CALAVO GROWERS INC
Form DEF 14A
February 28, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
SCHEDULE 14A
(RULE 14a-101)
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934
Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:
o Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to Section 240.14a-12

Calavo Growers, Inc.
(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):
þ No fee required
o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.
o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Since 1924
The First Name in Avocados

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON APRIL 25, 2007

To our Shareholders:

The 2007 annual meeting of shareholders of Calavo Growers, Inc. will be held at 15765 W. Telegraph Road, Santa Paula, California, 93060 on Wednesday, April 25, 2007, beginning at 1:00 p.m. local time. At the meeting, the holders of our outstanding common stock will act on the following matters:

(1) To elect thirteen directors, each for a term of one year;

(2) To ratify the appointment of our independent registered public accounting firm for 2007;

(3) To transact any other matters that properly come before the meeting.

All holders of record of shares of Calavo common stock at the close of business on March 8, 2007 are entitled to vote at the meeting and any postponements or adjournments of the meeting.

IF YOU PLAN TO ATTEND:

Please note that space limitations make it necessary to limit attendance to shareholders and their guests. To accommodate the largest number of shareholders at the meeting, we request that you indicate your intent to attend by calling our offices at (805) 525-1245 by April 20, 2007. Admission to the meeting will be on a first-come, first-serve basis.

By order of the Board of Directors,

Lecil E. Cole
Chairman of the Board of Directors,
Chief Executive Officer and President

March 16, 2007
Santa Ana, California

TABLE OF CONTENTS

	Page
QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING	1
CORPORATE GOVERNANCE PRINCIPLES AND BOARD MATTERS	6
ITEM 1 ELECTION OF DIRECTORS	9
ITEM 2 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	11
OTHER MATTERS	11
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	11
CERTAIN RELATIONSHIPS AND TRANSACTIONS	13
EXECUTIVE COMPENSATION	14
REPORT OF THE AUDIT COMMITTEE	20
PRINCIPAL AUDITOR FEES AND SERVICES	21
ADDITIONAL INFORMATION	23

Since 1924
The First Name in Avocados

1141-A Cummings Road
Santa Paula, California 93060

PROXY STATEMENT

This proxy statement contains information related to the annual meeting of shareholders of Calavo Growers, Inc. to be held on Wednesday, April 25, 2007, beginning at 1:00 p.m. local time, at 15765 W. Telegraph Road, Santa Paula, California, 93060 and at any postponements or adjournments thereof. This proxy statement and the accompanying proxy are being mailed to shareholders on or about March 16, 2007 in connection with the solicitation by the Board of Directors of proxies for use at the annual meeting.

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING

Proxy Materials

Why am I receiving these materials?

The Board of Directors (the Board) of Calavo Growers, Inc. (Calavo, our, us, the Company, or we), a Califor corporation, is providing these proxy materials for you in connection with our annual meeting of the shareholders, which will take place on April 25, 2007. As a shareholder, you are invited to attend the annual meeting. Further, you are entitled to, and requested to, vote on the items of business described in this proxy statement.

What information is contained in this proxy statement?

The information included in this proxy statement relates to the proposals to be voted on at the annual meeting, the voting process, the compensation of our directors and most highly paid executive officers, and certain other required information.

How may I obtain Calavo s Annual Report, Form 10-K and/or other financial information?

A copy of our 2006 Annual Report, which includes key information from our 2006 Form 10-K, is enclosed. Stockholders may request another free copy of our 2006 Annual Report and/or a free copy of our entire Form 10-K, from:

Corporate Controller
Calavo Growers, Inc.
1141A Cummings Road
Santa Paula, California 93060

Alternatively, current and prospective investors can access our 2006 Annual Report and our 2006 Form 10-K on our website at http://www.calavo.com, under Investor Relations.

Calavo also will furnish any exhibit to our 2006 Form 10-K, if specifically requested.

How may I request a single set of proxy materials for my household?

If you share an address with another stockholder and have received multiple copies of our proxy materials, you may write us at the address above to request delivery of a single copy of these materials.

What should I do if I receive more than one set of voting materials?

You may receive more than one set of voting materials, including multiple copies of this proxy statement and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you may receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a stockholder of record and your shares are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date, and return each Calavo proxy card and voting instruction card that you receive.

Voting Information

What items of business will be voted on at the annual meeting?

The items of business scheduled to be voted on at the annual meeting are:

The election of directors

The ratification of Calavo s independent registered public accounting firm for the 2007 fiscal year

We also will consider any other business that properly comes before the annual meeting. See question below.

What happens if additional matters are presented at the annual meeting?

Other than the two items of business described in this proxy statement, we are not aware of any other business to be acted upon at the annual meeting. If you grant a proxy, the persons named as proxy holders, Lecil E. Cole and J. Link Leavens, will have the discretion to vote your shares on any additional matters properly presented for a vote at the meeting. If for any reason any of our nominees are not available as a candidate for director, the persons named as proxy holders will vote your proxy for such other candidate or candidates as may be nominated by the Board.

What are the Board s recommendations?

Unless you give other instructions on your proxy card, the persons named as proxy holders on the proxy card will vote in accordance with the recommendations of the Board of Directors. The Board s recommendations are set forth together with the description of each item in this proxy statement. In summary, the Board recommends a vote:

For the election of the nominated slate of directors (see Item 1);

For ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for fiscal year 2007 (see Item 2); and

With respect to any other matter that properly comes before the meeting, the proxy holders will vote as recommended by the Board of Directors or, if no recommendation is given, in their own discretion.

What shares can I vote?

Each share of Calavo common stock issued and outstanding as of the close of business on March 8, 2007, the *Record Date*, is entitled to be voted on all items being voted upon at the annual meeting. You may vote all shares owned by you as of this time, including (1) shares held directly in your name as the *stockholder of record*, and (2) shares held for you as the *beneficial owner* through a broker, trustee or other nominee such as a bank. On the *Record Date*, Calavo had approximately 14,293,000 shares of common stock issued and outstanding.

How can I vote my shares in person at the annual meeting?

Shares held in your name as the stockholder of record may be voted in person at the annual meeting. Shares held beneficially in street name may be voted in person at the annual meeting only if you obtain a legal proxy from the broker, trustee or nominee that holds your shares giving you the right to vote the shares. Even if you plan to attend the annual meeting, we recommend that you also submit your proxy or voting instructions as described below so that your vote will be counted if you later decide not to attend the meeting.

How can I vote my shares without attending the annual meeting?

Whether you hold shares directly as the stockholder of record or beneficially in street name, you may direct how your shares are voted without attending the annual meeting. If you are a stockholder of record, you may vote by submitting a proxy. If you hold shares beneficially in street name, you may vote by submitting voting instructions to your broker, trustee or nominee. For directions on how to vote, please refer to the instructions below and those included on your proxy card or, for shares held beneficially in street name, the voting instruction card provided by your broker, trustee or nominee.

Stockholders of record of Calavo common stock may submit proxies by completing, signing and dating their proxy cards and mailing them in the accompanying pre-addressed envelopes. Calavo stockholders who hold shares beneficially in street name may vote by mail by completing, signing and dating the voting instruction cards provided and mailing them in the accompanying pre-addressed envelopes.

Can I change my vote?

Yes. Even after you have submitted your proxy, you may change your vote at any time before the proxy is exercised by filing with our Corporate Secretary either a notice of revocation or a duly executed proxy bearing a later date. The powers of the proxy holders will be suspended if you attend the meeting in person and so request, although attendance at the meeting will not by itself revoke a previously granted proxy.

Is my vote confidential?

Proxy instructions, ballots and voting tabulations that identify individual stockholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within Calavo or to third parties, except: (1) as necessary to meet applicable legal requirements, (2) to allow for the tabulation of votes and certification of the vote, and (3) to facilitate a successful proxy solicitation. Occasionally, stockholders provide on their proxy card written comments, which are then forwarded to Calavo management.

What are the voting rights of the holders of our common stock?

For all matters, other than the vote for director candidates, each outstanding share of our common stock will be entitled to one vote on each matter.

In the election of directors, you may elect to cumulate your vote. Cumulative voting will allow you to allocate among the director nominees, as you see fit, the total number of votes equal to the number of director positions to be filled, multiplied by the number of shares you hold. For example, if you own 100 shares of stock and there are 13 directors to be elected at the annual meeting, you may allocate 1,300 FOR votes (13 times 100) among as few or as many of the 13 nominees to be voted on at the annual meeting as you choose.

If you choose to cumulate your votes, you will need to submit a proxy card or a ballot and make an explicit statement of your intent to cumulate your votes, either by marking the appropriate box on the proxy card or by indicating in writing on your ballot when voting at the annual meeting. If you hold shares beneficially in street name and wish to cumulate votes, you should contact your broker, trustee or nominee.

If you sign your proxy card or voting instruction card with no further instructions, Lecil E. Cole and J. Link Leavens, as proxy holders, may cumulate and cast your votes in favor of the election of some or all of the applicable nominees in their sole discretion.

Cumulative voting applies only to the election of directors. For all other matters, each share of common stock outstanding as of the close of business on the *Record Date* is entitled to one vote.

Who will bear the cost of soliciting votes for the annual meeting?

We are making this solicitation and will pay substantially all of the costs of preparing, assembling, printing, mailing and distributing these proxy materials and soliciting votes. We have retained U.S. Stock Transfer Corporation, our transfer agent, to assist with the solicitation of proxies from the shareholders of record for a fee of approximately $10,000, plus expenses. We will also reimburse banks, brokers or other nominees for their costs of sending our proxy materials to beneficial owners. Directors, officers or other employees of ours may also solicit proxies from shareholders in person, by telephone, facsimile transmission or other electronic means of communication without additional compensation.

Where can I find the voting results of the annual meeting?

We intend to announce preliminary voting results at the annual meeting and publish final results in our quarterly report on Form 10-Q for the second quarter of fiscal 2007.

Stock Ownership Information

What is the difference between holding shares as a shareholder of record and as a beneficial owner?

Many Calavo shareholders hold their shares through a broker, or other nominee, rather than directly in their own names. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

Shareholder of Record

If your shares are registered directly in your name with our transfer agent, U.S. Stock Transfer Corporation, you are considered, with respect to those shares, the *shareholder of record*, and we are sending these proxy materials directly to you. As the *shareholder of record*, you have the right to grant your voting proxy directly to us or to vote in person at the meeting. We have enclosed a proxy card for you to use.

Beneficial Owner

If your shares are held in a brokerage account, or by another nominee, you are considered the *beneficial owner* of shares held *in street name*, and these proxy materials are being forwarded to you together with a voting instruction card. As the beneficial owner, you have the right to direct your broker, trustee or nominee how to vote and are also invited to attend the annual meeting.

Since a beneficial owner is not the *shareholder of record*, you may not vote these shares in person at the meeting, unless you obtain a legal proxy from the broker, trustee or nominee that holds your shares, giving you the right to vote the shares at the meeting. Your broker, trustee or nominee should provide voting instructions for you to use in directing the broker, trustee or nominee how to vote your shares.

What if I have questions for Calavo s transfer agent?

Please contact Calavo s transfer agent, at the phone number or address listed below, with questions concerning stock certificates, dividend checks, transfer of ownership or other matters pertaining to your stock account.

U.S. Stock Transfer
Shareholder Services

1745 Gardena Avenue
Glendale, California 91204-2991
(818) 502-1404

Annual Meeting Information

What is the purpose of the annual meeting?

At our annual meeting, shareholders will act upon the matters outlined in the notice of meeting on the cover page of this proxy statement, including the election of directors and ratification of our independent registered public accounting firm. In addition, management will report on our performance during fiscal year 2006 and respond to questions from shareholders.

Who can attend the meeting?

All shareholders as of the record date, or their duly appointed proxies, may attend the meeting, and each may be accompanied by one guest. Seating, however, is limited. Please note that space limitations make it necessary to limit attendance to shareholders and their guests. To accommodate the largest number of shareholders at the meeting we request that you indicate your intent to attend by calling our offices at (805) 525-1245 by April 20, 2007. Admission to the meeting will be on a first-come, first-serve basis.

What constitutes a quorum?

The presence at the meeting, in person or by proxy, of the holders of a majority of the shares of the common stock that are outstanding on the record date will constitute a quorum, permitting the meeting to conduct its business. As of the record date, 14,293,000 shares of common stock, representing the same number of votes, were outstanding. Thus, the presence of the holders of common stock representing at least 7,146,500 votes will be required to establish a quorum.

Proxies received, but marked as abstentions, will be included in the calculation of the number of votes considered to be present at the meeting, but they will be treated as unvoted with respect to the matter or matters on which the abstentions are indicated.

If you hold your shares in street name through a broker or other nominee, your broker or nominee may not be permitted by applicable rules to exercise voting discretion with respect to some of the matters to be acted upon. If you do not give your broker or nominee specific voting instructions, your shares may not be voted on those matters and will not be counted in determining the number of votes necessary for approval. However, shares represented by such broker non-votes will be counted in determining whether there is a quorum.

Stockholder Proposals, Director Nominations and Related Bylaw Provisions

What is the deadline to propose actions for consideration at next year s annual meeting of shareholders or to nominate individuals to serve as directors?

You may submit proposals, including director nominations, for consideration at our 2008 shareholders meeting.

Shareholder Proposals: For a shareholder proposal to be considered for inclusion in our proxy statement for the annual meeting next year, the written proposal must be received by our Corporate Secretary, at our principal executive offices, no later than November 16, 2007. If the date of next year s annual meeting is moved more than 30 days before the anniversary date of this year s annual meeting, the deadline for inclusion of proposals in our proxy statement is instead a reasonable time before we begin to print and mail our proxy materials. Such proposals also will need to comply with Securities and Exchange Commission regulations under Rule 14a-8 regarding the inclusion of shareholder proposals in company-sponsored proxy materials. Proposals should be addressed to our corporate address:

Corporate Secretary
Calavo Growers, Inc.
1141A Cummings Road
Santa Paula, California 93060

If notice of a shareholder proposal submitted outside the process of Rule 14a-8 is not received by our Corporate Secretary by January 31, 2008, the persons named in our proxy for the next annual meeting of shareholders will have discretionary authority to vote on the proposal in accordance with their best judgment.

Nomination of Director Candidates: You may propose director candidates for consideration by the Board s Nominating and Governance Committee. Any such recommendations should include the nominee s name and qualifications for Board membership and should be directed to our Corporate Secretary at the address of our principal executive offices set forth above.

In addition, our bylaws permit a shareholder to nominate directors for election at an annual shareholders meeting, but only if the shareholder complies with the procedures that are set forth in the bylaws. Our bylaws state that the shareholder must deliver notice of the nomination to our Corporate Secretary not less than 30 days nor more than 120 days prior to the date of the meeting. The notice must set forth the information that is specified in the bylaws, including information about both the director candidate and the shareholder who has proposed the candidate.

Copy of Bylaw Provisions: You may contact our Corporate Secretary at our principal executive offices for a copy of the relevant bylaw provisions regarding the requirements for nominating director candidates.

How may I communicate with Calavo s Board of Directors?

You may submit an e-mail to our Board at boardmembers@calavo.com. All directors have access to this e-mail address.

CORPORATE GOVERNANCE PRINCIPLES AND BOARD MATTERS

We are committed to having sound corporate governance principles. Having such principles is essential to running our business efficiently and to maintaining our integrity in the marketplace. We have adopted a code of ethics that applies to all of our directors, officers and employees. A copy of our code of ethics is posted on our Internet site at *http://www.calavo.com*.

Board Members Independence

Our Corporate Governance Guidelines and the Rules of the Nasdaq Stock Market provide that a majority of our thirteen-member Board must consist of independent directors. The Board has determined that each of the following eight non-employee director nominees standing for election is independent within the meaning of Nasdaq Stock Market Marketplace Rule 4200(a)(15): Michael Hause, George Barnes, Dorcas McFarlane, Fred Ferrazzano, John Hunt, Alva Snider, Egidio Carbone, Jr., and Alan Van Wagner.

Director Independence Standards

In determining independence, the Board reviews whether directors have any material relationship with us. The Board considers all relevant facts and circumstances. In assessing the materiality of a director s relationship to us, the Board considers the issues from the director s standpoint and from the perspective of the persons or organizations with which the director has an affiliation and is guided by the standards set forth below. The Board reviews commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships, if applicable. An independent director must not have any material relationship with us, either directly or as a partner, shareholder or officer of an organization that has a relationship with us, or any relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

A director will not be considered independent in the following circumstances:

(1) The director is, or has been in the past three years, an employee of Calavo, or a family member of the director is, or has been in the past three years, an executive officer of Calavo.

(2) The director has received, or has a family member who has received, compensation from us in excess of $60,000 in any 12 month period in the past three years, other than compensation for board service, compensation received by the director s family member for service as a non-executive employee, and benefits under a tax-qualified plan or other non-discretionary compensation.

(3) The director is, or has a family member who is, a current partner of our outside auditor, or was a partner or employee of our outside auditor, who worked on our audit at any time during any of the past three years.

(4) The director is, or has a family member who is, employed as an executive officer of another entity where, at any time during the past three years, any of our executive officers served on the compensation committee of that other entity.

(5) The director is, or a family member is, a partner in, or a controlling shareholder or an executive officer of, any organization to which we made, or from which we received, payments for property or services in the current or any of the past three fiscal years that exceed the greater of 5% of the recipient s consolidated gross revenues for that year, or $200,000.

For these purposes, a family member includes a director s spouse, parents, children and siblings, whether by blood, marriage, or adoption, or anyone residing in the director s home.

Board and Committee Composition

As of the date of this proxy statement, our Board has 13 directors. The Board has recommended the election of the 13 director nominees who are identified in this proxy statement.

The Board has the following four committees: (1) Executive, (2) Audit, (3) Nominating and Governance, and (4) Compensation. The membership during the last fiscal year through the date of this proxy statement, and the function of each of the committees, are described below. During fiscal year 2006, the Board held 12 meetings. Each director attended at least 75% of all Board and applicable Committee meetings. Directors are encouraged by the Board to attend annual meetings of Calavo shareholders and all of our directors attended the 2006 annual meeting of shareholders. The Board has determined that each current member of the Audit Committee, Nominating and Governance Committee and Compensation Committee is independent within the meaning of Nasdaq Rule 4200(a)(15), and that each current member of the Audit Committee is independent within the meaning of applicable regulations of the Securities and Exchange Commission regarding the independence of audit committee members.

Director	**Executive Committee**	**Audit Committee**	**Nominating and Governance Committee**	**Compensation Committee**
Lecil E. Cole	**			
Michael D. Hause		**	*	
Fred J. Ferrazzano		*	*	**
Alva V. Snider			*	*
George H. Barnes		*	*	
Harold S. Edwards	*			
Alan Van Wagner				*
Egidio Carbone, Jr.		*		*
Donald M. Sanders	*			
Dorcas H. McFarlane	*			
Scott Van Der Kar	*			
J. Link Leavens	*			
John M. Hunt		*	**	*
Number of meetings in fiscal year 2006	0	5	0	9

* Member.

** Chair.

Executive Committee. The Executive Committee exercises the authority of the Board of Directors when the Board is not in session, as permitted by law and by policy.

Audit Committee. The Audit Committee assists the Board in fulfilling its responsibilities for general oversight of the integrity of our financial statements, our compliance with legal and regulatory requirements, the independent registered public accounting firm s qualifications and independence, the performance of our independent registered public accounting firm, and risk assessment and risk management. Additionally, the Audit Committee prepares the Audit Committee report for inclusion in the annual proxy statement, annually reviews the Audit Committee charter, appoints, evaluates and determines the compensation of our independent registered public accounting firm; reviews and approves the scope of the annual audit, the audit fee and the financial statements, and reviews our internal controls and procedures. The Audit Committee works closely with management, as well as our independent registered public accounting firm. The Audit Committee has the authority to obtain advice and assistance from, and receive appropriate funding from Calavo for, outside legal, accounting or other advisors, as the Audit Committee deems necessary, to carry out its duties. The Board of Directors has determined that Michael D. Hause is an audit committee financial expert, as defined under applicable SEC and Nasdaq rules.

The report of the Audit Committee of the Board of Directors is included in the proxy statement on page 23. The charter of the Audit Committee is on our website at http://www.calavo.com.

Nominating and Governance Committee. The Nominating and Governance Committee assists the Board in identifying qualified individuals to become directors of Calavo, selects the director nominees for each annual meeting of shareholders, (or recommends director nominees for the Board s selection), oversees a periodic evaluation of the Board and management, and develops and recommends to the Board a set of corporate governance principles.

The charter of the Nominating and Governance Committee is on our website at http://www.calavo.com.

Compensation Committee. The Compensation Committee is charged with reviewing our general compensation strategy and program; establishing salaries and awarding bonuses for executive officers (or recommending such salaries and bonuses to the Board for approval); reviewing benefit programs, including pensions; and reviewing, approving, recommending and administering incentive compensation for executive officers and other employees.

DIRECTOR COMPENSATION

Each director received a fee of $2,000 to $3,000 per Board meeting attended (reduced to $1,000 in January 2007) and $500 per Committee meeting attended, plus a mileage reimbursement of $0.40 per mile. Additionally, all Board of Director members, except for Lee Cole, received a $10,000 retainer in January 2007 for services to be rendered through December 2007. Committee chairs/co-chairs also received a $2,500 retainer in January 2007 for services to be rendered through December 2007.

Consideration of Director Nominees

Shareholder nominees

The Nominating and Governance Committee will consider shareholder nominations for candidates for membership on the Board. In evaluating such nominations, the Nominating and Governance Committee seeks to achieve a balance of knowledge, experience and capability on the Board. Any shareholder nominations proposed for consideration by the Nominating and Governance Committee should include the nominee s name and qualifications for Board membership and should be addressed to:

Corporate Secretary
Calavo Growers, Inc.
1141A Cummings Road
Santa Paula, CA 93060

In addition, our bylaws permit shareholders to nominate directors for consideration at an annual shareholder meeting. For a description of the process for nominating directors in accordance with our bylaws, see Questions and Answers about the Proxy Materials and the Annual Meeting What is the deadline to propose actions for consideration at next year s annual meeting of shareholders or to nominate individuals to serve as directors? on page 5.

Director Qualifications

The Nominating and Governance Committee believes that members of the Board should have the highest professional and personal ethics and values, consistent with longstanding Calavo values and standards. They should have broad experience at the policy-making level in business, government, education, technology or public interest. They should be committed to enhancing shareholder value and should have sufficient time to carry out their duties and to provide insight and practical wisdom based on experience. Their service on other boards of public companies should be limited to a number that permits them, given their individual circumstances, to perform responsibly all director duties. Each director must represent the interests of all shareholders.

Identifying and Evaluating Nominees for Director

The Nominating and Governance Committee utilizes a variety of methods for identifying and evaluating nominees for director. The Nominating and Governance Committee will periodically assess the appropriate size of the Board and whether any vacancies on the Board are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the Nominating and Governance Committee will consider various potential candidates for director. Candidates may come to the attention of the Nominating and Governance Committee through current Board members, professional search firms, shareholders or other persons. These candidates will be evaluated at regular or special meetings of the Nominating and Governance Committee, and may be considered at any point during the year. As described above, the Nominating and Governance Committee considers shareholder nominations for candidates for the Board. If any materials are provided by a shareholder in connection with the nomination of a director candidate, such materials will be forwarded to the Nominating and Governance Committee. The Nominating and Governance Committee will also review materials provided by professional search firms or other parties in connection with a nominee who is not proposed by a shareholder.

ITEM 1 ***ELECTION OF DIRECTORS***

The current term of office of all of our directors expires at the 2007 annual meeting of shareholders. The Board of Directors proposes that the following 13 nominees, all of whom are currently serving as directors, be elected for a new term of one year and until their successors are duly elected and qualified. Each of the nominees has consented to serve if elected. If any of them becomes unavailable to serve as a director, the Board may designate a substitute nominee. In that case, the persons named as proxies will vote for the substitute nominee designated by the Board.

The director nominees standing for election are:

Lecil E. Cole Director since 1982

Mr. Cole, age 67, has served as our Chairman of the Board of Directors, Chief Executive Officer and President since February 1999. He served as an executive of Safeway Stores from 1964 to 1976 and as the Chairman of Central Coast Federal Land Bank from 1986 to 1996. Mr. Cole has served as the Chairman and President of Hawaiian Sweet Inc. and Tropical Hawaiian Products, Inc. since 1996. Mr. Cole farms a total of approximately 4,400 acres in California and Hawaii on which avocados, papayas and cattle are produced and raised.

George H. Barnes Director since 2004

Mr. Barnes, age 74, has owned and operated avocado groves since 1988 and has served as a member of the California Avocado Commission for eight years. Mr. Barnes was a director of Calavo from 2000 through 2002.

Michael D. Hause Director since 2003

Mr. Hause, age 53, has served as President and Chief Executive Officer of Santa Clara Valley Bank N.A since October 2001. Prior to October 2001, Mr. Hause served as Senior Vice President of Farm Credit West (previously Central Coast Farm Credit) in the capacity of Director of Internal Audit for a period of 8 years. Mr. Hause is a former Certified Internal Auditor and a former member of the Institute of Internal Auditors.

Donald M. Sanders Director since 2002

Mr. Sanders, age 59, has served as President and Owner of S&S Grove Management Services, Inc. since 1991. In addition, Mr. Sanders has ownership interests in S&S Ranch and Rancho Santo Tomas which include an aggregate of 134 acres of avocado orchards.

Fred J. Ferrazzano Director since 1985

Mr. Ferrazzano, age 73, has served as the President and Chief Executive Officer of Ferrazzano Farms, Inc. since 1973 and has owned and operated avocado groves since 1973. He is the President and Chief Executive Officer of Westbridge Estates, Inc., a residential homes developer, and has served in such capacity since 1989. He has served in excess of five years as Chairman, President, and Chief Executive Officer of the Conservative Order of Good Guys, a political action committee. Mr. Ferrazzano is a retired Commander in the United States Navy.

Alva V. Snider Director since 1987

Mr. Snider, age 90, has owned and managed a seven-acre avocado and specialty crop grove since 1968 and is a former director of the California Avocado Commission. He is a retired manager of Shell Chemical Corp.

Scott Van Der Kar Director since 1994

Mr. Van Der Kar, age 52, has served as a manager of his family s farm, Pinehill Ranch, since 1978. The Van Der Kar family farms approximately 100 acres of avocados and has been delivering avocados to Calavo since 1959. He is a current member of the board of the California Chermoya Association, a former member of the board of the Santa Barbara County Workforce Investment Board, and is a former director of the Santa Barbara County Farm Bureau.

J. Link Leavens Director since 1987

Mr. Leavens, age 55, is the general manager of Leavens Ranches, a family partnership, that farms 1100 acres of lemons and avocados in Ventura and Monterey Counties. He has served as President of the Ventura County Farm Bureau, the Ventura County Resource Conservation District and was a founding member of the University of California Hansen Trust Advisory Committee. Leavens Ranches have been Calavo members since 1956.

Dorcas H. McFarlane Director since 1986

Ms. McFarlane, age 75, owns and operates the J.K. Thille Ranches, a 280-acre farm on which avocados, lemons and vegetables have been grown since 1972. She is a former member of the board of the Saticoy Lemon Association, and a current member of the boards of the Agricultural Issues Center and the Agricultural Council of California.

John M. Hunt Director since 1993

Mr. Hunt, age 50, has served as the General Manager of Embarcadero Ranch since 1982 where he manages a 400-acre avocado and citrus ranch.

Egidio Carbone, Jr. Director since 2005

Mr. Carbone, age 66, served as Vice-President, Finance and Corporate Secretary for Calavo Growers, Inc. from 1980 to 2002.

Harold Edwards Director since 2006

Mr. Edwards, age 41, has been the President and Chief Executive Officer of Limoneira Company, an agricultural, real estate and community development company, since November 2004. Prior to joining Limoneira Company, Mr. Edwards was the President of Puritan Medical Products, a division of Airgas Inc. from January 2003 to November 2004; Vice President and General Manager of Latin America and Global Expert of Fischer Scientific

International, Inc. from September 2001 to December 2002; General Manager of Cargill Animal Nutrition Philippines operations, a division of Cargill, Inc., from May 2001 to September 2001; and Managing Director of Agribrands Philippines, Inc., a division of Agribrands International (Purina) from 1999 to 2001. Mr. Edwards is a graduate of American Graduate School of International Management and Lewis and Clark College.

Alan Van Wagner Director since 2006

Mr. Van Wagner, age 62, has served as President and Chief Executive Officer of Turners Machinery Inc., a machine tool trading company, since 1971. Additionally, Mr. Van Wagner has served as President and Chief Executive Officer of Retrofit to CNC Inc. (dba OCO Tool) from 2000 to present time. Mr. Van Wagner farms a 69-acre lemon and avocado ranch.

ITEM 2 *RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM*

Because certain of our directors and officers own shares of our common stock that will not participate in any liquidation distributions of the trust funds, they may have a conflict of interest in determining whether a particular target business is appropriate for a business combination.

Our directors and officers, other than Sean McDevitt and Pat LaVecchia, own shares of our common stock that were issued prior to this offering. Our initial stockholders (and any persons to whom we transfer shares of our reserved treasury shares) will not have the right to receive distributions from the trust account upon our liquidation in the event we fail to complete a business combination within the time frame provided in this prospectus. Additionally, all of our directors and officers will agree with FTN Midwest Securities Corp., at the close of this offering, to place an irrevocable order with a third-party broker-dealer, in accordance with guidelines specified by Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, or the Exchange Act, to purchase up to $1,000,000 of our warrants on behalf of themselves, collectively, in the open market following this offering, subject to any regulatory restrictions. The purchases of the warrants on behalf of our officers and directors will be made by a broker-dealer who has not participated in this offering in such amounts and at such times as that broker-dealer may determine, in its sole discretion, subject to any regulatory restrictions. If at the end of a certain 60 trading-day period the broker-dealer has not purchased up to the maximum of $1,000,000 of our warrants on behalf of our directors and officers, then our directors and officers will purchase warrants from us in a private placement at a price per warrant to be agreed upon, but in no event less than $0.70 per warrant, in an amount equal to the difference of $1,000,000 and the total amount paid by the broker-dealer. Our directors and officers will agree not to sell or transfer these warrants until after the completion of a business combination. We will not engage any affiliate of the broker-dealer effecting the warrant purchases to advise us in connection with locating a suitable business combination at any time when such warrant purchases remain uncompleted. For a more complete discussion, including a detailed discussion of when the warrant purchases may begin, please see the section of this prospectus entitled Underwriting. The shares of our common stock and warrants owned by our directors and officers will be worthless if we do not consummate a business combination. The personal and financial interests of our management may influence their motivation in identifying and selecting target businesses and completing a business combination in a timely manner. Consequently, our directors and officers discretion in identifying and selecting suitable target businesses 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 public stockholders best interest.

Table of Contents

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 reduced.

If at any time we have net tangible assets of $5,000,000 or less and our common stock has a market price per share of less than $5.00, transactions in our common stock may be subject to the penny stock rules promulgated under the Exchange Act. 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 a 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 the 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.

If our common stock becomes subject to these rules, broker-dealers may find it difficult to effect customer transactions and trading activity in our securities may be reduced. As a result, the market price of our securities may become depressed, and you may find it difficult to sell our securities.

We may only be able to complete one initial business combination, which may cause us to be solely dependent on a single business and a limited number of products or services permanently or for an extended period.

This offering will provide us with net proceeds of approximately $95,000,000 (including deferred underwriting discount and commission of $5,400,000), which we may use to complete a business combination. While we intend subsequently to effect a business combination with more than one target business, our initial business acquisition must be with one or more operating businesses whose fair market value, collectively, is at least equal to 80% of our net assets at the time of such acquisition (excluding deferred underwriting discount and commission held in the trust account in the amount of $5,400,000, or $6,210,000 if the over-allotment option is exercised in full). We may not be able to acquire more than one target business because of various factors, including insufficient financing or the difficulties inherent in consummating the contemporaneous acquisition of more than one operating business. Therefore, it is possible that we will only be able to complete an initial business combination with a single operating business, which may have only a limited number of products or services. The resulting lack of diversification may:

- result in our dependency upon the performance of a single operating business;
- result in our dependency upon the development or market acceptance of a single or limited number of products, processes or services; and

subject us to numerous economic, competitive and regulatory developments, any or all of which may have a substantial adverse impact upon the particular industry in which we may operate subsequent to a business combination.

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 so as to diversify risks and offset losses. Further, the prospects for our success may be entirely dependent upon the future performance of the initial target business or businesses we acquire.

In addition, since our business combination may entail the contemporaneous acquisition of several operating businesses and may be with different sellers, we will need to convince such sellers to agree that the purchase of their businesses is contingent upon the simultaneous closings of the other acquisitions.

Because of our limited resources and the significant competition for business combination opportunities, we may not be able to consummate an attractive business combination.

We expect to encounter intense competition from other entities having a business objective similar to ours, including venture capital funds, leveraged buyout funds and operating businesses competing for acquisitions. Many of these entities are well established and have extensive experience in identifying and effecting business combinations directly or through affiliates. Many of these competitors possess greater technical, human and other resources 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 potential target businesses in the healthcare sector that we could acquire with the net proceeds of this offering, our ability to compete in acquiring certain sizable target businesses will be limited by our available financial resources. This inherent competitive limitation gives others an advantage over us in pursuing the acquisition of certain target businesses. Further:

- our obligation to seek stockholder approval of a business combination may delay the consummation of a transaction and may make a transaction with us less attractive for potential targets;
- our obligation to convert into cash shares of our common stock held by our public stockholders in certain instances may reduce the resources available for a business combination; and
- our outstanding warrants and the purchase option granted to FTN Midwest Securities Corp., and the future dilution they potentially represent, may not be viewed favorably by certain target businesses.

Any of these obligations may place us at a competitive disadvantage in successfully negotiating and completing a business combination.

In addition, because our business combination may entail the contemporaneous acquisition of several operating businesses and may be with several different sellers, we will need to convince such sellers to agree that the purchase of their 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 or abandon a particular business combination.

Although we believe that the net proceeds of this offering will be sufficient to allow us to consummate a business combination, since we have not yet selected or approached any prospective target businesses, we cannot ascertain the capital requirements for any particular business combination. If the net proceeds of this offering prove to be insufficient, either because of the size of the business combination or the depletion of the available net proceeds in search of target businesses, or because we become obligated to convert into cash a significant number of shares from dissenting stockholders, we will be required to seek additional financing through the issuance of equity or debt securities or other financing arrangements. We cannot assure you that such financing would be available 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 restructure or abandon that particular business combination and seek alternative target business candidates. In addition, if we consummate a business combination, we may require additional financing to fund the operations or growth of the target businesses. The failure to secure additional financing could have a material adverse effect on the continued development or growth of the target businesses. None of our officers, directors or initial stockholders is required to provide any financing to us in connection with or after a business combination.

Our initial stockholders control a substantial interest in us and thus may influence certain actions requiring stockholder vote and could support proposals that are not in your interest.

Our initial stockholders will own at least 9.5%, and assuming all of our reserved treasury shares are transferred to officers, directors or employees, as much as 20%, of our issued and outstanding shares of common stock. Our directors and officers, including our initial stockholders, will agree with FTN Midwest Securities

Corp., at the close of this offering, to place an irrevocable order with a third-party broker-dealer, in accordance with guidelines specified by Rule 10b5-1 under the Exchange Act, to purchase up to $1,000,000 of our warrants on behalf of themselves, collectively, in the open market following this offering, subject to any regulatory restrictions. A broker-dealer who has not participated in this offering will agree to make the purchases of the warrants on behalf of our directors and officers in such amounts as that broker-dealer may determine, in its sole discretion, subject to any regulatory restrictions. If at the end of a certain 60 trading-day period the broker-dealer has not purchased up to the maximum of $1,000,000 of our warrants on behalf of our directors and officers, then our directors and officers will purchase warrants from us in a private placement at a price per warrant to be agreed upon in an amount equal to the difference of $1,000,000 and the total amount paid by the broker-dealer. Any exercise of these warrants by our initial stockholders would increase their relative ownership percentage of us. Our directors and officers will agree not to sell or transfer these warrants until after the completion of a business combination. We will not engage any affiliate of the broker-dealer effecting the warrant purchases to advise us in connection with locating a suitable business combination at any time when such warrant purchases remain uncompleted.

It is unlikely that there will be an annual meeting of stockholders to elect new directors prior to the consummation of a business combination, in which case all of the current directors will continue in office at least until the consummation of the business combination. If there is an annual meeting, our initial stockholders, because of their ownership position, will have considerable influence regarding the outcome of the election of directors. Accordingly, our initial stockholders will continue to exert considerable control at least until the consummation of a business combination.

In connection with the vote required for our initial business combination, our initial stockholders will agree prior to the completion of this offering (and any person to whom we transfer our reserved treasury shares will, as a condition to the transfer, be required to agree) to vote all of the shares of common stock owned by them in the same manner as the holders of the majority of the shares sold to the public in this offering. Our initial stockholders and the other members of our management will agree prior to the completion of this offering (and any person to whom we transfer our reserved treasury shares will, as a condition to the transfer, be required to agree) not to purchase any additional shares of common stock, whether as part of this offering or otherwise, prior to the completion of a business combination. Our initial stockholders will prior to the completion of this offering (and any person to whom we transfer reserved treasury shares will, as a condition to the transfer, be required to) enter into lock-up agreements restricting the sale or other transfer of shares of our common stock until six months after a business combination is completed.

Notwithstanding these agreements, we cannot assure you that our initial stockholders will not have considerable influence over us and that their interests will not conflict with that of the public stockholders.

You will experience immediate and substantial dilution from the purchase of our common stock.

The difference between the public offering price per share of our common stock and the pro forma net tangible book value per share of our common stock after this offering constitutes the dilution to you and the other investors in this offering. The fact that the shares held by our initial stockholders were transferred to them prior to this offering at a nominal deemed price has significantly contributed to this dilution. Assuming this offering is completed, you and the other new investors will incur an immediate and substantial dilution of approximately 19% or $0.84 per share (the difference between the pro forma net tangible book value per share of $5.16 and the initial public offering price of $6.00 per unit).

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

In connection with this offering, as part of the units, we will be issuing warrants to purchase 38,333,334 shares of common stock (assuming full exercise of the underwriters over-allotment option). In addition, we have agreed to sell to FTN Midwest Securities Corp. an option to purchase up to a total of 833,333 units that, if exercised, would result in the issuance of warrants to purchase an additional 1,666,666 shares of common stock. To the extent we issue shares of common stock to effect a business combination, the potential for the issuance of substantial numbers of additional shares upon exercise of these warrants could make us a less attractive acquisition vehicle in the eyes of a target business as such warrants, when exercised, will increase the number of issued and outstanding shares of our common stock and reduce the value of the shares issued to complete the business combination. Accordingly, our warrants may make it more difficult to effectuate a business combination or increase the cost of a target business. Additionally, the sale, or even the possibility of sale, of the shares underlying the warrants could have an adverse effect on the market price for our securities or on our ability to obtain future public financing. If and to the extent these warrants are exercised, you will experience dilution to your holdings.

The obligation of our directors and officers to purchase warrants in the open market during the 60-trading days beginning on the later of the date separate trading of the warrants has commenced or 90 calendar days after the end of the restricted period under Regulation M may support the market price of the warrants during such period and, accordingly, the termination of the support provided by such warrant purchases may materially adversely affect the market price of the warrants.

Our directors and officers will agree with FTN Midwest Securities Corp., at the close of this offering, to place an irrevocable order with a third-party broker-dealer, in accordance with guidelines specified by Rule 10b5-1 under the Exchange Act, to purchase up to $1,000,000 of our warrants on behalf of themselves, collectively, in the open market, within the 60-trading days beginning on the later of the date that the warrants begin to trade separately and 90 days after the end of the restricted period under Regulation M (as further described in this prospectus). The purchases of the warrants on behalf of our directors and officers will be made by a broker-dealer who has not participated in this offering in such amounts and at such times as that broker-dealer may determine, in its sole discretion, subject to any regulatory restrictions. Our directors and officers will not have any discretion or influence with respect to such purchases. Such warrant purchases may serve to support the market price of the warrants during such 60-trading day period at a price above that which would prevail in the absence of such purchases by our directors and officers. If at the end of such 60 trading-day period the broker-dealer has not purchased up to the maximum of $1,000,000 of our warrants on behalf of our directors and officers, then our directors and officers will purchase warrants from us in a private placement at a price per warrant to be agreed upon, but in no event less than $0.70 per warrant, in an amount equal to the difference of $1,000,000 and the total amount paid by the broker-dealer. The obligation to purchase warrants shall terminate thereafter. The termination of the support provided by the warrant purchases may materially adversely affect the market price of the warrants. Our directors and officers will agree not to sell or transfer these warrants until after the completion of a business combination. We will not engage any affiliate of the broker-dealer effecting the warrant purchases to advise us in connection with locating a suitable business combination at any time when such warrant purchases remain uncompleted.

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

Our initial stockholders are entitled (and any persons to whom our reserved treasury shares are transferred will be entitled) to demand that we register the resale of their shares of common stock in certain circumstances, including shares acquired upon the exercise of warrants. For more information, see Certain Relationships and Related Transactions Initial Share Issuances in this prospectus. If our initial stockholders (or persons to whom we transfer our reserved treasury shares) exercise their registration rights with respect to all of the shares of common stock held by them, then there will be at least 1,750,001 shares of common stock eligible for trading in the public market (and possibly more depending on the transfer of treasury shares and the exercise of warrants). The presence of this additional number of shares of common stock 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 effect a business combination or increase the cost of a target business, as the stockholders of a particular 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.

You will be able to purchase the securities only if you are an institutional investor as defined under applicable state securities laws. In addition, there may be restrictions under applicable state securities laws on your ability to resell the securities you purchase in the offering.

You will be able to purchase securities in the offering only if you are an institutional investor as defined under the securities laws of your state. The definition of an institutional investor varies from state to state but generally includes banks and other financial institutions, broker-dealers, insurance companies, pension or profit-sharing plans, and other qualified entities. You should consult with your own financial and legal advisors to determine whether you would qualify as an institutional investor under the laws of your state.

Even if you are able to purchase securities in this offering, your ability to resell your securities will also be limited by applicable state securities laws. You may be able to resell your securities only in the states in which the securities are registered or only to persons who qualify as institutional investors., which may have an adverse impact upon the price of the securities. For more information, see Underwriting State Blue Sky Information in this prospectus.

We intend to have our securities quoted on the OTC Bulletin Board, which will limit the liquidity and price of our securities more than if our securities were quoted or listed on the Nasdaq National Market or a national exchange.

Our securities will be traded in the over-the-counter market. It is anticipated that they will be quoted on the OTC Bulletin Board, an inter-dealer automated quotation system for equity securities sponsored and operated by The Nasdaq Stock Market, Inc., but not included in the Nasdaq National Market. Quotation of our securities on the OTC Bulletin Board will limit the liquidity and price of our securities more than if our securities were quoted or listed on the Nasdaq National Market or a national exchange. Lack of liquidity will limit the price at which you may be able to sell our securities or your ability to sell our securities at all.

FTN Midwest Securities Corp. may be considered affiliated with us and its ability to be a market maker in our securities may be restricted, and this may limit the liquidity and price of our securities.

Although FTN Midwest Securities Corp. has not committed to making a market in our securities, it is anticipated that it will do so. FTN Midwest Securities Corp. may be deemed an affiliate and, as a result, may not freely trade in our securities after the initial public offering in reliance on exemptions from the registration requirements under the Securities Act of 1933, as amended, or the Securities Act, typically applicable to market making activities. In connection with any market making activities, FTN Midwest Securities Corp. must deliver a prospectus that is part of an effective registration statement under the Securities Act and that contains current information (a market making prospectus). It is anticipated that FTN Midwest Securities Corp. will use this prospectus for its market making activities. In order for it to do so, this prospectus will have to be updated periodically to reflect current information. During times when the information in this prospectus has become outdated, until an amended prospectus has been prepared, FTN Midwest Securities Corp. may have to cease its market making activities which could limit the ability of FTN Midwest Securities Corp. to effectively make a market in our securities and this could decrease the liquidity and price of our securities after the initial public offering.

19

Table of Contents

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.

If we are deemed to be an investment company under the Investment Company Act of 1940, as amended, or the 1940 Act, our activities may be restricted, including:

restrictions on the nature of our investments; and

restrictions on the issuance of our securities, each of which may make it difficult for us to complete a business combination.

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

registration and regulation as an investment company;

adoption of a specific form of corporate structure; and

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

We do not believe that our anticipated principal activities will subject us to the 1940 Act. To this end, the proceeds held in trust may only be invested by the trust agent in a money market fund fully collateralized by United States government securities. By restricting the investment of the proceeds to these instruments, we intend to meet the requirements for the exemption provided in Rule 3a-1 under the 1940 Act. If we were deemed to be subject to the 1940 Act, compliance with these additional regulatory burdens would require additional expense that we have not allotted for.

Because there are numerous companies with a business plan similar to ours seeking to complete a business combination, it may be more difficult for us to complete a business combination.

According to the investment firm of Sanders Morris Harris, there were fewer than fifteen initial public offerings of specified purpose acquisition companies in 2004 and only one in 2003. Published reports indicate that between 33 to 42 similarly structured blank check companies filed initial public offerings with the Securities and Exchange Commission from January 2005 through October 2005. Of these companies, few have announced that they have entered into a definitive agreement for a business combination, while even fewer have consummated a business combination. According to the Investment Dealers Digest, through October 2005, 19 such initial public offerings have been completed so far this year, raising a total of $1.1 billion, while nine IPOs raised $339.6 million in 2004. While some of those companies have targeted specific industries in which they must complete a business combination and only a few have targeted the healthcare industry, a number of them may consummate a business combination in any industry they choose. Competition from these and other companies seeking to consummate a business plan similar to ours could increase demand for attractive target companies. Further, the fact that very few of such companies have entered into a definitive agreement for a business combination and even fewer have completed a business combination may be an indication that there are only a limited number of attractive target businesses available or that target businesses may not be inclined to enter into business combinations with publicly held blank check companies like us. Therefore, we cannot assure you that we will be able to successfully compete for an attractive business combination, nor can we assure you that we will be able to effectuate a business combination within the required time period. If we are unable to find a suitable target business within such time periods, we will be forced to liquidate and the portion of your investment not placed in trust would be lost.

A provision in our Amended and Restated Certificate of Incorporation preventing amendment of certain language therein may not be enforceable under Delaware law.

Our Amended and Restated Certificate of Incorporation contains provisions governing the process for the approval of a business combination and the release of funds from the trust account that is described throughout this prospectus. The Amended and Restated Certificate of Incorporation also provides that these provisions may not be amended prior to the consummation of a business combination. The enforceability of this prohibition of any amendment under Delaware law is unclear. Although Delaware law may allow us to amend these provisions upon obtaining the affirmative vote of the holders of a majority of our common stock, we will not propose any such amendment to our stockholders. See Business Amended and Restated Certificate of Incorporation for a statement of our intentions in this regard.

Table of Contents

Risks associated with the healthcare sector

The healthcare industry is susceptible to significant liability exposure. If liability claims are brought against us following a business combination, the defense of such claims could consume management s time and our resources and a negative outcome could disrupt our operations.

Any target business we acquire in the healthcare industry will be exposed to potential liability risks that are inherent in the testing, manufacturing, marketing and sale of healthcare products and/or the provision of healthcare services. A successful liability claim could have material adverse effect on our business, financial condition or market price of our common stock and warrants. In addition, the time, energy and attention that our management could be required to devote to confronting any such claims could prevent it from concentrating on the growth and profitability of our acquired business, which could have a material impact on our financial results and the market prices of our securities.

Changes in the healthcare industry are subject to various influences, each of which may affect our prospective business.

The healthcare industry is subject to changing political, economic, and regulatory influences. These factors affect the purchasing practices and operations of healthcare organizations. Any changes in current healthcare financing and reimbursement systems could cause us to make unplanned enhancements of our prospective products or services, or result in delays or cancellations of orders, or in the revocation of endorsement of our prospective products or services by clients. Federal and state legislatures have periodically considered programs to reform or amend the U.S. healthcare system at both the federal and state level. Such programs may increase governmental regulation or involvement in healthcare, lower reimbursement rates, or otherwise change the environment in which healthcare industry participants operate. Healthcare industry participants may respond by reducing their investments or postponing investment decisions, including investments in our prospective products or services.

Many healthcare industry participants are consolidating to create integrated healthcare systems with greater market power. As the healthcare industry consolidates, competition to provide products and services to industry participants will become even more intense, as will the importance of establishing a relationship with each industry participant. These industry participants may try to use their market power to negotiate price reductions for our prospective products and services. If we were forced to reduce our prices, our operating results could suffer if we could not achieve corresponding reductions in our expenses.

Any business we acquire will be subject to extensive government regulation. Any changes to the laws and regulations governing our prospective business, or the interpretation and enforcement of those laws or regulations, could cause us to modify our operations and could result in increased costs.

We believe that our prospective business will be extensively regulated by the federal government and any states in which we decide to operate. The laws and regulations governing our operations, if any, are generally intended to benefit and protect persons other than our stockholders. The government agencies administering these laws and regulations have broad latitude to enforce them. These laws and regulations along with the terms of any government contracts we may enter into would regulate how we do business, what products and services we could offer, and how we would interact with the public. These laws and regulations, and their interpretations, are subject to frequent change. Changes in existing laws or regulations, or their interpretations, or the enactment of new laws or regulations could reduce our revenue, if any, by:

imposing additional capital requirements;

increasing our liability;

increasing our administrative and other costs;

increasing or decreasing mandated benefits;

Table of Contents

forcing us to restructure our relationships with providers; or

requiring us to implement additional or different programs and systems.

For example, Congress enacted the Health Insurance Portability and Accountability Act of 1996 which had serious implications for the healthcare industry, including the imposition of a vast array of additional requirements with respect to privacy protections, electronic security protections, and additional requirements with respect to the manner in which health care transactions (such as claim submissions) must be conducted. Another example of recently enacted and far-reaching legislation is the Medicare Prescription Drug, Improvement and Modernization Act of 2003, which will have very significant effects in greatly increasing the level of federal expenditures for prescription drugs. The new legislation will alter the nature and degree of reimbursement for drugs and for healthcare services as it is phased in in 2006. Any analogous requirements applied to our prospective products or services would be costly to implement and could affect our prospective revenues.

We believe that our business, if any, will be subject to various routine and non-routine governmental reviews, audits and investigation. Violation of the laws governing our prospective operations, or changes in interpretations of those laws, could result in the imposition of civil or criminal penalties, the cancellation of any contracts to provide products or services, the suspension or revocation of any licenses, and exclusion from participation in government sponsored health programs, such as Medicare, Medicaid and the State Children s Health Insurance Program. If we become subject to material fines or if other sanctions or other corrective actions were imposed upon us, we might suffer a substantial reduction in revenue, and might also lose one or more of our government contracts and as a result lose significant numbers of members and amounts of revenue.

For example, in recent years there have been an increasing number of investigations for sales under federal and state anti-kickback statutes relating to Medicare and Medicaid reimbursement and the federal False Claims Act and its state analogues, with settlements often reaching into the several hundred million dollar range. This risk applies to both healthcare service providers and medical device manufacturers. Investigations in this area will be further stimulated by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003.

The current administration s issuance of new regulations, its enforcement of the existing laws and regulations, the states ability to promulgate stricter rules, and uncertainty regarding many aspects of the regulations may make compliance with any new regulatory landscape difficult. In order to comply with any new regulatory requirements, any prospective business we acquire may be required to employ additional or different programs and systems, the costs of which are unknown to us at this time. Further, compliance with any such new regulations may lead to additional costs that we have not yet identified. We do not know whether, or the extent to which, we would be able to recover our costs of complying with any new regulations. Any new regulations and the related compliance costs could have a material adverse effect on our business.

If we are unable to attract qualified healthcare professionals at reasonable cost, it could limit our ability to grow and could decrease our profitability.

We may rely significantly on our ability to attract and retain qualified healthcare professionals who possess the skills, experience and licenses necessary to meet the certification requirements and the requirements of the hospitals, nursing homes and other healthcare facilities with which we may work, as well as the requirements of applicable state and federal governing bodies. We will compete for qualified healthcare professionals with hospitals, nursing homes and other healthcare organizations. Currently, for example, there is a shortage of qualified nurses in most areas of the United States. Therefore, competition for nursing personnel is increasing, and nurses salaries and benefits have risen. This may also occur with respect to other healthcare professionals on whom our business may become dependent.

Our ability to attract and retain such qualified healthcare professionals will depend on several factors, including our ability to provide attractive assignments and competitive benefits and wages. We cannot assure you that we will be successful in any of these areas. Because we may operate in a fixed reimbursement environment,

Table of Contents

increases in the wages and benefits that we must provide to attract and retain qualified healthcare professionals or increases in our reliance on contract or temporary healthcare professionals could decrease our revenue. We may be unable to continue to increase the number of qualified healthcare professionals that we recruit, decreasing the potential for growth of our business. Moreover, if we are unable to attract and retain qualified healthcare professionals, we may have to limit the number of clients for whom we can provide any of our prospective products or services.

We may be dependent on payments from Medicare and Medicaid. Changes in the rates or methods governing these payments for our prospective products or services, or delays in such payments, could decrease our prospective revenue.

A large portion of our revenue may consist of payments from Medicare and Medicaid programs. We cannot assure you that Medicare and Medicaid will continue to pay in the same manner or in the same amount that they currently do. Any reductions in amounts paid by government programs for our prospective products or services or changes in methods or regulations governing payments would decrease our potential revenue. Additionally, delays in any such payments, whether as a result of disputes or for any other reason, would also decrease our potential revenue.

If our costs were to increase more rapidly than payment adjustments we receive from Medicare, Medicaid or other third-party payors for any of our potential products or services, our revenue could be decreased.

We may receive fixed payments for our prospective products or services based on the level of service or care that we provide. Accordingly, our revenue may be largely dependent on our ability to manage costs of providing any products or services and to maintain a client base. We may become susceptible to situations where our clients may require more extensive and therefore more expensive products or services than we may be able to profitably deliver. Although Medicare, Medicaid and certain third-party payors currently provide for an annual adjustment of various payment rates based on the increase or decrease of the medical care expenditure category of the Consumer Price Index, these increases have historically been less than actual inflation. If these annual adjustments were eliminated or reduced, or if our costs of providing our products or services increased more than the annual adjustment, any revenue stream we may generate would be decreased.

We may depend on payments from third-party payors, including managed care organizations. If these payments are reduced, eliminated or delayed, our prospective revenues could be decreased.

We may be dependent upon private sources of payment for any of our potential products or services. Any amounts that we may receive in payment for such products and services may be decreased by market and cost factors as well as other factors over which we have no control, including regulations, cost containment, utilization decisions and reduced reimbursement schedules of third-party payors. Any reductions in such payments, to the extent that we could not recoup them elsewhere, would have a material adverse effect on our prospective business and results of operations. Additionally, delays in any such payments, whether as a result of disputes or for any other reason, would have a material adverse effect on our prospective business and results of operations.

Medical reviews and audits by governmental and private payors could result in material payment recoupments and payment denials.

Medicare fiscal intermediaries and other payors may periodically conduct pre-payment or post-payment medical reviews or other audits of our prospective products or services. In order to conduct these reviews, the payor would request documentation from us and then review that documentation to determine compliance with applicable rules and regulations, including the documentation of any products or services that we might provide. We cannot predict whether medical reviews or similar audits by federal or state agencies or commercial payors of such products or services will result in material recoupments or denials, which could reduce our revenues and cause damage to our business reputation.

Table of Contents

The FDA and state and foreign regulatory agencies have promulgated regulations that will affect our existing or potential products after consummating an acquisition.

The business activities we may engage in following a business combination, including medical device manufacturing and drug development or testing, are subject to rigorous regulatory requirements at the federal, state and foreign levels, which lead to burdensome reporting requirements or potential sanctions. See the section below entitled Proposed Business Regulation of the healthcare sector.

The regulatory requirements applicable to our products may be modified in the future. We cannot determine what effect changes in regulations or statutes or legal interpretations may have on a product in the future. Changes could require alterations to manufacturing methods, expanded or different labeling, monitoring mechanisms, the recall, replacement or withdrawal of certain products, additional record keeping and expanded documentation of the properties of certain products or their effects on patients, and new scientific substantiation. Any changes or new legislation could have a material adverse effect on our ability to develop and sell new products and, therefore, our ability to generate revenue and cash flow from them.

Additionally, our potential products may be subject to regulation by similar agencies in other states and foreign countries. Compliance with such laws or regulations, including any new laws or regulations in connection any potential products developed by us, might impose additional costs on us or marketing impediments on such products which could decrease our revenues and increase our expenses. The FDA and state authorities have broad enforcement powers. Our failure to comply with applicable regulatory requirements could result in enforcement action by the FDA or state agencies, which may include any of the following sanctions:

- warning letters, fines, injunctions, consent decrees and civil penalties;
- repair, replacement, refunds, recall or seizure of our products;
- operating restrictions or partial suspension or total shutdown of production;
- refusal of requests for 510(k) clearance or premarket approval of new products, new intended uses, or modifications to existing products;
- withdrawal of 510(k) clearance or premarket approvals previously granted and
- criminal prosecution.

If any of these events were to occur, it could harm our business.

The FDA can impose civil and criminal enforcement actions and other penalties on us if we were to fail to comply with stringent FDA regulations.

Medical device manufacturing facilities must maintain records, which are available for FDA inspectors documenting that the appropriate manufacturing procedures were followed. Should we acquire such a facility as a result of a business combination, the FDA would have authority to conduct inspections of such a facility. Labeling and promotional activities are also subject to scrutiny by the FDA and, in certain instances, by the Federal Trade Commission. Any failure by us to take satisfactory corrective action in response to an adverse inspection or to comply with applicable FDA regulations could result in enforcement action against us, including a public warning letter, a shutdown of manufacturing operations, a recall of our products, civil or criminal penalties or other sanctions. From time to time, the FDA may modify such requirements, imposing additional or different requirements which could require us to alter our business methods which could potentially result in increased expenses.

Table of Contents

USE OF PROCEEDS

The following table sets forth the proceeds we estimate to receive from this offering:

	Without Over-Allotment Option	With Over-Allotment Option
Gross proceeds[(1)]	$ 100,000,002	$ 115,000,002
Offering expenses		
Underwriting discount (7% of gross proceeds)	7,000,000	8,050,000
Underwriting non-accountable expense allowance (1% of gross proceeds)[(2)]	1,000,000	1,000,000
Legal fees and expenses (including blue sky services and expenses)	400,000	400,000
Printing and engraving expenses	75,000	75,000
Accounting fees and expenses	50,000	50,000
SEC registration fee	38,351	38,351
NASD filing fee	33,083	33,083
Miscellaneous expenses	23,568	23,568
Proceeds after offering expenses	$ 91,380,000	$ 105,330,000
Proceeds held in trust		
Net offering proceeds held in trust	89,600,000	103,350,000
Deferred underwriting discount and commission	5,400,000	6,210,000
Total proceeds held in trust	**$ 95,000,000**	**$ 109,560,000**
Net proceeds not held in trust	$ 1,780,000	$ 1,980,000
Use of net proceeds not held in trust		
Legal, accounting and other third party expenses attendant to the due diligence investigations, structuring and negotiation of a business combination	$ 350,000	$ 350,000
Internal due diligence of prospective target businesses	100,000	100,000
Legal and accounting fees relating to SEC reporting obligations	50,000	50,000
Working capital to cover miscellaneous expenses, stockholder note payable, D&O insurance and reserves	1,280,000	1,480,000
Total	**$ 1,780,000**	**$ 1,980,000**

(1) Excludes the payment of $100 from FTN Midwest Securities Corp., for its purchase option, proceeds from the future sale of units under the purchase option and proceeds from the future exercise of any warrants.

(2) The non-accountable expense allowance, which is payable to FTN Midwest Securities Corp. alone, is not payable with respect to the units sold upon exercise of the underwriters over-allotment option.

We intend to use the proceeds from the sale of the units to acquire one or more operating businesses in the healthcare-related sector.

Of the net proceeds, $95,000,000 (including deferred underwriting discount and commission of $5,400,000), or $109,560,000 (including deferred underwriting discount and commission of $6,210,000) if the underwriters over-allotment option is exercised in full, will be placed in a trust account at JPMorgan Chase Bank, N.A. The proceeds will not be released from the trust account until the earlier of the completion of a business combination or our liquidation. The proceeds held in the trust account may be used as consideration to pay the sellers of a target business with which we ultimately complete a business combination. Depending on the total consideration paid to the sellers of the target business, and whether such consideration includes stock, cash on hand or borrowed money, it is possible that proceeds from the trust account will not be fully used as consideration for a business combination. In such event, amounts may be released from trust to the merged company upon completion of the business combination. These funds will remain assets of the merged company and may be used to finance the costs of the business combination, future operations and/or subsequent acquisitions. We may also use these funds to pay a finder s fee in connection with a business combination. We have no agreements in place with any person at the date of this prospectus in respect to finder s fees.

We intend to use the excess working capital (approximately $1,280,000) for director and officer liability insurance premiums (approximately $550,000), annual retainers for certain of our officers and directors (approximately $500,000) and repayment of loans from Healthcare Acquisition Partners Holdings, LLC (approximately $85,000), with the balance of $145,000 being held in reserve. We have reserved approximately $100,000 for reimbursement of internal expenses incurred in connection with conducting due diligence reviews of prospective target businesses, including any out-of-pocket expenses incurred by our initial stockholders in connection with activities on our behalf. We expect that internal due diligence of prospective target businesses will be performed by some or all of our officers and directors. We have reserved approximately $350,000 for legal, accounting and other third party expenses, such as engaging market research and valuation firms, as well as other expenses of structuring and negotiating business combinations, including the making of a down payment or the payment of exclusivity or similar fees and expenses.

We may not use all of the proceeds in the trust in connection with a business combination, either because the consideration for the business combination is less than the proceeds in trust or because we finance a portion of the consideration with our capital stock or debt securities. In that event, the proceeds held in the trust account as well as any other net proceeds not expended will be retained as working capital and may be used to finance the costs of the business combination, which may include a finder s fee, future operations and/or subsequent acquisitions. Because we do not have any specific business combination under consideration and have not (nor has anyone on our behalf) contacted any prospective target business or had any discussions, formal or otherwise, with respect to such a transaction, we are not able at this time to determine how, following a business combination, we would use any proceeds held in the trust account that are not used to consummate such business combination.

Healthcare Acquisition Partners Holdings, LLC, which is indirectly owned by FTN Midwest Securities Corp., has advanced to us approximately $85,000, which funds were used to pay certain expenses of the offering including the SEC registration fee of $38,351 and the NASD filing fee of $33,083. These borrowings will be repaid upon the consummation of the offering out of the net proceeds not placed in trust.

Our directors and officers will agree with FTN Midwest Securities Corp., at the close of this offering, to place an irrevocable order with a third-party broker-dealer, in accordance with guidelines specified by Rule 10b5-1 under the Exchange Act, to purchase up to $1,000,000 of our warrants, on behalf of themselves, collectively, in the open market, within the 60-trading days beginning on the later of the date that the warrants begin to trade separately and 90 days after the end of the restricted period under Regulation M (as further described in this prospectus). A broker-dealer who has not participated in this offering will agree to make the purchases of the warrants on behalf of our directors and officers in such amounts and at such times as that broker-dealer may determine, in its sole discretion, subject to any regulatory restrictions. If at the end of such 60 trading-day period the broker-dealer has not purchased up to the maximum of $1,000,000 of our warrants on behalf of our directors and officers, then our directors and officers will purchase warrants from us in a private placement at a price per warrant to be agreed upon, but in no event less than $0.70 per warrant, in an amount equal to the difference of $1,000,000 and the total amount paid by the broker-dealer. Our directors and officers will agree not to sell or transfer these warrants until after the completion of a business combination. We will not engage any affiliate of the broker-dealer effecting the warrant purchases to advise us in connection with locating a suitable business combination at any time when such warrant purchases remain uncompleted. For a more complete discussion, please see the section of this prospectus entitled Underwriting.

The net proceeds of this offering that are not immediately required for the purposes set forth above will be invested in a money market fund fully collateralized by United States government securities, so that we are not deemed to be an investment company under the 1940 Act. The interest income derived from investment of the net proceeds not held in trust during this period will be used to defray our general and administrative expenses, as well as costs relating to compliance with securities laws and regulations, including associated professional fees, until a business combination is completed.

We believe that, upon consummation of this offering, we will have sufficient available funds to operate for at least the next 24 months, assuming that a business combination is not consummated during that time.

No cash compensation will be paid to our initial stockholders or to FTN Midwest Securities Corp. and its affiliates for services rendered to us prior to or in connection with the consummation of the business combination, except for customary investment banking fees and expenses and/or finders fees in connection with that business combination approved by our directors that are not affiliated with FTN Midwest Securities Corp. Each of our officers and directors, other than Sean McDevitt and Pat LaVecchia, own shares of our common stock that they received, subject to forfeiture provisions, for no consideration as a condition of their accepting their positions with us in September and October 2005. We have agreed to reimburse our initial stockholders for any tax liability they may incur in connection with their receipt of shares of our common stock. Shares of our common stock held by our initial stockholders (and any of our reserved treasury shares that are transferred to any person) will be subject to lock-up agreements restricting their sale until six months after a business combination is completed. Our chief executive officer, chief financial officer, and each of our independent directors will receive an annual retainer of $50,000. John Voris, our chief executive officer and a director, will receive an additional $50,000 annual retainer for his services as a director. Our initial stockholders will receive reimbursement for any 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. Since the role of present management after a business combination is uncertain, we have no ability to determine what remuneration, if any, will be paid to those persons after a business combination.

A public stockholder will be entitled to receive funds, on a pro rata basis, from the trust account (including interest earned on the trust account) only in the event of our liquidation upon our failure to complete a business combination within the time frame provided in this prospectus or if that public stockholder were to seek to convert such shares into cash in connection with a business combination which the public stockholder previously voted against and which we actually consummate. In no other circumstances will a public stockholder have any right or interest of any kind to or in the trust account.

Table of Contents

CAPITALIZATION

The following table sets forth our capitalization at December 31, 2005 and as adjusted to give effect to the sale of our units in this offering and the application of the estimated net proceeds derived from the sale of our units (assuming no exercise of the underwriters over-allotment option):

	December 31, 2005	
	Actual	As Adjusted
	(unaudited)	
Common Stock, $.0001 par value, -0- and 3,331,667 shares of which, respectively, are subject to possible conversion[1]	$	$ 18,990,502
Accounts Payable	$ 93,954	$
Notes Payable	85,100	
Indebtedness		
Stockholders equity (deficit)		
Preferred stock, $.0001 par value, 1,000,000 shares authorized; none issued and outstanding		
Common stock, $.0001 par value, 200,000,000 shares authorized; 4,166,667 shares issued and outstanding, actual, 17,501,667 shares issued and outstanding (excluding 3,331,667 shares which are subject to possible conversion), as adjusted	$ 417	$ 1,750
Additional paid-in capital	384,583	78,172,748
Deficit accumulated during the development stage	(376)	(376)
Unearned Stock Compensation	(385,000)	(385,000)
Total stockholders equity (deficit)	(376)	77,789,122
Total capitalization	$ 178,678	$ 96,779,624

(1) If we consummate a business combination, the conversion rights afforded to our public stockholders may result in the conversion into cash of up to approximately 19.99% of the aggregate number of shares sold in this offering at a per-share conversion price equal to the amount in the trust account including all accrued interest thereon, as of two business days prior to the proposed consummation of a business combination, divided by the number of shares of common stock sold in this offering.

Table of Contents

DILUTION

The difference between the public offering price per share of common stock, assuming no value is attributed to the warrants included in the units, and the pro forma net tangible book value per share of our common stock after this offering constitutes the dilution to investors in this offering. Net tangible book value per share is determined by dividing our net tangible book value, which is our total tangible assets less total liabilities (including the value of common stock which may be converted into cash), by the number of outstanding shares of our common stock.

At December 31, 2005, our net tangible book value deficit was approximately $(165,464), or approximately $(0.10) per share of common stock. After giving effect to the sale of 16,666,667 shares of common stock included in the units (but excluding shares issuable upon exercise of the warrants included in the units), and the deduction of the underwriting discount and estimated expenses of this offering, our pro forma net tangible book value (as decreased by the value of 3,331,667 shares of common stock which may be converted into cash) at December 31, 2005 would have been approximately $77,789,122 or $5.16 per share, representing an immediate increase in net tangible book value of $5.26 per share to our initial stockholders and an immediate dilution of $0.84 per share or 19% to new investors not exercising their conversion rights.

The following table illustrates the dilution to the new investors on a per-share basis, assuming no value is attributed to the warrants included in the units:

Public offering price		$ 6.00
Net tangible book value before this offering	($0.10)	
Increase attributable to new investors	5.26	
Pro-forma net tangible book value after this offering		5.16
Dilution to new investors		$ 0.84

Our pro forma net tangible book value after this offering has been reduced by approximately $18,990,502 because if we effect a business combination, the conversion rights to the public stockholders may result in the conversion into cash of up to approximately 19.99% of the aggregate number of the shares sold in this offering at a per-share conversion price equal to the amount in the trust account calculated as of two business days prior to the consummation of the proposed business combination, inclusive of any interest, divided by the number of shares sold in this offering.

The following table sets forth information with respect to our initial stockholders and the new investors:

	Shares Purchased		Total Contribution		Average Price Per
	Number	Percentage	Amount	Percentage	Share
Initial stockholder	1,750,001	10%	$ 385,000	0.01%	$ 0.22
New investors	16,666,667	90%	$ 100,000,002	99.99%	$ 6.00

Total	18,416,668	100.00%	$ 100,385,002	100.00%

Table of Contents

The pro forma net tangible book value after the offering is calculated as follows:

Numerator:	
Net tangible book value (deficit) before this offering	$ (165,464)
Proceeds from this offering	96,780,000
Offering costs paid in advance and excluded from net tangible book value before this offering	165,088
Less: Proceeds held in trust subject to conversion to cash 95,000,000 x 19.99%	18,990,502
	$ 77,789,122
Denominator:	
Shares of common stock outstanding prior to this offering	1,750,001
Shares of common stock included in the units offered	16,666,667
Less: Shares subject to conversion 16,666,667 x 19.99%	(3,331,667)
	15,085,001

30

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We were formed on August 15, 2005, as a blank check company for the purpose of acquiring, through a merger, capital stock exchange, asset acquisition or other similar business combination, one or more operating businesses in the healthcare sector. We do not have any specific business combination under consideration, and neither we, nor any representative acting on our behalf, has had any contacts with any target businesses regarding a business combination, nor taken any direct or indirect actions to locate or search for a target business regarding a business combination. We intend to use cash derived from the proceeds of this offering, our capital stock, debt or a combination of cash, capital stock and debt, to finance the costs of a business combination, including any finder s fee, future operations and/or subsequent acquisitions.

The issuance of additional capital stock, including upon conversion of any convertible debt securities we may issue, or the incurrence of debt could have material consequences on our business and financial condition. The issuance of additional shares of our capital stock (including upon conversion of convertible debt securities):

- may significantly dilute the equity interest of our stockholders;
- will likely cause a change in control if a substantial number of our shares of common stock or voting preferred stock are issued, which may affect, among other things, our ability to use our net operating loss carry forwards, if any, and may also result in the resignation or removal of one or more of our present officers and directors; and
- may adversely affect prevailing market prices for our common stock.

Similarly, if we issue debt securities, the issuance could result in:

- default and foreclosure on our assets if our operating revenues after a business combination are insufficient to pay our debt obligations;
- acceleration of our obligations to repay the indebtedness even if we make all principal and interest payments when due if we breach the covenants contained in any debt securities, such as covenants that require the satisfaction or maintenance of certain financial ratios or reserves, without a waiver or renegotiation of such covenants;
- an obligation to immediately repay all principal and accrued interest, if any, upon demand to the extent any debt securities are payable on demand; and
- our inability to obtain additional financing, if necessary, to the extent any debt securities contain covenants restricting our ability to obtain additional financing while such security is outstanding, or to the extent our existing leverage discourages other potential investors.

To date, our efforts have been limited to organizational activities. We have neither engaged in any operations nor generated any revenues to date.

We estimate that the net proceeds from the sale of the units, after deducting offering expenses of approximately $620,002 and an underwriting discount of approximately $8,000,000 (or $9,050,000 if the underwriters over-allotment option is exercised in full), including $1,000,000 evidencing the underwriters non-accountable expense allowance of 1% of the gross proceeds, will be approximately $96,780,000 (including deferred underwriting discount and commission of $5,400,000), or $111,540,000 (including deferred underwriting discount and commission of $6,210,000) if the underwriters over-allotment option is exercised in full. Of this amount, $95,000,000 (including deferred underwriting discount and commission of $5,400,000), or $109,560,000 (including deferred underwriting discount and commission of $6,210,000) if the underwriters over-allotment option is exercised in full, will be held in trust and the remaining $1,780,000, or $1,980,000 if the underwriters over-allotment is exercised in full, will not be held in trust. We will use substantially all of the net

Table of Contents

proceeds of this offering to acquire one or more operating businesses, including identifying and evaluating prospective acquisition candidates, selecting one or more operating businesses, and structuring, negotiating and consummating the business combination. However, we may not use all of the proceeds in the trust in connection with a business combination, either because the consideration for the business combination is less than the proceeds in trust or because we finance a portion of the consideration with our capital stock or debt securities. In that event, the proceeds held in the trust account as well as any other net proceeds not expended will be used to finance the costs of the business combination, including any finder s fee, future operations and/or subsequent acquisitions.

We believe that, upon consummation of this offering and payment of certain expenses in connection with the offering, the funds available to us outside of the trust account will be sufficient to allow us to operate for the next 24 months, assuming that a business combination is not consummated during that time. Over this time period, we anticipate making the following expenditures:

- approximately $350,000 of expenses for legal, accounting and other third party expenses attendant to the due diligence investigations, structuring and negotiating of a business combination;

- approximately $100,000 of expenses for the internal costs of due diligence and investigation of a target business;

- approximately $50,000 of expenses in legal and accounting fees relating to our SEC reporting obligations; and

- approximately $1,280,000 for general working capital that will be used for miscellaneous expenses and reserves, including (i) approximately $550,000 for director and officer liability insurance premium, (ii) approximately $85,000 to repay loans from Healthcare Acquisition Partners Holdings, LLC and (iii) approximately $50,000 per year for our chief executive officer, our chief financial officer and each of our independent directors, and an additional $50,000 per year for John Voris, our chief executive officer and a director, for his services as a director.

We do not believe we will need additional financing following this offering in order to meet the expenditures required for operating our business. However, we may need to obtain additional financing to the extent such financing is required to consummate a business combination, in which case we may issue additional securities or incur debt in connection with such business combination.

We have also agreed to sell to FTN Midwest Securities Corp., for $100, an option to purchase up to a total of 833,333 units, each consisting of one share of common stock and two warrants, at $7.50 per unit, commencing on the later of the consummation of a business combination and one year after the date of this prospectus and expiring five years after the date of this prospectus. The warrants underlying such units will have terms that are identical to those being issued in this offering, with the exception of the exercise price, which will be set at $6.25 per warrant. The purchase option may be transferred, in whole or in part, to any subsidiary or affiliate of FTN Midwest Securities Corp., upon notice to us, or to any third party transferee, subject to our consent. The purchase option will also contain a cashless exercise feature that allows the holder of the purchase option to receive units on a net exercise basis. In addition, the purchase option will provide for registration rights that will permit the holder of the purchase option to demand that a registration statement be filed with respect to all or any part of the securities underlying the purchase option within five years of the date of this prospectus. Further, the holder of the purchase option will be entitled to piggy-back registration rights in the event we undertake a subsequent registered offering within seven years of the date of this prospectus. The warrants and shares of common stock FTN Midwest Securities Corp. may obtain pursuant to this option will be subject to a lock-up agreement restricting their sale until six months after completion of a business combination.

The purchase option may only be exercised to the extent that the aggregate number of shares and warrants comprising the units purchased pursuant to the exercise in whole or in part of the option plus the aggregate number of shares of common stock owned or underlying all warrants owned by FTN Midwest Securities Corp. and its affiliates would not, in sum, exceed 9.00% of the number of the then-issued and outstanding shares of our common stock (assuming full exercise of such purchase option and such warrants).

Table of Contents

PROPOSED BUSINESS

We are a recently organized Delaware blank check company formed on August 15, 2005 for the purpose of acquiring, through a merger, capital stock exchange, asset acquisition or other similar business combination, one or more operating businesses in the healthcare sector.

According to the Centers for Medicare and Medicaid Services, U.S. healthcare spending surpassed $2.0 trillion in 2005. Also according to the Centers for Medicare and Medicaid Services, total U.S. healthcare expenditures are projected to increase to $4.0 trillion in 2015, with the annual growth rate averaging about 7.2%. U.S. healthcare spending, calculated at approximately 15% of GDP based on statistics from the Centers for Medicare & Medicaid Services and projected to be more than 20% of GDP in 2015 according to the California HealthCare Foundation, is larger than that of every other developed nation in total size, as a percentage of GDP, and on a per-capita basis according to Plunkett s Health Care Industry Almanac. In fact, according to Plunkett s Health Care Industry Almanac, per capita spending is twice the average of that of member countries of the Organization for Economic Cooperation and Development. Moreover, according to Plunkett s Health Care Industry Almanac, investors are supporting this growth, investing $4.8 billion in venture investment into U.S. healthcare companies in the first nine months of 2004 alone. Within this industry we believe there are numerous niche sectors each with potential markets totaling in the hundreds of millions of dollars. While some of these sectors are serviced by large traditional healthcare institutions, we believe many are nascent with significant opportunities for fast-moving, smaller companies. The Centers for Medicare and Medicaid Services anticipate the industry will grow at a compounded annual growth rate (CAGR) of 6.7% from 2004 to 2013, reaching $3.4 trillion. This growth outpaces the forecasted U.S. GDP CAGR of 5.2% for the same time frame. At these respective rates, healthcare costs will comprise 18% of the GDP in 2013. Factors contributing to this growth include:

Demographic Trends. The U.S. population is aging rapidly. At the same time, the life expectancy of Americans is increasing, and chronic illnesses that require drug treatment are increasing as the population ages.

Rising Cost of Prescription Drugs. According to Plunkett s Health Care Industry Almanac, prescription drug costs have increased more than 10% every year since 1995. According to a study released in 2001 by the Tufts Center for the Study of Drug Development, the cost of developing a new drug and getting it to market averaged $802 million. Bain & Co. estimates the total cost, including marketing and advertising, at a much higher $1.7 billion per drug.

High Medicare and Medicaid Costs. The obligations of Medicare and Medicaid have the potential to swell the federal budget. The number of senior citizens covered by Medicare will continue to grow at an exceedingly high rate, and new prescription coverage costs will add to the government s financial problems. According to White House projections, federal funding for the Medicare program is projected to reach $340 billion in 2006. The Centers for Medicare and Medicaid Services expect Medicare spending will reach $790 billion and Medicaid spending will be $670 billion in 2015.

Pharmaceutical Direct to Consumer Advertising. The drug industry is making an intensified sales effort. Direct-to-consumer advertising and legions of sales professionals calling on physicians increase demand for the newest, most expensive drugs. According to the research firm Schonfeld & Associates, the pharmaceutical industry s total advertising budget is expected to exceed $21 billion in 2006, up 10% from 2005 levels, with pharmaceutical firms increasing their reliance on Direct to Consumer advertising.

Lifestyle Drugs Trend. Lifestyle drug use is increasing, as shown by the popularity of such drugs as Viagra, Propecia, and Botox. These drugs have dramatically increased the total annual consumer intake of pharmaceuticals and create a great deal of controversy over which drugs should be covered by managed care and which should be paid for by the consumer alone.

Table of Contents

Boom in Surgery Centers. The number of ambulatory surgery centers (ASCs), otherwise known as outpatient surgery centers, has skyrocketed since their initial Medicare approval in 1982. According to the Federated Ambulatory Surgery Association, there were over 4,200 ASCs in 2005. Most procedures performed in such centers are covered under Medicare or by most major health plans. According to the Medicare Payment Advisory Commission, Medicare paid $2.2 billion to surgery centers in 2003, up from $1 billion in 1997.

While the market has grown, it has also faced substantial challenges and undergone significant changes. Rising costs have placed increased pressure on payors, providers, and consumers to find lower-cost healthcare solutions. Legislation has reformed Medicare to give private insurers a greater role in insuring the elderly and to provide prescription drug benefits for seniors. Other legislative efforts have targeted drug pricing by attempting to find ways to encourage the manufacture of generics. New technology and services are increasing the efficiency of all aspects of the healthcare industry, from physicians to payors.

In recent years, the healthcare industry has capitalized on many remarkable advances in medical technology, including breakthroughs in computing, communications, small-incision surgery, drug therapies, diagnostics and instruments. Meanwhile, more emphasis is being placed on the use of computers and advanced telecommunication technology in many phases of hospital operations and patient care, often in conjunction with complex equipment to diagnose and improve patients conditions. With respect to investment in information technology, or IT, the healthcare industry lagged behind almost all other business sectors in 2003, spending just under 4% of its revenue on IT, in contrast to many other industries that have been averaging 5% to 8%. However, this is starting to change. Gartner, a major research firm, projects healthcare industry spending on IT to rise from $34 billion in 2001 to nearly $48 billion in 2006 the second-fastest area for IT growth after the Federal Government. A recent survey by the Health Information Management and Systems Society found that 60% of U.S. hospitals are utilizing, installing or planning to install systems to handle electronic records.

The U.S. Department of Health & Human Services estimated that a national electronic health information network could save about $140 billion yearly, or 8% of the nation s health expenditures. This is due to the fact that vast amounts of time and money are wasted on redundant paperwork, billing errors, duplicated tasks and mistreatment of patients due to lack of complete health information at the point of treatment.

The large number of growth factors and regulatory changes creates an entrepreneur s market in which companies that can capitalize on the growth and changing environment will prosper. While the healthcare market is dominated by some of the largest companies in the U.S., their ability to adapt to meet the industry s growth and changing paradigms has been hampered by bureaucracy, heavy research and development costs, and increased litigation. In this type of environment, middle market companies can often react faster to changes and take advantage of the market opportunities.

Through our management team and our directors, we have extensive contacts and sources in the healthcare sector from which we believe that we will be able to generate acquisition opportunities. These contacts and sources include private equity and venture capital funds, public and private companies, investment bankers, attorneys and accountants. The members of our management team intend to maintain relationships with a significant number of private equity and venture capital funds and public and private companies.

While we expect to seek to effect additional business combinations, our initial business acquisition must be with one or more operating businesses whose fair market value is, either individually or collectively, at least equal to 80% of our net assets at the time of such acquisition. We do not have any specific business combination under consideration, and neither we, nor any representative acting on our behalf, has had any contacts with any target businesses regarding a business combination, nor taken any direct or indirect actions to locate or search for a target business regarding a business combination.

Regulation of the healthcare sector

The development, testing, production and marketing of any of our potential products that we may manufacture, market or sell following a business combination may be subject to regulation by the FDA as devices under the 1976 Medical Device Amendments to the Federal Food, Drug and Cosmetic Act, as amended. Before a new medical device, or a new use of, or claim for, an existing product can be marketed in the United States, it must first receive either 510(k) clearance or pre-market approval from the FDA, unless an exemption applies. Either process can be expensive and lengthy. The FDA s 510(k) clearance process usually takes from three to twelve months, but it can take longer and is unpredictable. The process of obtaining pre-market approval is much more costly and uncertain than the 510(k) clearance process and it generally takes from one to three years, or even longer, from the time the application is filed with the FDA.

In the United States, medical devices must be:

- manufactured in registered and quality approved establishments by the FDA; and
- produced in accordance with the FDA Quality System Regulation, or QSR, for medical devices.

As a result, we may be required to comply with QSR requirements and if we fail to comply with these requirements, we may need to find another company to manufacture any such devices which could delay the shipment of our potential product to our customers.

The FDA requires producers of medical devices to obtain FDA clearance or approval prior to commercialization in the United States. Testing, preparation of necessary applications and the processing of those applications by the FDA is expensive and time consuming. We do not know if the FDA would act favorably or quickly in making such reviews, and significant difficulties or costs may potentially be encountered by us in any efforts to obtain FDA clearance or approval. The FDA may also place conditions on clearances and approvals that could restrict commercial applications of such products. Product approvals may be withdrawn if compliance with regulatory standards is not maintained or if problems occur following initial marketing. Delays imposed by the FDA clearance or approval process may materially reduce the period during which we have the exclusive right to commercialize any potential patented products. We may make modifications to any potential devices and may make additional modifications in the future that we may believe do not or will not require additional clearances or approvals. If the FDA should disagree, and require new clearances or approvals for the potential modifications, we may be required to recall and to stop marketing the potential modified devices. We also may be subject to Medical Device Reporting regulations, which would require us to report to the FDA if our products were to cause or contribute to a death or serious injury, or malfunction in a way that would likely cause or contribute to a death or serious injury.

The development, testing, production and marketing of any of our potential products that we may manufacture, market or sell following a business combination may be subject to regulation by the FDA as drugs. All new drugs must be the subject of an FDA-approved new drug application (NDA) and all new biologics products must be the subject of a biologics license application (BLA) before they may be marketed in the United States. All generic equivalents to previously approved drugs or new dosage forms of existing drugs must be the subject of an FDA-approved abbreviated new drug application (ANDA) before they may be marketed in the United States. In all cases, the FDA has the authority to determine what testing procedures are appropriate for a particular product and, in some instances, has not published or otherwise identified guidelines as to the appropriate procedures. The FDA has the authority to withdraw existing NDA, BLA and ANDA approvals and to review the regulatory status of products marketed under its enforcement policies. The FDA may require an approved NDA, BLA, or ANDA for any drug or biologic product marketed to be recalled or withdrawn under its enforcement policy if new information reveals questions about the drug or biologic s safety or effectiveness. All drugs must be manufactured in conformity with current good manufacturing practice regulations (GMPs) and drugs and biologics subject to an approved NDA, BLA, or ANDA must be manufactured, processed, packaged, held and labeled in accordance with information contained in those approvals. The required product testing and approval process for new drugs and biologics ordinarily takes several years and requires the expenditure of substantial resources. Testing of any product under development may not result in a commercially-viable product. Even after such time and expenses, regulatory approval by the FDA may not be obtained for any products developed. In addition, delays or rejections may be encountered based upon changes in FDA policy during the period of product development and FDA review. Any regulatory approval may impose limitations in the indicated use for the product. Even if regulatory approval is obtained, a marketed

35

product, its manufacturer and its manufacturing facilities are subject to continual review and periodic inspections. Subsequent discovery of previously unknown problems with a product, manufacturer or facility may result in restrictions on the product or manufacturer, including withdrawal of the product from the market.

Even if required FDA approval has been obtained with respect to a new drug or biologic product, foreign regulatory approval of a product must also be obtained prior to marketing the product internationally. Foreign approval procedures vary from country to country and the time required for approval may delay or prevent marketing. The clinical testing requirements and the time required to obtain foreign regulatory approvals may differ from that required for FDA approval. Although there is now a centralized European Union approval mechanism for new pharmaceutical products in place, each European Union member state may nonetheless impose its own procedures and requirements, many of which are time consuming and expensive, and some European Union member states require price approval as part of the regulatory approval process. Thus, there can be substantial delays in obtaining required approval from both the FDA and foreign regulatory authorities.

Effecting a business combination

General

We are not presently engaged in, and we will not engage in, any substantive commercial business for an indefinite period of time following this offering. We intend to use cash derived from the proceeds of this offering, our capital stock, debt or a combination of these to effect a business combination involving one or more operating businesses in the healthcare-related sector. Although substantially all of the net proceeds of this offering are intended to be generally applied toward effecting a business combination as described in this prospectus, the proceeds are not otherwise being designated for any more specific purposes. Accordingly, prospective investors in this offering will make their decision whether to invest in us without an opportunity to evaluate the specific merits or risks of any one or more business combinations. A business combination may involve the acquisition of, or merger with, one or more operating businesses which do not need substantial additional capital but which desire to establish a public trading market for their shares, while avoiding what they may deem to be adverse consequences of undertaking a public offering itself. We believe these include certain time delays, significant expense, loss of voting control and compliance with various federal and state securities laws.

We have not selected or approached any target businesses

We do not have any specific business combination under consideration and neither we, nor any representative acting on our behalf, has had any contacts with any target businesses regarding a business combination, nor taken any direct or indirect actions to locate or search for a target business regarding a business combination. Subject to the requirement that our initial business combination must be with one or more operating businesses in the healthcare sector that, collectively, have a fair market value of at least 80% of our net assets at the time of the acquisition, as described below in more detail, we will have virtually unrestricted flexibility in identifying and selecting prospective acquisition candidates in the healthcare sector. Accordingly, there is no basis for investors in this offering to evaluate the possible merits or risks of the particular industry in the healthcare sector in which we may ultimately operate or the target businesses with which we may ultimately complete a business combination.

Sources of target businesses

We anticipate that acquisition candidates may be brought to our attention by FTN Midwest Securities Corp., or from various unaffiliated sources, including securities broker-dealers, investment bankers, venture capitalists, bankers and other members of the financial community, who may present solicited or unsolicited proposals. We have entered into agreements with FTN Midwest Securities Corp., Sean McDevitt, our chairman, and Pat LaVecchia, a director and our secretary, under the terms of which each of them has agreed to present to us for our consideration any opportunity to acquire all or substantially all of the outstanding equity securities of, or otherwise acquire a controlling equity interest in, an operating business in the healthcare, or a healthcare-related,

Table of Contents

sector, provided that they are under no obligation to present to us any opportunity involving a business in the healthcare, or a healthcare-related, sector seeking a strategic combination with another operating business in the healthcare, or a healthcare-related, sector. The terms of these agreements do not obligate these individuals or FTN Midwest Securities Corp. to present any opportunities to us for consideration prior to presenting such opportunities to any other person or entity. No fees or compensation for investment banking or other advisory services will be payable to FTN Midwest Securities Corp., or any of its affiliates, under these agreements. Our other officers and directors may also bring to our attention acquisition candidates. In addition, we anticipate that the positions held and contacts maintained by the members of our management within the financial community will generate other unsolicited proposals. We do not anticipate receiving any unsolicited proposals with respect to business combinations with prospective target businesses until we have completed this offering. In addition, we will not evaluate any unsolicited proposals that we may receive with respect to any business combinations with prospective target businesses until we have completed this offering.

Selection of target businesses and structuring of a business combination

Subject to the requirement that our initial business combination must be with one or more operating businesses that, individually or collectively, have a fair market value of at least 80% of our net assets at the time of such acquisition, our management will have virtually unrestricted flexibility in identifying and selecting prospective target businesses in the healthcare sector. However, subject to fluctuations in the economy in general, and the healthcare sector in particular, we currently intend to concentrate on prospective target companies, in each case assuming an acquisition value that is equivalent to the available proceeds held in the trust account. We expect that our management will diligently review all of the proposals we receive with respect to prospective target businesses. In evaluating prospective target businesses, our management expects to consider, among other factors, the following:

- financial condition and results of operation;
- growth potential;
- experience and skill of management and availability of additional personnel;
- capital requirements;
- competitive position;
- stage of development of the products, processes or services;
- degree of current or potential market acceptance of the products, processes or services;
- proprietary features and degree of intellectual property or other protection of the products, processes or services;
- regulatory environment of the industry;

- costs associated with effecting the business combination; and

- barriers to entry into the targeted businesses industries.

These criteria are not intended to be exhaustive. Any evaluation relating to the merits of a particular business combination with one or more operating businesses will be based, to the extent relevant, on the above factors as well as other considerations deemed relevant by our management in effecting a business combination consistent with our business objective. In evaluating prospective target businesses, we intend to conduct an extensive due diligence review which will encompass, among other things, meetings with incumbent management and inspection of facilities, as well as review of financial and other information which will be made available to us.

We will endeavor to structure a business combination so as to achieve the most favorable tax treatment to us, the target businesses and their stockholders, as well as our stockholders. We cannot assure you, however, that the Internal Revenue Service or appropriate state tax authority will agree with our tax treatment of the business combination.

The time and costs required to select and evaluate target businesses and to structure and complete the business combination cannot presently be ascertained with any degree of certainty. Any costs incurred with respect to the identification and evaluation of prospective target businesses with which a business combination is not ultimately completed will result in a loss to us and reduce the amount of capital available to otherwise complete a business combination.

Fair market value of target businesses

The initial target businesses that we acquire must have a fair market value, individually or collectively, equal to at least 80% of our net assets at the time of such acquisition. We will obtain an opinion from an unaffiliated, independent investment banking firm which is a member of the NASD, with respect to the fairness to us of the purchase price to be paid in our initial business combination. We expect that any such opinion will be included in our proxy solicitation materials furnished to our stockholders in connection with a business combination, and that such independent investment banking firm will be a consenting expert.

Possible lack of business diversification

The net proceeds from this offering will provide us with approximately $96,780,000 (including deferred underwriting discount and commission of $5,400,000) which we may use to complete a business combination. While we may seek to effect a business combination with more than one target business, our initial business acquisition must be with one or more operating businesses whose fair market value, individually or collectively, is at least equal to 80% of our net assets at the time of such acquisition (excluding deferred underwriting discount and commission held in the trust account in the amount of $5,400,000 or $6,210,000 if the over-allotment option is exercised in full). At the time of our initial business combination, we may not be able to acquire more than one target business because of various factors, including insufficient financing or the difficulties involved in consummating the contemporaneous acquisition of more than one operating company; therefore, it is possible that we will have the ability to complete a business combination with only a single operating business which may only have a limited number of products or services. The resulting lack of diversification may:

- result in our dependency upon the performance of a single operating business;
- result in our dependency upon the development or market acceptance of a single or limited number of products, processes or services; and
- subject us to numerous economic, competitive and regulatory developments, any or all of which may have a substantial adverse impact upon the particular industry in which we may operate subsequent to a business combination.

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 have the resources to complete several business combinations in different industries or different areas of a single industry so as to diversify risks and offset losses. Further, the prospects for our success may be entirely dependent upon the future performance of the initial target business or businesses we acquire.

In addition, since our business combination may entail the contemporaneous acquisition of several 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 businesses is contingent upon the simultaneous closings of the other acquisitions.

Acquisition of more than one business

As noted above, we expect to effect our initial business combination through the acquisition of a single business, but we reserve the right to acquire more than one business in contemporaneous acquisitions if our board of directors determines that such a course is in our best interest. Completing our initial business combination through more than one acquisition would likely result in increased costs as we would be required to conduct a

Table of Contents

due diligence investigation of more than one business and negotiate the terms of the acquisition with multiple sellers. In addition, due to the difficulties involved in consummating multiple acquisitions concurrently, our attempt to complete our initial business combination in this manner would increase the chance that we would be unable to successfully complete our initial business combination in a timely manner.

Limited ability to evaluate the target business s management

Although we intend to closely scrutinize the management of prospective target businesses when evaluating the desirability of effecting a business combination with those businesses, we cannot assure you that our assessment of the target business s management will prove to be correct. In addition, we cannot assure you that the future management will have the necessary skills, qualifications or abilities to manage a public company intending to embark on a program of business development. Further, we cannot ascertain the future role of our officers and directors, if any, in the target businesses. While it is possible that one or more of our officers and directors will remain associated with us in some capacity following a business combination, it is unlikely that any of them will devote their full efforts to our affairs subsequent to a business combination. Moreover, we cannot assure you that our officers and directors will have significant experience or knowledge relating to the operations of the particular target businesses acquired.

Following a business combination, we may seek to recruit additional managers to supplement the incumbent management of the acquired businesses. We cannot assure you that we will have the ability to recruit additional managers, or that additional managers will have the requisite skills, knowledge or experience necessary to enhance the incumbent management.

Opportunity for stockholders to approve a business combination

Prior to the completion of a business combination, we will submit the transaction to our stockholders for approval, even if the nature of the acquisition is such as would not ordinarily require stockholder approval under applicable state law. In connection with seeking stockholder approval of a business combination, we will furnish our stockholders with proxy solicitation materials prepared in accordance with the Exchange Act, which, among other matters, will include a description of the operations of the target business and certain required financial information regarding the business.

In connection with the vote required for our initial business combination, our initial stockholders will agree prior to the completion of this offering (and any person to whom we transfer our reserved treasury shares will, as a condition to the transfer, be required to agree) to vote the shares of common stock owned by them in the same way as the holders of the majority of the shares sold to the public in this offering. We will proceed with the business combination only if a majority of the shares of common stock voted by the public stockholders are voted in favor of the business combination and public stockholders owning less than 20% of the shares sold in this offering both vote against the business combination and exercise their conversion rights.

Conversion rights

At the time we seek stockholder approval of our initial business combination, we will offer each public stockholder the right to have such stockholder s shares of common stock converted to cash if the stockholder votes against the business combination and the business combination is approved and completed. The actual per-share conversion price will be equal to the amount in the trust account, inclusive of any interest (calculated as of two business days prior to the consummation of the proposed business combination), divided by the number of shares of common stock sold in this offering. The underwriters have agreed to forego receiving any deferred underwriting discount and commission with respect to any shares our public stockholders have elected to convert into cash pursuant to such conversion rights. Without taking into any account interest earned on the trust account, the initial per-share conversion price would be $5.70, or $.30 less than the per-unit offering price of $6.00. An eligible stockholder may request conversion at any time after the mailing to our stockholders of the proxy statement and prior to the vote taken with respect to a proposed business combination at a meeting held for that purpose, but the request will not be granted unless the stockholder votes against the business combination and the business combination is approved and completed. Any request for conversion, once made, may be withdrawn at any time up to the date of the meeting. It is anticipated that the funds to be distributed to stockholders entitled to convert their shares who elect conversion will be distributed promptly after completion of a business combination. Public stockholders who convert their stock into their share of the trust account still have the right to exercise the warrants that they received as part of the units. We will not complete any business combination if public stockholders, owning 20% or more of the shares sold in this offering, both vote against a business combination, and, subsequently, exercise their conversion rights. If a business combination is approved by the holders of a majority of our shares of common stock and public stockholders owning less than 20% of our shares exercise their conversion rights, we will proceed with the business combination in accordance with its terms. Our initial stockholders and other members of our management will prior to the completion of this offering agree (and any person to whom we transfer our reserved treasury shares will, as a condition to the transfer, be required to agree) not to purchase any additional shares of common stock, whether as part of this offering or otherwise, prior to the completion of a business combination and will therefore have no conversion rights.

Liquidation if no business combination

If we do not complete a business combination within 18 months after the consummation of this offering, or within 24 months if the extension criteria described below have been satisfied, we will be liquidated and will distribute to all of our public stockholders, in proportion to their respective equity interests, an aggregate sum equal to the amount in the trust account, inclusive of any interest, plus any remaining net assets. Our initial stockholders will not have (and any person to whom we transfer our reserved treasury shares will, as a condition to the transfer, be required to agree to not have) the right to participate in any liquidation distribution occurring upon our failure to consummate a business combination with respect to their shares of common stock. Our initial stockholders and other members of our management will agree prior to the completion of this offering (and any person to whom we transfer our reserved treasury shares will, as a condition to the transfer, be required to agree) not to purchase any additional shares of common stock, whether as part of this offering or otherwise, prior to the completion of a business combination and will, therefore, have no right to participate in a liquidation distribution. There will be no distribution from the trust account with respect to our warrants, and all rights with respect to our warrants will effectively cease upon our liquidation.

If we were to expend all of the net proceeds of this offering, other than the proceeds deposited in the trust account, and without taking into account interest, if any, earned on the trust account, the initial per-share liquidation price would be $5.70, or $0.30 less than the per-unit offering price of $6.00. The proceeds deposited in the trust account could, however, become subject to the claims of our creditors which could be prior to the claims of our public stockholders. Messrs. McDevitt and LaVecchia have agreed that, if we liquidate prior to the consummation of a business combination, they will be personally liable under certain circumstances to ensure that the proceeds in the trust account are not reduced by the claims of various vendors that are owed money by us for services rendered or contracted for or products sold to us, or claims of other parties with which we have contracted, including the claims of any prospective target with which we have entered into a written letter of intent, confidentiality or non-disclosure agreement with respect to a failed business combination with such prospective target. However, we cannot assure you that Messrs. McDevitt and LaVecchia will be able to satisfy those obligations. Messrs. McDevitt and LaVecchia are not personally liable to pay any of our debts and obligations except as provided above. Accordingly, we cannot assure you that the actual per-share liquidation price will not be less than $5.70, plus interest, due to claims of creditors.

If we enter into a definitive agreement to complete a business combination prior to the expiration of 18 months after the consummation of this offering, but are unable to complete the business combination within the 18-month period, then we will have an additional six months in which to complete the business combination contemplated by the definitive agreement. If we are unable to do so by the expiration of the 24-month period from the consummation of this offering, we will then liquidate. Upon notice from us, the trustee of the trust account will commence liquidating the investments constituting the trust account and will turn over the proceeds to our transfer agent for distribution to our public stockholders. We anticipate that our instruction to the trustee would be given promptly after the expiration of the 18-month or 24-month period, as applicable.

Table of Contents

Our public stockholders will be entitled to receive funds from the trust account only in the event of our liquidation or if the stockholders seek to convert their respective shares into cash upon the consummation of a business combination which the stockholder voted against and which is actually completed by us. In no other circumstances, except as required by applicable law, will a stockholder have any right or interest of any kind to or in the trust account.

Amended and Restated Certificate of Incorporation

Our Amended and Restated Certificate of Incorporation sets forth certain requirements and restrictions relating to this offering that apply to us until the consummation of a business combination. Specifically, our Amended and Restated Certificate of Incorporation provides, among other things, that:

- upon consummation of this offering, $95,000,000 (including deferred underwriting discount and commission of $5,400,000) of the proceeds will be placed into the trust account, which proceeds may not be disbursed from the trust account except in connection with a business combination or thereafter, upon our liquidation or as otherwise permitted in the Amended and Restated Certificate of Incorporation;

- prior to the consummation of a business combination, we shall submit such business combination to our stockholders for approval;

- we may only consummate the business combination if approved by a majority of shares of common stock owned by our public stockholders and public stockholders owning less than 20% of the shares of common stock sold in this offering both voted against the business combination and exercised their conversion rights;

- if a business combination is approved and consummated, public stockholders who voted against the business combination may exercise their conversion rights and receive their pro rata share of the trust account;

- if a business combination is not consummated or a definitive agreement relating to a business combination is not signed within the time periods specified in this prospectus, then we will be liquidated and we will distribute to all of our public stockholders their pro rata share of the trust account, inclusive of any interest, plus any of our remaining net assets; and

- we may not consummate any other merger, acquisition, asset purchase or similar transaction other than the business combination.

Our Amended and Restated Certificate of Incorporation and the underwriting agreement that we will enter into with the underwriters in connection with the consummation of this offering, prohibit the amendment or modification of the provisions set forth in the foregoing paragraph prior to the consummation of a business combination. While these rights and protections have been established for the purchasers of units in this offering, it is nevertheless possible that the prohibition against amending or modifying these rights and protections at any time prior to the consummation of the business combination could be challenged as unenforceable under Delaware law, although pursuant to the underwriting agreement we are prohibited from amending or modifying these rights and protections at any time prior to the consummation of the business combination. We have not sought an unqualified opinion regarding the enforceability of the prohibition on amendment or modification of such provisions because we view these provisions as fundamental terms of this offering. We believe these provisions to be obligations of our company to its stockholders and that investors will make an investment in our company relying, at least in part, on the enforceability of the rights and obligations set forth in these provisions including, without limitation, the prohibition on any amendment or modification of such provisions. As a result, the board of directors will not, and pursuant to section 3(a1) of the underwriting agreement cannot, at any time prior to the consummation of a business combination, propose any amendment to or modification of our Amended and Restated Certificate of Incorporation relating to any of the foregoing provisions and will not support, directly or indirectly, or in any way endorse or recommend that stockholders approve an amendment or modification to such provisions.

Table of Contents

Competition

In identifying, evaluating and selecting target businesses, we may encounter intense competition from other entities having a business objective similar to ours. Many of these entities are well established and have extensive experience identifying and effecting business combinations directly or through affiliates. Many of these competitors possess greater financial, technical, human and other resources than us. While we believe there are numerous potential target businesses that we could acquire with the net proceeds of this offering, our ability to compete in acquiring certain sizable target businesses will be limited by our available financial resources. This inherent competitive limitation gives others an advantage over us in pursuing the acquisition of target businesses. Further:

- our obligation to seek stockholder approval of a business combination may delay the completion of a transaction;
- our obligation to convert into cash shares of common stock held by our stockholders in certain instances may reduce the resources available to us to effect a business combination; and
- our outstanding warrants and the purchase option granted to FTN Midwest Securities Corp., and the future dilution they potentially represent, may not be viewed favorably by certain target businesses.

Any of these factors may place us at a competitive disadvantage in successfully negotiating a business combination. Our management believes, however, that our status as a public entity and potential access to the United States public equity markets may give us a competitive advantage over privately-held entities having a similar business objective as ours in acquiring a target business on favorable terms.

If we succeed in effecting a business combination in the healthcare sector, there will be, in all likelihood, intense competition from competitors of the target businesses. In particular, certain industries which experience rapid growth frequently attract an increasingly larger number of competitors, including competitors with increasingly greater financial, marketing, technical, human and other resources than the initial competitors in the industry. The degree of competition characterizing the industry of any prospective target business cannot presently be ascertained. We cannot assure you that, subsequent to a business combination, we will have the resources to compete effectively, especially to the extent that the target businesses are in high-growth industries.

Facilities

We do not own any real estate or other physical properties materially important to our operation. Our executive offices, which we use pursuant to an agreement with FTN Midwest Securities Corp., are located at 350 Madison Avenue, New York, NY 10017. We believe that our office facilities are suitable and adequate for our business as it is presently conducted.

Employees

We currently have three officers, two of whom, John Voris and Pat LaVecchia, are also members of our board of directors. Mr. Voris will receive a $50,000 annual retainer for his services as chief executive officer and a $50,000 annual retainer for his services as a director for a total of $100,000 per year. Erin Enright will receive a $50,000 annual retainer for her services as chief financial officer. Mr. LaVecchia will receive no compensation from us. As a term of his accepting his position with us in September 2005, Mr. Voris received 666,667 shares of our common stock (which are subject to forfeiture, in whole or in part, if he ceases to be an officer and director prior to certain specified dates through December 31, 2007). As a term of her accepting her position with us in October 2005, Ms. Enright received 250,000 shares (which are subject to forfeiture, in whole or in part, if she ceases to be an officer prior to certain specified dates through December 31, 2007). We have agreed to reimburse Mr. Voris and Ms. Enright for any tax liability they may incur in connection with their receipt of shares of our common stock. We have no other employees. These individuals are not obligated to devote any specific number of hours to our matters and intend to devote only as much time as they deem necessary to our affairs. We do not intend to have any full time employees prior to the consummation of a business combination. Mr. LaVecchia, our Secretary and Director, is a managing director of FTN Midwest Securities Corp.

Periodic Reporting and Audited Financial Statements

We will register our units, common stock and warrants under the Exchange Act, and have reporting obligations thereunder, including the requirement that we file annual and quarterly reports with the SEC. In accordance with the requirements of the Exchange Act, our annual reports will contain financial statements audited and reported on by our independent registered public accounting firm.

We will not acquire a target business if we cannot obtain audited financial statements based on United States generally accepted accounting principles for the target business. Additionally, our management will provide stockholders with audited financial statements, prepared in accordance with United States generally accepted accounting principles, of the prospective businesses as part of the proxy solicitation materials sent to stockholders to assist them in assessing the business combination. Our management believes that the requirement of having available audited financial statements for the target businesses will not materially limit the pool of potential target businesses available for acquisition.

Comparison to offerings of blank check companies

The following table compares and contrasts the terms of this offering and the terms of an offering by blank check companies under Rule 419 promulgated by the SEC assuming that the gross proceeds, underwriting discount and underwriting expenses for a Rule 419 offering are the same as this offering and that the underwriters do not exercise their over-allotment option. None of the terms of a Rule 419 offering will apply to this offering.

	Terms of This Offering	Terms Under a Rule 419 Offering
Escrow of offering proceeds	$95,000,000 (including deferred underwriting discount and commission of $5,400,000) of the net offering proceeds will be deposited into a trust account located at and maintained by JPMorgan Chase Bank, N.A.	$82,800,000 of the offering proceeds would be required to be deposited into either an escrow account with an insured depositary institution or in a separate bank account established by a broker-dealer in which the broker-dealer acts as trustee for persons having the beneficial interests in the account.
Investment of net proceeds	The $95,000,000 (including deferred underwriting discount and commission of $5,400,000) of net offering proceeds held in trust will be invested in a money market fund, fully collateralized by United States government securities.	Proceeds could be invested only in specified securities such as a money market fund meeting conditions of the 1940 Act or in securities that are direct obligations of, or obligations guaranteed as to principal or interest by, the United States.
Limitation on fair value or net assets of target business	The initial target businesses that we acquire must have a fair market value equal to at least 80% of our net assets at the time of such acquisition.	We would be restricted from acquiring a target business unless the fair value of such business or net assets to be acquired represent at least 80% of the maximum offering proceeds.

Table of Contents

	Terms of This Offering	Terms Under a Rule 419 Offering
Trading of securities issued	The units may commence trading on or promptly after the date of this prospectus. The common stock and warrants comprising the units will begin to trade separately 20 days after the earlier of the expiration of the underwriters option to purchase up to 2,500,000 additional units to cover over-allotments, and the exercise in full by the underwriters of such option, provided that we have filed with the SEC a Current Report on Form 8-K, which includes an audited balance sheet reflecting our receipt of the net proceeds of this offering, including any proceeds we receive from the exercise of the over-allotment option, if such option is exercised prior to the filing of the Form 8-K. In addition, we will file a subsequent Current Report on Form 8-K in the event a material portion of the over-allotment option is exercised subsequent to the filing of our initial Current Report on Form 8-K.	No trading of the units or the underlying common stock and warrants would be permitted until the completion of a business combination. During this period, the securities would be held in the escrow or trust account.
Exercise of the warrants	The warrants cannot be exercised until the later of the completion of a business combination or one year from the date of this prospectus and, accordingly, will only be exercised after the trust account has been terminated and distributed.	The warrants could be exercised prior to the completion of a business combination, but securities received and cash paid in connection with the exercise would be deposited in the escrow or trust account.

	Terms of This Offering	Terms Under a Rule 419 Offering
Election to remain an investor	We will give our stockholders the opportunity to vote on the business combination. In connection with seeking stockholder approval, we will send each stockholder a proxy statement containing information required by the SEC. A stockholder who votes against the business combination following the procedures described in this prospectus is given the right to convert his or her shares into his or her pro rata share of the trust account. However, a stockholder who votes against the business combination but who does not follow these procedures or a stockholder who does not vote against the business combination would not be entitled to the conversion right.	A prospectus containing information required by the SEC would be sent to each investor. Each investor would be given the opportunity to notify the company, in writing, within a period of no less than 20 business days and no more than 45 business days from the effective date of the post-effective amendment, to notify the company of his or her election to remain an investor. If the company has not received the notification by the end of the 45th business day, funds and interest or dividends, if any, held in the trust or escrow account would automatically be returned to the stockholder. Unless a sufficient number of investors elect to remain investors, all of the deposited funds in the escrow account must be returned to all investors and none of the securities would be issued.
Business combination deadline	A business combination must occur within 18 months after the consummation of this offering or within 24 months after the consummation of this offering if a definitive agreement relating to a prospective business combination was entered into prior to the end of the 18-month period after the consummation of this offering.	If an acquisition has not been consummated within 18 months after the effective date of the initial registration statement, funds held in the trust or escrow account would be returned to investors.
Release of funds	The proceeds held in the trust account will not be released until the earlier of the completion of a business combination or our liquidation upon our failure to effect a business combination within the allotted time period provided in this prospectus.	The proceeds held in the escrow account would not be released until the earlier of the completion of a business combination or the failure to effect a business combination within the allotted time.

Table of Contents

MANAGEMENT

Directors and Executive Officers

Our current directors and executive officers are as follows:

Name	Age	Position
John Voris	58	Chief Executive Officer and Director
Sean McDevitt	42	Chairman of the Board
Pat LaVecchia	39	Secretary and Director
Jean-Pierre Millon	55	Director
Wayne Yetter	60	Director
Erin Enright	44	Vice President, Chief Financial Officer and Treasurer

JOHN VORIS has served as our Chief Executive Officer and Director since September 2005. From August 2004 to July 2005, Mr. Voris was Chairman of Epocrates, Inc., a software company providing clinical information to healthcare professionals at the point of care. Mr. Voris retired from his position at Epocrates in July 2005 and did not accept another position until becoming our Chief Executive Officer and Director in September 2005. He was President and CEO of Epocrates from June 2000 until July 2004. Prior to Epocrates, Mr. Voris was Executive Vice President of PCS Health Systems from 1995 until 2000. During his tenure at PCS Health Systems, the company was a subsidiary of Eli Lilly from 1994 until 1999 and then of Rite Aid Pharmacies from 1999 until 2000. While at PCS, Mr. Voris had responsibility for all call centers, mail order pharmacies, sales and marketing of PBM services, product development and industry relations. Prior to PCS, Mr. Voris was with Eli Lilly from 1973 until 1995. Mr. Voris was Executive Director of the Infectious Disease Business Unit from 1993 until 1995, where he was responsible for world wide sales and marketing of a large portfolio of existing and development-stage anti-infectives. From 1988 until 1992, Mr. Voris was based in London as Director of Marketing for Europe, Middle East, and Africa, where he had responsibility for sales, marketing, and product development for the entire portfolio of Lilly pharmaceutical products. Prior to these positions, he held a variety of positions in sales, marketing, market research and business development. Mr. Voris received his M.B.A. and B.S. from the Kelley School of Business, Indiana University. Mr. Voris currently serves on the Board of Directors of Oscient Pharmaceuticals, Inc. (NASDAQ: OSCI), Epocrates, Inc. and