24, 2008, we consummated our initial public offering of 20,000,000 units. Each unit issued in our initial public offering consists of one share of common stock, \$.001 par value per share, and one warrant to purchase one share of common stock at \$7.00 per share. The units were sold at an offering price of \$10.00 per unit, generating aggregate gross proceeds of \$200,000,000. Of the \$200,000,000 gross proceeds, \$194,000,000, including deferred underwriters discounts and commissions of \$8,625,000, was deposited into a trust account. Prior to the initial public offering, we issued 6,000,000 warrants at a purchase price of \$1.00 per warrant to certain of our founding stockholders in a private placement for aggregate proceeds of \$6,000,000, which were also placed into the trust account. On February 1, 2008 we sold an additional 1,556,300 units which were subject to the underwriters over-allotment option in our initial public offering. The sale of these units resulted in total proceeds of approximately \$15,144,744, net of the underwriters discounts and commissions, but including deferred underwriters discounts and commissions of approximately \$671,154. This amount was also deposited into the trust account, resulting in a total amount deposited into the trust account of approximately \$215,144,744, exclusive of any interest earned by such trust account. Banc of America Securities LLC acted as representative of the underwriters for our initial public offering.

The initial public offering has been completed. No portion of the proceeds of the offering were paid to directors, officers, holders of 10% or more of any class of our equity securities or their affiliates, except for the \$445,261 reimbursement to Medallion for offering costs it had advanced to us, referred to above.

**Repurchases of Equity Securities**

None

**ITEM 6. EXHIBITS**  
**EXHIBITS**

<b>Exhibit No.</b>	<b>Exhibit</b>
31.1	Certification of Tony Tavares pursuant to Rule 13a-14(a) and 15d-14(a) as adopted pursuant to section 302 of The Sarbanes-Oxley Act of 2002. Filed herewith.
31.2	Certification of Larry D. Hall pursuant to Rule 13a-14(a) and 15d-14(a) as adopted pursuant to section 302 of The Sarbanes-Oxley Act of 2002. Filed herewith.
32.1	Certification of Tony Tavares pursuant to 18 USC. Section 1350, as adopted, pursuant to Section 906 of the



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Sarbanes-Oxley Act of 2002. Filed herewith.

32.2

Certification of Larry D. Hall pursuant to 18 USC. Section 1350, as adopted, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Filed herewith.

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**IMPORTANT INFORMATION RELATING TO FORWARD-LOOKING STATEMENTS**

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements so long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those projected in such statements. In connection with certain forward-looking statements contained in this Form 10-Q and those that may be made in the future by or on behalf of the Company, the Company notes that there are various factors that could cause actual results to differ materially from those set forth in any such forward-looking statements. The forward-looking statements contained in this Form 10-Q were prepared by management and are qualified by, and subject to, significant business, economic, competitive, regulatory and other uncertainties and contingencies, all of which are difficult or impossible to predict and many of which are beyond the control of the Company. Accordingly, there can be no assurance that the forward-looking statements contained in this Form 10-Q will be realized or that actual results will not be significantly higher or lower. The statements have not been audited by, examined by, compiled by or subjected to agreed-upon procedures by independent accountants, and no third-party has independently verified or reviewed such statements. Readers of this Form 10-Q should consider these facts in evaluating the information contained herein. In addition, the business and operations of the Company are subject to substantial risks which increase the uncertainty inherent in the forward-looking statements contained in this Form 10-Q. The inclusion of the forward-looking statements contained in this Form 10-Q should not be regarded as a representation by the Company or any other person that the forward-looking statements contained in this Form 10-Q will be achieved. In light of the foregoing, readers of this Form 10-Q are cautioned not to place undue reliance on the forward-looking statements contained herein. These risks and others that are detailed in this Form 10-Q and other documents that the Company files from time to time with the Securities and Exchange Commission, including annual reports on Form 10-K, quarterly reports on Form 10-Q and any current reports on Form 8-K must be considered by any investor or potential investor in the Company.

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**SIGNATURES**

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

**SPORTS PROPERTIES ACQUISITION CORP.**

Date: May 14, 2008

By: /s/ Tony Tavares  
Tony Tavares  
Chief Executive Officer

By: /s/ Larry D. Hall  
Larry D. Hall  
Chief Financial Officer  
Signing on behalf of the registrant  
as principal financial and accounting officer.