COLONIAL BANCGROUP INC
Form 10-Q
November 08, 2007
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2007**

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO .**

COMMISSION FILE NUMBER: 1-13508

THE COLONIAL BANCGROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**63-0661573**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
100 Colonial Bank Blvd.	
Montgomery, AL	**36117**
(Address of principal executive offices)	**(Zip Code)**

(334) 676-5000

(Registrant s telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to the filing requirements for at least the past 90 days. YES x NO ¨

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

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ¨ NO x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	**Outstanding at October 31, 2007**
Common Stock, $2.50 Par Value	153,230,980

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THE COLONIAL BANCGROUP, INC. AND SUBSIDIARIES

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THE COLONIAL BANCGROUP, INC. AND SUBSIDIARIES

CAUTIONARY STATEMENT PURSUANT TO SAFE HARBOR PROVISIONS

OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995:

FORWARD-LOOKING STATEMENTS

This report and the information incorporated by reference include forward-looking statements within the meaning of the federal securities laws. Words such as believes, estimates, plans, expects, should, may, might, outlook, potential and anticipates, the negative of these expressions, as they relate to The Colonial BancGroup, Inc. (BancGroup) (including its subsidiaries or its management), are intended to identify forward-looking statements. The forward-looking statements in this report are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements. In addition to factors mentioned elsewhere in this report or previously disclosed in BancGroup s SEC reports (accessible on the SEC s website at *www.sec.gov* or on BancGroup s website at *www.colonialbank.com*), the following factors, among others, could cause actual results to differ materially from forward-looking statements and future results could differ materially from historical performance. These factors are not exclusive:

deposit attrition, customer loss, or revenue loss in the ordinary course of business;

increases in competitive pressure in the banking industry;

costs or difficulties related to the integration of the businesses of BancGroup and institutions it acquires are greater than expected;

the inability of BancGroup to realize elements of its strategic plans for 2007 and beyond;

changes in the interest rate environment which expand or reduce margins or adversely affect critical estimates as applied and projected returns on investments;

economic conditions affecting real estate values and transactions in BancGroup s market and/or general economic conditions, either nationally or regionally, that are less favorable than expected;

natural disasters in BancGroup s primary market areas result in prolonged business disruption or materially impair the value of collateral securing loans;

management s assumptions and estimates underlying critical accounting policies prove to be inadequate or materially incorrect or are not borne out by subsequent events;

the impact of recent and future federal and state regulatory changes;

current and future litigation, regulatory investigations, proceedings or inquiries;

strategies to manage interest rate risk may yield results other than those anticipated;

changes which may occur in the regulatory environment;

a significant rate of inflation (deflation);

acts of terrorism or war; and

changes in the securities markets.

Many of these factors are beyond BancGroup s control. The reader is cautioned not to place undue reliance on any forward looking statements made by or on behalf of BancGroup. Any such statement speaks only as of the date the statement was made or as of such date that may be referenced within the statement. BancGroup does not undertake any obligation to update or revise any forward-looking statements.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

THE COLONIAL BANCGROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CONDITION

(Unaudited)

	September 30, 2007	December 31, 2006
	(In thousands)	
ASSETS		
Cash and due from banks	**$ 403,302**	$ 425,148
Interest bearing deposits in banks	**1,361**	2,200
Federal funds sold	**9,908**	15,334
Securities purchased under agreements to resell	**2,084,565**	605,937
Securities available for sale	**3,573,239**	3,083,614
Held to maturity securities (market value: 2007, $1,382; 2006, $2,007)	**1,271**	1,874
Loans held for sale	**1,243,265**	1,474,000
Loans, net of unearned income	**15,206,452**	15,478,889
Less: Allowance for loan losses	**(172,678)**	(174,850)
Loans, net	**15,033,774**	15,304,039
Premises and equipment, net	**466,933**	407,696
Goodwill	**856,631**	627,207
Other intangibles, net	**55,500**	47,126
Other real estate owned	**8,554**	1,869
Bank-owned life insurance	**472,324**	457,812
Accrued interest and other assets	**333,439**	330,393
Total	**$ 24,544,066**	$ 22,784,249
LIABILITIES AND SHAREHOLDERS EQUITY		
Deposits:		
Noninterest bearing transaction accounts	**$ 3,445,459**	$ 2,869,845
Interest bearing transaction accounts	**6,331,223**	6,222,818
Total transaction accounts	**9,776,682**	9,092,663
Time deposits	**6,834,610**	6,596,827
Brokered time deposits	**323,349**	401,564
Total deposits	**16,934,641**	16,091,054
Repurchase agreements	**571,331**	832,672
Federal funds purchased and other short-term borrowings	**751,000**	1,133,000
Subordinated debt	**385,969**	383,839
Junior subordinated debt	**108,264**	299,078
Other long-term debt	**3,110,694**	1,839,356
Accrued expenses and other liabilities	**220,015**	147,915
Total liabilities	**22,081,914**	20,726,914
Minority interest/REIT preferred securities	**293,206**	
Commitments and contingencies (Note 9)		
Preferred stock, $2.50 par value; 50,000,000 shares authorized and none issued at both September 30, 2007 and December 31, 2006		

Preference stock, $2.50 par value; 1,000,000 shares authorized and none issued at both September 30, 2007 and December 31, 2006		
Common stock, $2.50 par value; 400,000,000 shares authorized; 163,172,315 and 156,258,708 shares issued and 153,205,588 and 152,852,381 outstanding at September 30, 2007 and December 31, 2006, respectively	**407,931**	390,647
Additional paid in capital	**912,483**	763,845
Retained earnings	**1,114,571**	1,029,510
Treasury stock, at cost (9,966,727 shares at September 30, 2007 and 3,406,327 at December 31, 2006)	**(240,336)**	(82,506)
Accumulated other comprehensive loss, net of taxes	**(25,703)**	(44,161)
Total shareholders equity	**2,168,946**	2,057,335
Total	**$ 24,544,066**	$ 22,784,249

See Notes to the Unaudited Consolidated Financial Statements

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THE COLONIAL BANCGROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
	(In thousands, except per share amounts)			
Interest Income:				
Interest and fees on loans	**$ 325,696**	$ 331,213	**$ 966,184**	$ 931,415
Interest and dividends on securities	**43,246**	38,707	**120,945**	111,590
Interest on federal funds sold and other short-term investments	**26,592**	11,387	**69,158**	32,427
Total interest income	**395,534**	381,307	**1,156,287**	1,075,432
Interest Expense:				
Interest on deposits	**142,217**	125,346	**414,370**	336,192
Interest on short-term borrowings	**14,301**	30,154	**51,863**	68,934
Interest on long-term debt	**43,005**	35,255	**123,881**	99,507
Total interest expense	**199,523**	190,755	**590,114**	504,633
Net Interest Income	**196,011**	190,552	**566,173**	570,799
Provision for loan losses	**4,800**	1,450	**13,155**	18,742
Net Interest Income After Provision for Loan Losses	**191,211**	189,102	**553,018**	552,057
Noninterest Income:				
Service charges on deposit accounts	**19,376**	16,642	**55,749**	46,187
Electronic banking	**4,923**	4,470	**13,972**	12,856
Other retail banking fees	**2,794**	3,618	**9,661**	10,893
Retail banking fees	**27,093**	24,730	**79,382**	69,936
Financial planning services	**4,506**	3,944	**12,611**	10,738
Mortgage banking origination and sales	**3,236**	3,154	**10,083**	9,834
Mortgage warehouse fees	**5,936**	6,105	**19,223**	18,388
Bank-owned life insurance	**5,070**	4,242	**15,027**	12,157
Securities and derivatives gains, net		156	**2,097**	4,384
Securities restructuring charges			**(36,006)**	
Gain on sale of mortgage loans			**3,850**	
Gain on sale of merchant services			**4,900**	
Gain on sale of Goldleaf				2,829
Other income	**7,117**	3,631	**15,791**	11,127
Total noninterest income	**52,958**	45,962	**126,958**	139,393
Noninterest Expense:				
Salaries and employee benefits	**68,345**	72,472	**208,155**	212,180
Occupancy expense of bank premises, net	**19,634**	17,188	**56,861**	49,128
Furniture and equipment expenses	**13,226**	12,333	**39,698**	35,632
Professional services	**4,967**	4,340	**13,695**	13,692
Electronic banking and other retail banking expenses	**5,766**	3,061	**15,485**	9,102
Amortization of intangible assets	**3,500**	3,051	**9,752**	9,159
Communications	**2,677**	2,838	**8,568**	7,926

Postage and courier	**2,589**	2,798	**7,920**	8,069
Advertising	**1,570**	2,278	**7,468**	8,268
Travel	**1,586**	2,129	**5,275**	6,073
Severance expense	**500**		**4,045**	
Merger related expenses	**753**		**2,298**	
Net losses related to the early extinguishment of debt			**6,908**	
Other expense	**9,838**	9,497	**28,448**	29,843
Total noninterest expense	**134,951**	131,985	**414,576**	389,072
Minority interest expense/REIT preferred dividends	**5,336**		**7,648**	
Income before income taxes	**103,882**	103,079	**257,752**	302,378
Applicable income taxes	**34,527**	35,047	**85,799**	102,808
Net Income	**$ 69,355**	$ 68,032	**$ 171,953**	$ 199,570
Earnings per share:				
Basic	**$ 0.45**	$ 0.44	**$ 1.12**	$ 1.30
Diluted	**$ 0.45**	$ 0.44	**$ 1.11**	$ 1.29
Average number of shares outstanding:				
Basic	**153,536**	153,813	**153,358**	153,968
Diluted	**154,320**	154,954	**154,310**	155,217
Dividends declared per share	**$ 0.1875**	$ 0.17	**$ 0.5625**	$ 0.51

See Notes to the Unaudited Consolidated Financial Statements

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THE COLONIAL BANCGROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
	(In thousands)			
Net income	**$ 69,355**	$ 68,032	**$ 171,953**	$ 199,570
Other comprehensive income, net of taxes:				
Unrealized gains (losses) on securities available for sale arising during the period, net of income taxes of $(7,433) and $5,533 in 2007 and $(29,533) and $(467) in 2006, respectively	**15,742**	54,848	**(8,338)**	868
Less: reclassification adjustment for net (gains) losses on securities available for sale included in net income, net of income taxes of $0 and $(11,867) in 2007 and $54 and $660 in 2006, respectively		(102)	**22,042**	(1,227)
Unrealized gains (losses), net of reclassification adjustments, on cash flow hedging instruments, net of income taxes of $(853) and $(2,560) in 2007 and $(853) and $1,267 in 2006, respectively	**1,585**	1,584	**4,754**	(2,354)
Additional minimum pension liability adjustment, net of income taxes of $(335) and $(1,675) in 2006		665		3,325
Comprehensive income	**$ 86,682**	$ 125,027	**$ 190,411**	$ 200,182

See Notes to the Unaudited Consolidated Financial Statements

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THE COLONIAL BANCGROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

(Unaudited)

	Common Stock						
	Shares	Amount	Additional Paid In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders Equity
	(In thousands, except shares and per share amounts)						
Balance, December 31, 2006	152,852,381	$ 390,647	$ 763,845	$ (82,506)	$ 1,029,510	$ (44,161)	$ 2,057,335
Adoption of EITF 06-5					(540)		(540)
Shares issued under:							
Directors plan	28,063	70	634				704
Stock option plans	477,132	1,193	5,192				6,385
Restricted stock plan, net	56,379	141	(141)				
Employee stock purchase plan	24,054	60	517				577
Excess tax benefit from stock based compensation			973				973
Stock based compensation expense			2,416				2,416
Purchase of common stock	(6,560,400)			(157,830)			(157,830)
Issuance of shares for business combination	6,327,979	15,820	139,047				154,867
Net income					171,953		171,953
Cash dividends ($0.5625 per share)					(86,352)		(86,352)
Change in unrealized losses on securities available for sale, net of taxes and reclassification adjustments						13,704	13,704
Reclassification of cash flow hedging losses, net of taxes						4,754	4,754
Balance, September 30, 2007	**153,205,588**	**$ 407,931**	**$ 912,483**	**$ (240,336)**	**$ 1,114,571**	**$ (25,703)**	**$ 2,168,946**

See Notes to the Unaudited Consolidated Financial Statements

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THE COLONIAL BANCGROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine Months Ended September 30,	
	2007	**2006**
	(In thousands)	
Cash flows from operating activities:		
Net income	**$ 171,953**	$ 199,570
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation, amortization and accretion	**29,889**	8,503
Provision for loan losses	**13,155**	18,742
Deferred taxes	**3,378**	(884)
Securities and derivatives gains, net	**(2,097)**	(4,384)
Securities restructuring losses	**36,006**	
Gain on sale of mortgage loans	**(3,850)**	
Gain on sale of other assets and Goldleaf	**(5,704)**	(4,518)
Net decrease (increase) in loans held for sale	**230,735**	(224,426)
Increase in interest and other receivables	**(15,951)**	(21,187)
Increase in prepaids	**(7,491)**	(4,706)
Decrease (increase) in other assets	**14,219**	(19,773)
Increase (decrease) in accrued expenses & accounts payable	**14,262**	(9,802)
(Decrease) increase in accrued income taxes	**(7,891)**	6,736
Increase in interest payable	**8,359**	21,333
Excess tax benefit from stock based compensation	**(915)**	(1,068)
Other, net	**(8,552)**	(9,292)
Total adjustments	**297,552**	(244,726)
Net cash from operating activities	**469,505**	(45,156)
Cash flows from investing activities:		
Proceeds from maturities and calls of securities available for sale	**139,925**	168,965
Proceeds from sales of securities available for sale	**1,647,519**	625,152
Purchases of securities available for sale	**(1,947,072)**	(911,412)
Proceeds from maturities of held to maturity securities	**616**	990
Increase in securities purchased under agreements to resell	**(1,469,324)**	(3,670)
Net decrease (increase) in loans excluding proceeds from sale of mortgage loans	**356,086**	(603,595)
Proceeds from sale of mortgage loans	**493,101**	
Net cash paid in bank acquisition	**(77,309)**	
Net cash received from Goldleaf divestiture (gross proceeds of $11.8 million)		10,558
Capital expenditures	**(92,657)**	(62,796)
Proceeds received from bank owned life insurance	**319**	7,394
Proceeds from sale of other assets	**88,241**	21,172
Net return of investments in (contributions to) affiliates	**2,162**	(17,083)
Net cash from investing activities	**(858,393)**	(764,325)
Cash flows from financing activities:		
Net increase in demand, savings and time deposits	**19,070**	310,399
Net (decrease) increase in federal funds purchased, repurchase agreements and other short-term borrowings	**(793,978)**	624,765

Proceeds from issuance of long-term debt	**1,300,000**	200,000
Repayment of long-term debt	**(221,216)**	(255,428)
Repurchase of common stock	**(157,830)**	(40,084)
Proceeds from issuance of common stock	**6,962**	5,382
Proceeds from issuance of REIT preferred securities	**293,206**	
Excess tax benefit from stock-based compensation	**915**	1,068
Dividends paid	**(86,352)**	(78,830)
Net cash from financing activities	**360,777**	767,272
Net decrease in cash and cash equivalents	**(28,111)**	(42,209)
Cash and cash equivalents at the beginning of the year	**442,682**	498,591
Cash and cash equivalents at September 30	**$ 414,571**	$ 456,382

See Notes to the Unaudited Consolidated Financial Statements

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THE COLONIAL BANCGROUP, INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Accounting and Reporting Policies

The accounting and reporting policies of The Colonial BancGroup, Inc. and its subsidiaries (referred to herein as BancGroup, Colonial, or the Company) are detailed in the Company s 2006 Annual Report on Form 10-K. As discussed more fully below, effective January 1, 2007 Colonial changed certain of those policies as a result of the adoption of new accounting standards. These unaudited interim financial statements should be read in conjunction with the audited financial statements and notes included in BancGroup s 2006 Annual Report on Form 10-K.

In the opinion of BancGroup s management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting only of normal recurring accruals) necessary to present fairly BancGroup s financial position as of September 30, 2007 and December 31, 2006 and the results of operations and cash flows for the interim periods ended September 30, 2007 and 2006. All 2007 interim amounts have not been audited, and the results of operations for the interim periods herein are not necessarily indicative of the results of operations to be expected for the year.

Certain reclassifications were made to prior periods in order to conform to the current period presentation.

Sales and Servicing of Financial Assets

Effective January 1, 2007, the Company adopted Statement of Financial Accounting Standards (SFAS) 156, *Accounting for Servicing of Financial Assets*, which changes the measurement requirements for servicing assets and servicing liabilities that are separately recognized after the sale of financial assets. Prior to SFAS 156, any retained interests resulting from the sales of financial assets were measured based on an allocation of the previous carrying amount of the assets sold. The allocation between the retained interests and the assets sold was based on each component s fair value in relation to the total fair value at the date of sale. Under SFAS 156, separately recognized servicing assets and liabilities must be initially measured at fair value, if practicable. SFAS 156 permits an entity to choose to either subsequently measure servicing rights at fair value and report changes in fair value in earnings, or amortize servicing rights in proportion to and over the estimated net related servicing income or loss and assess the rights for impairment or need for an increased obligation. The Company does not currently have any separately recognized servicing assets or liabilities. Any servicing assets or liabilities recognized in the future will be subsequently measured using the amortization approach.

Income Taxes

Effective January 1, 2007, the Company adopted Financial Accounting Standards Board (FASB) Interpretation (FIN) 48, *Accounting for Uncertainty in Income Taxes*, which establishes a two-step process for recognizing and measuring tax benefits. FIN 48 applies to all tax positions within the scope of SFAS 109, *Accounting for Income Taxes*. Under FIN 48, tax benefits can only be recognized in BancGroup s financial statements if it is more likely than not that the benefits would be sustained after full review by the relevant taxing authority. If a tax position meets the recognition threshold, the benefit to be recorded is equal to the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement with the taxing authority. Any difference between the full amount of the tax benefit and the amount recorded in the financial statements will be recognized as increased income tax expense. Interest and penalties accrued for uncertain tax positions will be classified as income tax expense, which is consistent with the recognition of these items in prior reporting periods. The implementation of FIN 48 did not result in a change to the Company s liability for unrecognized tax benefits. See Note 16 for related disclosures.

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Other Accounting Standards

The following is a list of other accounting standards which became effective as of January 1, 2007 but did not have a material impact on BancGroup and did not change the accounting and reporting policies detailed in the Company s 2006 Annual Report on Form 10-K:

Emerging Issues Task Force (EITF) Issue 06-5, *Accounting for Purchases of Life Insurance Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No. 85-4, Accounting for Purchases of Life Insurance* EITF 06-5 stipulates that the cash surrender value and any additional amounts provided by the contractual terms of an insurance policy that are realizable at the balance sheet date should be considered in determining the amount that could be realized under FTB 85-4, and any amounts that are not immediately payable to the policyholder in cash should be discounted to their present value. Also, in determining the amount that could be realized, companies should assume that policies will be surrendered on an individual-by-individual basis, rather than surrendering the entire group policy. As a result of adopting EITF 06-5 on January 1, 2007, BancGroup recognized a decrease of $540,000 to the balance of bank-owned life insurance and a corresponding decrease to retained earnings.

SFAS 155, *Accounting for Certain Hybrid Instruments* SFAS 155 permits, but does not require, fair value accounting for any hybrid financial instrument that contains an embedded derivative that would otherwise require bifurcation. In addition, SFAS 155 establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation. The adoption of SFAS 155 did not have an impact on BancGroup s financial statements.

Statement 133 Implementation Issue B40, *Embedded Derivatives: Application of Paragraph 13(b) to Securitized Interests in Prepayable Financial Assets* Issue B40 exempts securitized interests that contain only an embedded derivative that is tied to prepayment risk of underlying prepayable financial assets from the scope of paragraph 13(b) of SFAS 133. The adoption of Issue B40 did not have an impact on BancGroup s financial statements.

Note 2: Recent Accounting Standards

In September 2006, the FASB issued SFAS 157, *Fair Value Measurements*. Prior to SFAS 157, there were different definitions of fair value and limited guidance for applying those definitions. Moreover, that guidance was dispersed among the many accounting pronouncements that require or permit fair value measurements. SFAS 157 provides a single definition of fair value, together with a framework for measuring it, and requires additional disclosure about the use of fair value to measure assets and liabilities. The Statement does not expand the use of fair value in any new circumstances.

SFAS 157 is effective for fiscal years beginning after November 15, 2007. The provisions of the Statement will be applied prospectively as of the effective date, except in limited circumstances in which the provisions will be applied retrospectively to certain securities and financial instruments as a cumulative effect adjustment to the opening balance of retained earnings. The Company is currently assessing the potential impact SFAS 157 will have on the financial statements.

In September 2006, the EITF reached a final consensus on Issue 06-4, *Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements*. EITF 06-4 stipulates that an agreement by the employer to share a portion of the proceeds of a life insurance policy with the employee during the postretirement period is a postretirement benefit arrangement for which a liability must be recorded. The consensus is effective for fiscal years beginning after December 15, 2007. Entities will have the option of applying the provisions of EITF 06-4 as a cumulative effect adjustment to the opening balance of retained earnings or retrospectively to all prior periods. EITF 06-4 is not expected to have a material effect on the Company s financial statements.

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In February 2007, the FASB issued SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, which permits companies to elect to measure certain eligible items at fair value. Subsequent unrealized gains and losses on those items will be reported in earnings. Upfront costs and fees related to those items will be reported in earnings as incurred and not deferred.

SFAS 159 is effective for fiscal years beginning after November 15, 2007. If a company elects to apply the provisions of the Statement to eligible items existing at that date, the effect of the remeasurement to fair value will be reported as a cumulative effect adjustment to the opening balance of retained earnings. Retrospective application will not be permitted. The Company is currently assessing whether it will elect to use the fair value option for any of its eligible items.

In March 2007, the EITF reached a final consensus on Issue 06-10, *Accounting for Collateral Assignment Split-Dollar Life Insurance Arrangements*. EITF 06-10 stipulates that a liability should be recognized for a postretirement benefit obligation associated with a collateral assignment arrangement if, on the basis of the substantive agreement with the employee, the employer has agreed to maintain a life insurance policy during the postretirement period or provide a death benefit. The employer also must recognize and measure the associated asset on the basis of the terms of the collateral assignment arrangement. The consensus is effective for fiscal years beginning after December 15, 2007. Entities will have the option of applying the provisions of EITF 06-10 as a cumulative effect adjustment to the opening balance of retained earnings or retrospectively to all prior periods. EITF 06-10 is not expected to have a material impact on the Company s financial statements.

Note 3: Supplemental Disclosure of Cash Flow Information

Selection of target businesses and structuring of a business combination

Mr. Mukunda will supervise the process of evaluating prospective target businesses, and we expect that he will devote substantially all of his time to our business once we have signed a term sheet with a target business. We anticipate that Mr. Mukunda will be assisted in his efforts by officers and advisors of the Company, together with the Company s outside attorneys, accountants and other representatives. As described above, under their advisory agreement with us, Ferris, Baker Watts, Inc. may also assist in this process, including the preparation of due diligence packages for management s review.

Subject to the requirement that our initial business combination must be with one or more operating businesses that, collectively, have a fair market value of at least 80% of our net assets at the time of such acquisition, our management will have limited, if any, restrictions on our ability to identify and select prospective target businesses. In evaluating prospective target businesses, our management will likely consider, among other factors, the following:

financial condition, results of operation and repatriation regulations;

growth potential both in India and growth potential outside of India;

capital requirements;

experience and skill of management and availability of additional personnel;

competitive position;

barriers to entry into the businesses industries;

potential for compliance with GAAP, SEC regulations, Sarbanes Oxley requirements and capital requirements;

domestic and global competitive position and potential to compete in the U.S. and other markets;

position within a sector and barriers to entry;

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 and the Indian government s policy towards the sector; and

costs associated with effecting the business combination.

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 that will encompass, among other things, meetings with incumbent management and inspection of facilities, as well as review of financial and other information that will be made available to us.

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We will endeavor to structure a business combination so as to achieve the most favorable tax treatment to the target businesses, their stockholders, as well as our own stockholders and us. We cannot assure you, however, that the Internal Revenue Service or appropriate state tax or foreign 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. However, other than IGN, LLC, we will not, and no other person or entity will, pay any finders or consulting fees to our existing directors, officers, stockholders or special advisors, or any of their respective affiliates, for services rendered to or in connection with a business combination. In addition, we will not make any other payment to them out of the proceeds of this offering (or the funds held in trust) other than reimbursement for any out-of-pocket expenses they incur in conducting due diligence, the payments to IGN, LLC for administrative services and the repayment of the $100,000 loan issued by Mr. Mukunda to us.

Fair market value of target businesses

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, although we may acquire a target business whose fair market value significantly exceeds 80% of our net assets. To this end, we may seek to raise additional funds through the sale of our securities or through loan arrangements if additional funds are required to consummate such a business combination, although we have not engaged or retained, had any discussions with, or entered into any agreements with, any third party regarding any such potential financing transactions. If we were to seek additional funds, any such arrangement would only be consummated simultaneously with our consummation of a business combination. The fair market value of such businesses will be determined by our board of directors based upon standards generally accepted by the financial community, such as actual and potential sales, earnings and cash flow and book value. If our board is not able to independently determine that the target businesses have a sufficient fair market value or if a conflict of interest exists with respect to such determination, including, but not

limited to the fact that the target is affiliated with one or more of our officers or directors, we will obtain an opinion from an unaffiliated, independent investment banking firm which is a member of the NASD with respect to the satisfaction of such criteria. However, we will not be required to obtain an opinion from an investment banking firm as to the fair market value if our board of directors independently determines that the target businesses have sufficient fair market value or if no such conflict exists.

Possible lack of business diversification

The net proceeds from this offering will provide us with approximately $109,898,000, 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, collectively, is at least equal to 80% of our net assets at the time of such acquisition. 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, including, but not limited to, the potential lack of resources to simultaneously conduct due diligence reviews and to negotiate acquisition terms with multiple targets; therefore, it is probable that we will have the ability to complete a business combination with only 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 or small number of operating businesses;

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

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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 that 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 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.

Limited ability to evaluate the target business management

Although we intend to closely scrutinize the management of prospective target businesses when evaluating the desirability of effecting a business combination, we cannot assure you that our assessment of the target business 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. Furthermore, the future role of our officers, directors and special advisors, if any, in the target businesses cannot presently be stated with any certainty. While it is possible that one or more of our officers, directors and special advisors 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, directors and special advisors 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 target 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 stockholder approval of 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 Securities Exchange Act of 1934, 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, all of our existing stockholders, including all of our officers, directors, and our special advisors, have agreed to vote the shares of common stock owned by them in accordance with the majority of the shares of common stock voted by the public stockholders. 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 19.99% of the shares sold in this offering exercise their conversion rights.

Conversion rights

At the time we seek stockholder approval of any 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

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(calculated as of the record date for determination of stockholders entitled to vote on a proposed business combination), divided by the number of shares sold in this offering. Without taking into any account interest earned on the trust account, the initial per-share conversion price would be approximately $5.40 or approximately $.60 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, exercise their 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 dissolved 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 existing stockholders have agreed to waive their respective rights to participate in any liquidation distribution occurring upon our failure to consummate a business combination, but only with respect to those shares of common stock acquired by them prior to this offering; they will participate in any liquidation distribution with respect to any shares of common stock acquired in connection with or following this offering. There will be no distribution from the trust account with respect to our warrants.

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 approximately $5.40 or approximately $.60 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 that could be prior to the claims of our public stockholders. We cannot assure you that the actual per-share liquidation price will not be less than approximately $5.40, plus interest, due to claims of creditors. The officers and directors of the Company have agreed pursuant to an agreement with us and Ferris, Baker Watts, Inc. 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 of the trust account are not reduced by the claims of vendors or other entities that are owed money by us for services rendered or products sold to us in excess of the net proceeds of this offering not held in the trust account. We cannot assure you, however, that the officers and directors of the Company will be able to satisfy those obligations.

If we enter into either a letter of intent, an agreement in principle or 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 letter of intent, agreement in principle or 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 applicable 18-month or 24-month period.

Our public stockholders shall 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 a business combination that the stockholder voted against and that is actually completed by us. In no other circumstances shall a stockholder have any right or interest of any kind to or in the trust account.

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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 technical, human and other resources than us and our financial resources will be relatively limited when contrasted with those of many of these competitors. 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 in pursuing the acquisition of target businesses. Further:

- our obligation to seek stockholder approval of a business combination or obtain the necessary financial statements to be included in the proxy materials to be sent to stockholders in connection with a proposed business combination may delay the completion of a transaction;

- our obligation to convert into cash shares of common stock held by our public stockholders in certain instances may reduce the resources available to us for a business combination; and

- our outstanding warrants and the purchase option granted to Ferris, Baker Watts, Inc., 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, there will be, in all likelihood, intense competition from competitors of the target businesses. In particular, certain industries that experience rapid growth frequently attract an increasingly larger number of competitors, including competitors with increasingly greater financial, marketing, technical 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 headquarters are located at 4336 Montgomery Avenue, Bethesda, Maryland, 20814. The cost of this space is included in the $7,500 per month fee IGN, LLC charges us for general and administrative service pursuant to a letter agreement between us and IGN, LLC. We believe that our office facilities are suitable and adequate for our business as it is presently conducted.

Employees

We currently have four executive officers, two of whom are members of our board of directors as well as three special advisors. We have two other part time employees. These individuals are not obligated to devote their full time to our matters and intend to devote only as much time as they deem necessary to our affairs, although we expect each of Messrs. Mukunda and Cherin to devote an average of approximately fifteen hours per week to our business and for Mr. Mukunda to devote substantially all of his time to our business once we have signed a term sheet with a target business. We do not intend to have any full time employees prior to the consummation of a business combination.

Legal Proceedings

We are not involved in nor a party to any material legal proceedings.

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Periodic Reporting and Audited Financial Statements

On or about the date on which the SEC declares effective the registration statement, we will register our units, common stock and warrants under the Securities Exchange Act of 1934, and thereafter will have reporting obligations thereunder, including the requirement that we file annual and quarterly reports with the SEC. In accordance with the requirements of the Securities Exchange Act of 1934, 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 audited financial statements based on United States generally accepted accounting principles cannot be obtained for the target business. Additionally, our management will provide stockholders with audited financial statements, prepared in accordance with generally accepted accounting principles, of the prospective businesses as part of the proxy solicitation materials sent to stockholders to assist them in assessing a 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 our offering and the terms of an offering by blank check companies under Rule 419 promulgated by the SEC assuming that the gross proceeds, underwriting discounts and underwriting expenses for the Rule 419 offering are the same as this offering and that the underwriters will not exercise their over-allotment option. None of the terms of a Rule 419 offering will apply to this offering.

	Terms of Our Offering	Terms Under a Rule 419 Offering
Escrow of offering proceeds	$107,998,000 of the net offering proceeds will be deposited into a trust account located at United Bank Inc., and maintained by Continental Stock Transfer & Trust Company acting as trustee.	$99,360,000 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 $107,998,000 of net offering proceeds held in trust will only be	Proceeds could be invested only in specified securities such as a money market fund meeting conditions of

	invested in U.S. government securities, defined as any Treasury Bill issued by the United States having a maturity of one hundred and eighty days or less.	the Investment Company Act of 1940 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.

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	Terms of Our 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 on the 90th day after the date of this prospectus unless Ferris, Baker Watts, Inc. informs us of its decision to allow earlier separate trading, provided we have filed with the SEC a Current Report on Form 8-K, which includes an audited balance sheet reflecting our receipt of the 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.	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.
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	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

will send each stockholder a proxy statement containing information required by the SEC. A stockholder 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 does not follow these procedures or a stockholder who does not take any action would not be entitled to the return of any funds.	business days from the effective date of the post- effective amendment, to notify the company of their 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 will be issued.

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	Terms of Our Offering	Terms Under a Rule 419 Offering
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 letter of intent, agreement in principal or definitive agreement relating to a prospective business combination was entered into prior to the end of the 18-month period.	If an acquisition has not been consummated within 18 months afte 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.	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.

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MANAGEMENT

Directors, Executive Officers and Special Advisors

Our current directors, executive officers and special advisors are as follows:

Name	Age	Position
Ram Mukunda	46	Chairman of the Board, Chief Executive Officer and President
John Cherin	63	Chief Financial Officer, Treasurer and Director
Dr. Ranga Krishna	46	Director
Raghu Ram	46	Executive Vice President Mergers and Acquisitions
Emmanuel K. Nzai	35	Vice President
Suhail Nathani	40	Director
Sudhakar Shenoy	58	Director
Shakti Sinha	48	Special Advisor
Dr. Prabuddha Ganguli	56	Special Advisor
Dr. Anhu K. Gupta	55	Special Advisor

Mr. Ram Mukunda, has served as our Chairman of the Board, Chief Executive Officer and President since our inception on April 29, 2005. Since September, 2004 Mr. Mukunda has served as Chief Executive Officer of Integrated Global Networks, LLC, a communications contractor in the U.S. Government space. From January, 1999 to May, 2004, Mr. Mukunda served as Founder, Chairman and Chief Executive Officer of Startec Global Communications, an international telecommunications carrier focused on providing voice over Internet protocol (VOIP) services into the emerging economies. Startec filed for protection under Chapter 11 in December 2001 and emerged from Chapter 11 in 2004. Ferris, Baker Watts, Inc., the representative of the underwriters for this offering, acted as the managing underwriter in connection with the initial public offering of Startec in 1997, and one of its executives is also a member of the board of directors of Startec.

From June 1987 to January 1990, Mr. Mukunda served as Strategic Planning Advisor at INTELSAT, a provider of satellite capacity. Mr. Mukunda serves on the Board of Visitors at the University of Maryland, School of Engineering. Mr. Mukunda is the recipient of several awards, including the University of Maryland s 2001 Distinguished Engineering Alumnus Award and the 1998 Ernst & Young, LLP s Entrepreneur of the Year Award. He

holds a B.S. in electrical engineering and a masters degree in Engineering from the University of Maryland.

Mr. John Cherin, has served as our Chief Financial Officer and Treasurer and Director since our inception on April 29, 2005. Since 1998, Mr. Cherin has acted as a consultant and the principal of various partnerships, such as Cherin Global Consulting LC, Cherin Group LLC, Dolphin LLC, Infinity Global LLC and Cruising Global Inc. From 1966 through 1998 he worked at Arthur Andersen, an independent registered public accounting firm. Mr. Cherin was admitted to the worldwide partnership in 1977. Mr. Cherin served as a Senior Partner from March, 1993 to June 1998. From October 1984 to March 1993 Mr. Cherin ran the Enterprise practice for the metropolitan Washington area. Prior to that, Mr. Cherin ran the entrepreneurial practice in South Florida from September, 1977 to October, 1984. Mr. Cherin holds a BA degree from Northeastern University in Boston.

Dr. Ranga Krishna, has served as our Director since May 25, 2005 and served as our Special Advisor from April 29, 2005 through June 29, 2005. Since 1996, he has been in private practice as a Neurologist and a Neurophysiologist. In September 1999, he co-founded Fastscribe, Inc., an Internet-based medical and legal transcription company with its operations in India. He has served as a director of Fastscribe since September 1999. In February 2003, Dr. Krishna founded International Pharma Trials, Inc., a company which assists U.S. pharmaceutical companies performing Phase II clinical trials, and he is currently the Chairman and CEO. In April 2004, Dr. Krishna founded Global Medical Staffing Solutions, Inc., a company that recruits nurses and other medical professionals from India and the Philippines and places them in U.S. hospitals; he is currently serving as the Chairman and CEO. Dr. Krishna is a member of several organizations, including the American Academy of Neurology and the Medical Society of the State of New York. He is also a member of the Medical

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Arbitration panel for the New York State Worker s Compensation Board. Dr. Krishna was trained at New York s Mount Sinai Medical Center (1991-1994) and New York University (1994-1996).

Raghu Ram, has served as our Executive Vice President Mergers and Acquisitions since May 25, 2005. Since July 2000 Mr. Ram has been a Senior Partner at Linsang Partners, LLC an incubator of next-generation technology enterprises with combined assets in excess of $4 billion. He was responsible for business development, strategic investments and deal making in the Indian and Chinese markets as well as global strategy for portfolio companies. During his tenure he was also the COO and CFO of a Linsang portfolio company, Armillaire Technologies, Inc., a 400-employee company that developed a packet-based switching platform. From January 2000 to June 2000 he was a Managing Director in the Telecom practice at ING Barings. From 1998 to 2000 he was Managing Director of the Telecom Investment banking practice at Prudential Securities. From 1996 to 1998 he was SVP and Senior Equity research Analyst at Wheat First Union. From 1994 to 1996 he was a SVP and Senior Equity Research Analyst/Portfolio Manager at Alliance Capital where he performed research on the Telecom and Media industry. From 1988 to 1994 he was a Senior Research Analyst/Portfolio Manager at Woodbridge Capital Management. In 1982 Mr. Ram graduated with an MBA in Corporate Strategy and Financial Management from the University of Michigan/Detroit and in 1979 he earned a BS in Physics and Mathematics from the University of Madras, India.

Emmanuel K. Nzai, has served as our Vice President since May 25, 2005. Since June 2003 Mr. Nzai has served as President and CEO of Linkagepoint, LLC, a global management and information technology consulting firm that he founded. From November 2000 through June 2003 Mr. Nzai served as the COO of Venture Technologies. From November 1997 to November 2001 he was a Managing Consultant at Xpedior, Mid Atlantic. In 1995 and 1994, Mr. Nzai earned an MBA and a BA, respectively, from the Shenandoah University, VA.

Suhail Nathani, has served as our Director since May 25, 2005. Since September, 2001 he has served as a partner at the Economics Laws Practice in India, which he co-founded. The 25-person firm focuses on consulting, general corporate law, tax regulations, foreign investments and issues relating to the World Trade Organization (WTO). From December 1998 to September 2001, Mr. Nathani was the Proprietor of the Strategic Law

Group, also in India, where he practiced telecommunications law, general litigation and licensing. Mr. Nathani earned a LLM in 1991 from Duke University; School of Law. In 1990 Mr. Nathani graduated from Cambridge University with a MA (Hons) in Law. In 1987 he graduated from Sydenham College of Commerce and Economics, Bombay India.

Sudhakar Shenoy, has served as our Director since May 25, 2005. Since January 1981, Mr. Shenoy has been the Founder, Chairman and CEO of Information Management Consulting, Inc., a business solutions and technology provider to the government, business, health and life science sectors. Mr. Shenoy is a member of the Non Resident Indian Advisory Group that advises the Prime Minister of India on strategies for attracting foreign direct investment. Mr. Shenoy was selected for the United States Presidential Trade and Development Mission to India in 1995. From 2002 to June 2005 he served as the chairman of the Northern Virginia Technology Council. Since 1998 Mr. Shenoy has served on the Board of Directors of Startec Global Communications, a telecommunication company of which Mr. Mukunda, our CEO, was Chairman and CEO. In 1970, Mr. Shenoy received a B. Tech (Hons.) in electrical engineering from the Indian Institute of Technology (IIIT). In 1971 and 1973 he received an M.S. in electrical engineering and an M.B.A from the University of Connecticut Schools of Engineering and Business Administration, respectively.

Dr. Anil K. Gupta, has served as our Special Advisor since May 25, 2005. Dr. Gupta has been Chair of the Management & Organization Department, Ralph J. Tyser Professor of Strategy and Organization, and Research Director of the Dingman Center for Entrepreneurship at the Robert H. Smith School of Business, The University of Maryland at College Park since July 2003. Dr. Gupta earned a Bachelor of Technology from the Indian Institute of Technology in 1970, an MBA from the Indian Institute of Management in 1972, and a Doctor of Business Administration from the Harvard Business School in 1980.

Dr. Gupta has served on the board of directors of NeoMagic Corporation (NASDAQ) since October 2000 and has previously served as a director of Omega Worldwide (NASDAQ) from October 1999 through August 2003 and Vitalink Pharmacy Services (NYSE) from July 1992 through July 1999.

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Shakti Sinha, has served as our Special Advisor since May 25, 2005. Since July 2004, Mr. Sinha has been working as a Visiting Senior Fellow, on economic development, with the Government of Bihar, India. From January 2000 to June 2004 he was a Senior Advisor to the Executive Director on the Board of the World Bank. From March 1998 to November 1999 he was the Private Secretary to the Prime Minister of India. He was also the Chief of the Office of the Prime Minister. Prior to that he has held high level positions in the Government of India, including from January 1998 to March 1998 as a Board Member responsible for Administration in the Electricity Utility Board of Delhi. From January 1996 to January 1998 he was the Secretary to the Leader of the Opposition in the lower house of the Indian Parliament. From December 1995 to May 1996 he was a Director in the Ministry of Commerce. In 2002, Mr. Sinha earned a M.S. in International Commerce and Policy from the George Mason University, USA. In 1978 he earned a M.A. in History from the University of Delhi and in 1976 he earned a BA (Honors) in Economics from the University of Delhi.

Dr. Prabuddha Ganguli has served as our Special Advisor since May 25, 2005. Since September 1996 Dr. Ganguli has been the CEO of Vision-IPR. The company offers management consulting on the protection of Intellectual Property Rights (IPR). His clients include companies in the Pharmaceutical, Chemical and Engineering industries. He is an adjunct professor of IPR at the Indian Institute of Technology, Bombay. Prior to 1996, from August 1991 to August 1996 he was the Head of Information Services and Patents at the Hindustan Lever Research Center. In 1986 he was elected as a fellow to the Maharastra Academy of Sciences. In 1966 he received the National Science Talent Scholarship (NSTS). In 1977 he was awarded the Alexander von Humboldt Foundation Fellow (Germany). He is Honorary Scientific Consultant to the Principal Scientific Adviser to the Government of India. He is a Member of the National Expert Group on Issues linked to Access to Biological materials vis-à-vis TRIPS and CBD Agreements constituted by the Indian Ministry of Commerce and Industry. He is also a Member of the Editorial Board of the IPR journal World Patent Information published by Elsevier Science Limited, UK. He is a Consultant to the World Intellectual Property Organization (WIPO), Geneva in IPR capability building training programs in various parts of the world. In 1976 Dr. Ganguli received a PhD from the Tata Institute of Fundamental Research, Bombay in chemical physics. In 1971 he received a M.Sc. in Chemistry from the Indian

Institute of Technology (Kanpur) and in 1969 he earned a BS from the Institute of Science (Bombay University).

Our board of directors is divided into three classes (Class A, Class B and Class C) with only one class of directors, being elected in each year and each class serving a three-year term. The term of office of the Class A directors, consisting of Mr. Nathani and Mr. Shenoy, will expire at our first annual meeting of stockholders. The term of office of the Class B directors, consisting of Mr. Cherin and Dr. Krishna, will expire at the second annual meeting of stockholders. The term of office of the Class C directors, consisting of Mr. Mukunda, will expire at the third annual meeting of stockholders.

These individuals will play a key role in identifying and evaluating prospective acquisition candidates, selecting the target business, and structuring, negotiating and consummating its acquisition. None of these individuals has been a principal of or affiliated with a public company or blank check company that executed a business plan similar to our business plan and none of these individuals is currently affiliated with such an entity. However, we believe that the skills and expertise of these individuals, their collective access to acquisition opportunities and ideas, their contacts, and their transaction expertise should enable them to successfully identify and evaluate prospective acquisition candidates, select target businesses and structure, negotiate and consummate a business combination, although we cannot assure you that they will, in fact, be able to do so.

Executive Compensation

Other than IGN, LLC, no executive officer or any affiliate of an executive officer has received any cash compensation for services rendered. We have agreed to pay IGN, LLC, an affiliate of Mr. Mukunda, a monthly fee of $7,500 for general and administrative services including office space, utilities and secretarial support. This arrangement is for our benefit and is not intended to provide Mr. Mukunda, Chief Executive Officer of IGN, LLC and our Chairman, Chief Executive Officer and President, with compensation in lieu of salary. We believe, based on rents and fees for similar services in the Washington, DC metropolitan area, that the fee charged by IGN, LLC is at least as favorable as we could have obtained from an unaffiliated third

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party. However, because our directors at the time we entered into the agreement with IGN, LLC may not be deemed independent , we did not have the benefit of disinterested directors approving the transaction.

Other than the $7,500 fee paid to IGN, LLC, no compensation of any kind, including finder s and consulting fees, will be paid to any of our existing stockholders, including our officers, directors and special advisors, or any of their respective affiliates, for services rendered prior to or in connection with a business combination. However, these individuals will be reimbursed for any out-of-pocket expenses incurred in connection with activities on our behalf such as identifying potential target businesses and performing due diligence on suitable business combinations. There is no limit on the amount of these out-of-pocket expenses and there will be no review of the reasonableness of the expenses by anyone other than our board of directors, which includes persons who may seek reimbursement, or a court of competent jurisdiction if such reimbursement is challenged. If all of our directors are not deemed independent, we will not have the benefit of independent directors examining the propriety of expenses incurred on our behalf and subject to reimbursement.

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Prior Share Issuances

On May 5, 2005, we issued 3,500,000 shares for an aggregate consideration of $17,500 in cash, at an average purchase price of approximately $.005 per share, as follows:

Name	Number of Shares	Relationship to Us
Ram Mukunda	2,500,000	Chairman of the Board, Chief Executive Officer and President
John Cherin	500,000	Chief Financial Officer, Treasurer and Director
Dr. Ranga Krishna	500,000	Director

On June 20, 2005, we issued 1,500,000 shares for an aggregate consideration of $7,500 in cash, at a purchase price of approximately $.005 per share, as follows:

Name	Number of Shares(1)	Relationship to Us
Raghu Ram	125,000	Executive Vice President Mergers and Acquisitions
Emmanuel K. Nzai	275,000	Vice President
Parveen Mukunda(2)	850,000	Secretary
Sudhakar Shenoy	75,000	Director
Suhail Nathani	75,000	Director
Shakti Sinha	25,000	Special Advisor
Dr. Prabuddha Ganguli	25,000	Special Advisor
Dr. Anil K. Gupta	50,000	Special Advisor

(1) Representing shares issued to our officers, directors and Special Advisors in consideration of services rendered or to be rendered to us.

(2) Parveen Mukunda is the wife of Ram Mukunda.

The holders of the majority of these shares will be entitled to make up to two demands that we register these shares pursuant to an agreement to be signed prior to or on the date of this prospectus. The holders of the majority of these shares can elect to exercise these registration rights at any time after the date on which the lock-up period expires. In addition, these stockholders have certain piggy-back registration rights on registration statements filed subsequent to such date. We will bear the expenses incurred in connection with the filing of any such registration statements.

The existing stockholders have agreed to waive their respective rights to participate in any liquidation distribution occurring upon our failure to consummate a business combination, but only with respect to those shares of common stock acquired by them prior to this offering; therefore, they will participate in any liquidation distribution with respect to any shares of common stock acquired in connection with or following this offering. In addition, in connection with the vote required for our initial business combination, all of our existing stockholders, including all of our officers, directors and special advisors, have agreed to vote all of the shares of common stock owned by them, including those acquired during or after this offering, in accordance with the majority of the shares of common stock voted by the public stockholders.

Conflicts of Interest

Investors should be aware of the following potential conflicts of interest:

- None of our officers, directors and special advisors are required to commit their full time to our affairs and, accordingly, they may have conflicts of interest in allocating management time among various business activities.

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In the course of their other business activities, our officers, directors and special advisors may become aware of investment and business opportunities that may be appropriate for presentation to us as well as the other entities with which they are affiliated. They may have conflicts of interest in determining to which entity a particular business opportunity should be presented. For a complete description of our management s other affiliations, see the previous section entitled Management.

We may also determine to effect a business combination with another entity that is affiliated with one or more of our existing stockholders.

Our current management will only be able to remain with the combined company after the consummation of a business combination if they are able to negotiate the same as part of any such combination. If management negotiates to be retained post-business combination as a condition to any potential business combination, such negotiations may result in a conflict of interest between management and the stockholders resulting in management attempting to negotiate terms that may be less favorable to the stockholders than what they might otherwise receive.

Our officers, directors and special advisors may in the future become affiliated with entities, including other blank check companies, engaged in business activities similar to those intended to be conducted by us.

Because our officers, directors and special advisors own shares of our common stock that will be subject to lock-up agreements restricting their sale until six months after a business combination is successfully completed, our board may have a conflict of interest in determining whether a particular target business is appropriate to effect a business combination. The personal and financial interests of our directors, officers and special advisors may influence their motivation in identifying and selecting target businesses and completing a business combination in a timely manner.

IGN, LLC, an affiliate of Mr. Mukunda, has agreed that, commencing on the effective date of this prospectus through the acquisition of a target business, it will make available to us office space and certain general and administrative services, as we may require from time to

time. We have agreed to pay IGN, LLC $7,500 per month for these services. Mr. Mukunda is the Chief Executive Officer of IGN, LLC. As a result of this affiliation, Mr. Mukunda will benefit from the transaction to the extent of his interest in IGN, LLC. However, this arrangement is solely for our benefit and is not intended to provide Mr. Mukunda with compensation in lieu of a salary. We believe, based on rents and fees for similar services in the Washington, DC metropolitan area, that the fee charged by IGN, LLC is at least as favorable as we could have obtained from an unaffiliated third party. However, as our directors at the time we entered into this agreement may not be deemed independent, we did not have the benefit of disinterested directors approving this transaction.

In general, officers and directors of a corporation incorporated under the laws of the State of Maryland are required to present business opportunities to a corporation if:

- the corporation could financially undertake the opportunity;
- the opportunity is within the corporation s line of business; and
- it would not be fair to the corporation and its stockholders for the opportunity not to be brought to the attention of the corporation.

Accordingly, as a result of the multiple business affiliations, our officers and directors may have similar legal obligations relating to presenting business opportunities meeting the above listed criteria to other entities. For example, Mr. Mukunda has pre-existing fiduciary obligations that arise as a result of his affiliation with IGN, LLC. Although we believe it is unlikely that IGN, LLC would seek to acquire businesses that we target, we cannot assure you that this will not occur. In addition, conflicts of interest may arise when our board evaluates a particular business opportunity with respect to the above-listed criteria. We cannot assure you that any of the above mentioned conflicts will be resolved in our favor.

In order to minimize potential conflicts of interest that may arise from multiple corporate affiliations, each of our officers, directors and special advisors has agreed, until the earliest of a business combination, our liquidation or

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such time as he ceases to be an officer or director or special advisor, to present to us for our consideration, prior to presentation to any other entity, any business opportunity which may reasonably be required to be presented to us under Maryland law, subject to any pre-existing fiduciary obligations they might have.

In connection with the vote required for any business combination, all of our existing stockholders (which includes all of our officers, directors and special advisors) have agreed to vote all of their respective shares of common stock, including shares they may acquire during or after this offering, in accordance with the vote of the public stockholders owning a majority of the shares of our common stock sold in this offering. In addition, they have agreed to waive their respective rights to participate in any liquidation distribution, but only with respect to those shares of common stock acquired by them prior to this offering.

To further minimize potential conflicts of interest, we have agreed not to consummate a business combination with an entity which is affiliated with any of our existing stockholders unless we obtain an opinion from an independent investment banking firm that the business combination is fair to our stockholders from a financial perspective.

Mr. Mukunda has loaned a total of $100,000 to us for the payment of offering expenses. The loan bears interest at a rate of 4% per year and will be payable on the earlier of April 30, 2006 or the consummation of this offering. The loan will be repaid out of the proceeds of this offering not being placed in trust.

We will reimburse our officers, directors and special advisors for any out-of-pocket business expenses incurred by them in connection with certain activities on our behalf such as identifying and investigating possible target businesses and business combinations. There is no limit on the amount of accountable out-of-pocket expenses reimbursable by us, which will be reviewed only by our board or a court of competent jurisdiction if such reimbursement is challenged.

Other than the reimbursable out-of-pocket expenses payable to our officers, directors and our special advisor, no compensation or fees of any kind, including finders and consulting fees, will be paid to any of our existing stockholders, officers, directors, or our special advisor who owned our common stock prior to this offering, or, other than under the general and administrative services arrangement with IGN, LLC, to any of their respective affiliates for services rendered to us prior to or with respect

to the business combination.

All ongoing and future transactions between us and any of our officers, directors, special advisors or their respective affiliates, including loans by our officers and directors, will be on terms believed by us to be no less favorable than are available from unaffiliated third parties and such transactions or loans, including any forgiveness of loans, will require prior approval in each instance by a majority of our uninterested independent directors (to the extent we have any) or the members of our board who do not have an interest in the transaction, in either case who had access, at our expense, to our attorneys or independent legal counsel.

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PRINCIPAL STOCKHOLDERS

On May 5, 2005, we issued an aggregate of 3,500,000 shares of our common stock to our officers, directors and special advisors for an aggregate consideration of $17,500. On June 20, 2005, we issued 1,500,000 shares for an aggregate consideration of $7,500 in cash, at a purchase price of approximately $.005 per share, to certain of our officers, directors and special advisors. For additional information, see the section above entitled Certain Relationships and Related Transactions .

The following table sets forth information regarding the beneficial ownership of our common stock as of June 30, 2005, and as adjusted to reflect the sale of our common stock included in the units offered by this prospectus (assuming no purchase of additional units by our officers and directors in this offering), by:

- each person known by us to be the beneficial owner of more than 5% of our outstanding shares of common stock;
- each of our executive officers, directors and our Special Advisors; and
- all our officers and directors as a group.

Unless otherwise indicated, we believe that all persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them.

Name and Address of Beneficial Owner(1)	Amount and Nature of Beneficial Ownership	Approximate Percentage of Outstanding Common Stock	
		Before Offering	After Offering
Ram Mukunda	2,500,000(2)	50.00%	10.0%
John Cherin	500,000	10.00%	2.0%
Ranga Krishna	500,000	10.00%	2.0%
Raghu Ram	125,000	2.5%	0.5%
Emmanuel K. Nzai	275,000	5.5%	1.1%
Parveen Mukunda	850,000	17.0%	3.4%
Sudhakar Shenoy	75,000	1.5%	0.3%
Suhail Nathani	75,000	1.5%	0.3%
Shakti Sinha	25,000	0.5%	0.1%
Dr. Prabuddha Ganguli	25,000	0.5%	0.1%
Dr. Anil K. Gupta	50,000	1.0%	0.2%

All directors and executive officers as a group (7 individuals)	81.0%	16.2%

(1) Unless otherwise noted, the business address of each of the following is 4336 Montgomery Avenue, Bethesda, Maryland, 20814.

(2) Excludes 850,000 shares owned by Mr. Mukunda s wife, Parveen Mukunda, as to which Mr. Mukunda disclaims beneficial ownership.

Immediately after this offering, our existing stockholders, which include all of our officers, directors and special advisors, collectively, will beneficially own 20% of the then issued and outstanding shares of our common stock. Because of this ownership block, these stockholders may be able to effectively exercise control over all matters requiring approval by our stockholders, including the election of directors and approval of significant corporate transactions, other than approval of a business combination.

All of the shares of our common stock outstanding prior to the date of this prospectus will be subject to lock-up agreements between us, the holders of the shares and Ferris, Baker Watts, Inc. restricting the sale of such shares until six months after a business combination is successfully completed. During the lock-up period, the holders of the shares will not be able to sell or transfer their shares of common stock except in certain limited circumstances such as to their spouses and children or trusts established for their benefit, but

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will retain all other rights as our stockholders, including without limitation, the right to vote their shares of common stock. If we are unable to effect a business combination and liquidate, none of our existing stockholders will receive any portion of the liquidation proceeds with respect to common stock owned by them prior to the consummation of this offering.

Mr. Mukunda has agreed with Ferris, Baker Watts, Inc. that after this offering is completed and within the first 20 calendar days after the separate trading of the warrants has commenced, he or certain of his designees collectively may place bids for and, if their bids are accepted, purchase up to $980,000 of warrants (at least 1,400,000 warrants) in the public marketplace at prices not to exceed $.70 per warrant. They have further agreed that any warrants purchased by him or his designees will not be sold or transferred until the earlier of the completion of a business combination or the distribution of the trust account to our public stockholders. In addition, subject to any regulatory restrictions and within the first 20 days after separate trading of the Warrants has commenced, the representative of the underwriters in this offering, or certain of its principals, affiliates or designees has agreed to purchase up to $1,820,000 (at least 2,600,000 warrants) of our warrants in the public marketplace at prices not to exceed $0.70 per warrant.

The warrants may trade separately on the 90th day after the date of this prospectus unless Ferris, Baker Watts, Inc. determines that an earlier date is acceptable. In no event will Ferris, Baker Watts, Inc. allow separate trading of the common stock and warrants until we file a Current Report on Form 8-K which includes an audited balance sheet reflecting our receipt of the proceeds of this offering including any proceeds we receive from the exercise of the over-allotment option if such option is exercised prior to our filing of the Form 8-K. Purchases of warrants stabilize the price and establish a market for the warrants. In addition, it demonstrates confidence in our ultimate ability to effect a business combination, because the warrants will expire worthless if we are unable to consummate a business combination and are ultimately forced to liquidate.

The existing stockholders have agreed to waive their respective rights to participate in any liquidation distribution occurring upon our failure to consummate a business combination, but only with respect to those shares of common stock acquired by them prior to this offering; they will participate in any liquidation distribution with respect to any shares of common stock acquired in

connection with or following this offering.

In addition, in connection with the vote required for our initial business combination, all of our existing stockholders, including all of our officers, directors and our special advisors, have agreed to vote all of the shares of common stock owned by them, including shares they may acquire during or after the offering, in accordance with the majority of the shares of common stock voted by the public stockholders.

Messrs. Mukunda, Cherin and Krishna may be deemed to be our parent , founder and promoter, as these terms are defined under the Federal securities laws.

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DESCRIPTION OF SECURITIES

General

We are authorized to issue 150,000,000 shares of common stock, par value $.0001, and 1,000,000 shares of preferred stock, par value $.0001. As of June 30, 2005, 5,000,000 shares of common stock are outstanding, held by 11 record holders and no shares of preferred stock are outstanding.

Units

Each unit consists of one share of common stock and two warrants. Each warrant entitles the holder to purchase one share of common stock. Each of the common stock and warrants will trade separately on the 90th day after the date of this prospectus unless Ferris, Baker Watts, Inc. determines that an earlier date is acceptable. In no event may the common stock and warrants be traded separately until we have filed with the SEC a Current Report on Form 8-K that includes an audited balance sheet reflecting our receipt of the gross proceeds of this offering. We will file a Current Report on Form 8-K that includes this audited balance sheet upon the consummation of this offering, which is anticipated to take place three business days after the date of this prospectus. The audited balance sheet will reflect proceeds we receive from the exercise of the over-allotment option, if the over-allotment option is exercised prior to the filing of the Current Report on Form 8-K. If the over-allotment option is exercised after our initial filing of the Form 8-K, we will file an amendment to the Form 8-K to provide updated financial information to reflect the exercise of the over-allotment.

Common stock

Our stockholders are entitled to one vote for each share held of record on all matters to be voted on by stockholders. In connection with the vote required for our initial business combination, all of our existing stockholders, including all of our officers, directors and our special advisors, have agreed to vote all of the shares of common stock owned by them, including shares acquired during or after the offering, in accordance with the majority of the shares of common stock voted by the public stockholders. Additionally, our existing stockholders, officers, directors and our special advisors will vote all of their shares in any manner they determine, in their sole discretion, with respect to any other items that come before a vote of our stockholders.

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 exercise their conversion rights discussed below.

Our board of directors is divided into three classes (Class A, Class B and Class C), each of which will generally serve for a term of three years with only one class of directors being elected in each year. There is no cumulative voting with respect to the election of directors, with the result that the holders of more than 50% of the shares voted for the election of directors can elect all of the directors.

If we are forced to liquidate prior to a business combination, our public stockholders are entitled to share ratably in the trust account, inclusive of any interest, and any net assets remaining available for distribution to them after payment of liabilities. The existing stockholders have agreed to waive their respective rights to participate in any liquidation distribution occurring upon our failure to consummate a business combination, but only with respect to those shares of common stock acquired by them prior to this offering.

Our stockholders have no conversion, preemptive or other subscription rights and there are no sinking fund or redemption provisions applicable to the common stock, except that public stockholders have the right to have their shares of common stock converted to cash equal to their *pro rata* share of the trust account if they vote against the business combination and the business combination is approved and completed. 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.

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Preferred stock

Our certificate of incorporation authorizes the issuance of 1,000,000 shares of blank check preferred stock with such designation, rights and preferences as may be determined from time to time by our board of directors. No shares of preferred stock are being issued or registered in this offering. Accordingly, our board of directors is empowered, without stockholder approval, to issue preferred stock with dividend, liquidation, conversion, voting or other rights which could adversely affect the voting power or other rights of the holders of common stock, although the underwriting agreement prohibits us, prior to a business combination, from issuing preferred stock which participates in any manner in the proceeds of the trust account, or which votes as a class with the common stock on a business combination. We may issue some or all of the preferred stock to effect a business combination. In addition, the preferred stock could be utilized as a method of discouraging, delaying or preventing a change in control of us. Although we do not currently intend to issue any shares of preferred stock, we cannot assure you that we will not do so in the future.

Warrants

No warrants are currently outstanding. Each warrant entitles the registered holder to purchase one share of our common stock at a price of $5.00 per share, subject to adjustment as discussed below, at any time commencing on the later of:

- the completion of a business combination; or
- one year from the date of this prospectus.

None of the warrants may be exercised until after the consummation of a business combination and, thus, after the proceeds of the trust account have been disbursed. Upon exercise of the warrants and disbursement of the trust, the warrant exercise price will be paid directly to us. The warrants will expire five years from the date of this prospectus at 5:00 p.m., Washington, DC time. We may call the warrants for redemption,

- in whole and not in part,
- at a price of $.01 per warrant at any time after the warrants become exercisable,
- upon not less than 30 days prior written notice of redemption to each warrant holder, and

if, and only if, the reported last sale price of the common stock equals or exceeds $8.50 per share, for any 20 trading days within a 30 trading day period ending on the third business day before we send notice of redemption to warrant holders.

The redemption criteria for our warrants have been established at a price which is intended to provide warrantholders with a reasonable premium to the initial exercise price and provide sufficient liquidity to cushion the market reaction to our redemption call.

The warrants will be issued in registered form under a warrant agreement between Continental Stock Transfer & Trust Company, as warrant agent, and us. You should review a copy of the warrant agreement, which has been filed as an exhibit to the registration statement of which this prospectus is a part, for a complete description of the terms and conditions applicable to the warrants.

The exercise price and number of shares of common stock issuable on exercise of the warrants may be adjusted in certain circumstances including in the event of a stock dividend, or our recapitalization, reorganization, merger or consolidation. However, the warrants will not be adjusted for issuances of common stock at a price below their respective exercise prices.

The warrants may be exercised upon surrender of the warrant certificate on or prior to the expiration date at the offices of the warrant agent, with the exercise form on the reverse side of the warrant certificate completed and executed as indicated, accompanied by full payment of the exercise price, by certified check payable to us, for the number of warrants being exercised. The warrant holders do not have the rights or privileges of holders of common stock and any voting rights until they exercise their warrants and receive

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shares of common stock. After the issuance of shares of common stock upon exercise of the warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by stockholders.

No warrants will be exercisable unless at the time of exercise a prospectus relating to common stock issuable upon exercise of the warrants is current and the common stock has been registered or qualified or deemed to be exempt under the securities laws of the state of residence of the holder of the warrants. Under the terms of the warrant agreement, we have agreed to meet these conditions and use our best efforts to maintain a current prospectus relating to common stock issuable upon exercise of the warrants until the expiration of the warrants. However, we cannot assure you that we will be able to do so. The warrants may be deprived of any value and the market for the warrants may be limited if the prospectus relating to the common stock issuable upon the exercise of the warrants is not current or if the common stock is not qualified or exempt from qualification in the jurisdictions in which the holders of the warrants reside.

No fractional shares will be issued upon exercise of the warrants. If, upon exercise of the warrants, a holder would be entitled to receive a fractional interest in a share, we will, upon exercise, round up to the nearest whole number the number of shares of common stock to be issued to the warrant holder.

Purchase Option

We have agreed to sell to Ferris, Baker Watts, Inc. an option to purchase up to a total of 1,000,000 units at a per-unit price of $7.50 (125% of the price of the units sold in the offering). The units issuable upon exercise of this option are identical to those offered by this prospectus except that the warrants included in the option have an exercise price of $6.25 (125% of the exercise price of the warrants included in the units sold in the offering). For a more complete description of the purchase option, see the section below entitled Underwriting Purchase Option.

Dividends

We have not paid any dividends on our common stock to date and do not intend to pay dividends prior to the completion of a business combination. The payment of dividends in the future will be contingent upon our revenues and earnings, if any, capital requirements and general financial condition subsequent to completion of a business combination. The payment of any dividends subsequent to a business combination will be within the discretion of our then board of directors. It is the present intention of our board of directors to retain all earnings, if

any, for use in our business operations and, accordingly, our board does not anticipate declaring any dividends in the foreseeable future.

Our Transfer Agent and Warrant Agent

The transfer agent for our securities and warrant agent for our warrants is Continental Stock Transfer & Trust Company.

Shares Eligible for Future Sale

Immediately after this offering, we will have 25,000,000 shares of common stock outstanding, or 28,000,000 shares if the underwriters over-allotment option is exercised in full. Of these shares, the 20,000,000 shares sold in this offering, or 23,000,000 shares if the over-allotment option is exercised, will be freely tradable without restriction or further registration under the Securities Act of 1933, except for any shares purchased by one of our affiliates within the meaning of Rule 144 under the Securities Act of 1933. All of the remaining 5,000,000 shares are restricted securities under Rule 144, in that they were issued in private transactions not involving a public offering. None of those will be eligible for sale under Rule 144 until the one year holding period has elapsed with respect to each purchase. Notwithstanding the foregoing, all of those shares have been placed in escrow and will not be transferable until six months after a business combination and will only be transferred prior to that date subject to certain limited exceptions, such as transfers to family members and trusts for estate planning purposes and upon death, while in each case remaining subject to the escrow agreement, and will only be released prior to that date if we are forced to liquidate, in which case the shares would be destroyed, or if we were to consummate a transaction after the consummation of a business

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combination which results in all of the stockholders of the combined entity having the right to exchange their shares of common stock for cash, securities or other property.

Rule 144

In general, under Rule 144 as currently in effect, a person who has beneficially owned restricted shares of our common stock for at least one year would be entitled to sell within any three-month period a number of shares that does not exceed the greater of either of the following:

- 1% of the number of shares of common stock then outstanding, which will equal 250,000 shares immediately after this offering (or 280,000 if the underwriters exercise their over-allotment option); and
- the average weekly trading volume of the common stock during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

Sales under Rule 144 are also limited by manner of sale provisions and notice requirements and to the availability of current public information about us.

Rule 144(k)

Under Rule 144(k), a person who is not deemed to have been one of our affiliates at the time of or at any time during the three months preceding a sale, and who has beneficially owned the restricted shares proposed to be sold for at least two years, including the holding period of any prior owner other than an affiliate, is entitled to sell their shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144.

SEC Position on Rule 144 Sales

The SEC has taken the position that promoters or affiliates of a blank check company and their transferees, both before and after a business combination, would act as an underwriter under the Securities Act of 1933 when reselling the securities of a blank check company. Accordingly, the SEC believes that those securities can be resold only through a registered offering and that Rule 144 would not be available for those resale transactions despite technical compliance with the requirements of Rule 144.

Registration Rights

The officer, director and our special advisor holders of our 5,000,000 shares of common stock that we expect will be issued and outstanding on the date of this prospectus will be entitled to registration rights pursuant to an agreement to be signed prior to or on the effective date of this offering. The holders of the majority of these shares are entitled to make up to two demands that we register

these shares. The holders of the majority of these shares can elect to exercise these registration rights at any time after the date on which the lock-up period expires. In addition, these stockholders have certain piggy-back registration rights on registration statements filed subsequent to such date. We will bear the expenses incurred in connection with the filing of any such registration statements.

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UNDERWRITING

In accordance with the terms and conditions contained in the underwriting agreement, we have agreed to sell to each of the underwriters named below, and each of the underwriters, for which Ferris, Baker Watts, Inc. is acting as representative, have severally, and not jointly, agreed to purchase on a firm commitment basis the number of units offered in this offering set forth opposite their respective names below:

Underwriters	Number of Units
Ferris, Baker Watts, Inc.	
Total	20,000,000

A copy of the underwriting agreement has been filed as an exhibit to the registration statement of which this prospectus forms a part.

Pricing of Securities

We have been advised by the representative that the underwriters propose to offer the units to the public at the initial offering price set forth on the cover page of this prospectus. They may allow some dealers concessions not in excess of $ per unit.

Prior to this offering there has been no public market for any of our securities. The public offering price of the units and the terms of the warrants were negotiated between us and the representative. Factors considered in determining the prices and terms of the units, including the common stock and warrants underlying the units, include:

- the history and prospects of companies whose principal business is the acquisition of other companies;
- prior offerings of those companies;
- our prospects for acquiring an operating business in India at attractive values;
- our capital structure;
- an assessment of our management and their experience in identifying operating companies;
- general conditions of the securities markets at the time of the offering; and

other factors as were deemed relevant.

However, although these factors were considered, the determination of our offering price is more arbitrary than the pricing of securities for an operating company in a particular industry since the underwriters are unable to compare our financial results and prospects with those of public companies operating in the same industry.

Over-Allotment Option

We have also granted to the underwriters an option, exercisable during the 45-day period commencing on the date of this prospectus, to purchase from us at the offering price, less underwriting discounts, up to an aggregate of 3,000,000 additional units for the sole purpose of covering over-allotments, if any. The over-allotment option will only be used to cover the net syndicate short position resulting from the initial distribution. The underwriters may exercise that option if the underwriters sell more units than the total number set forth in the table above. If any units underlying the option are purchased, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

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Commissions and Discounts

The following table shows the public offering price, underwriting discount to be paid by us to the underwriters and the proceeds, before expenses, to us. This information assumes either no exercise or full exercise by the underwriters of their over-allotment option.

	Per Unit	Without Option	With Option
Public Offering Price	$ 6.00	$ 120,000,000.00	$ 138,000,000.00
Discount	$ 0.33	$ 6,600,000.00	$ 7,590,000.00
Non-accountable Expense Allowance	$ 0.15	$ 3,000,000.00	$ 3,000,000.00
Proceeds Before Expenses(1)	$ 5.52	$ 110,400,000.00	$ 127,410,000.00

(1) The offering expenses are estimated as $502,000.

Purchase Option

We have agreed to sell to Ferris, Baker Watts, Inc., for $100, an option to purchase up to a total of 1,000,000 units. The units issuable upon exercise of this option are identical to those offered by this prospectus except that the warrants included in the units have an exercise price of $6.25 (125% of the exercise price of the warrants included in the units sold in the offering). This option is exercisable at $7.50 per unit (125% of the price of the units sold in the offering) commencing on the later of the consummation of a business combination and one year from the date of this prospectus and expiring five years from the date of this prospectus. The purchase option and the 1,000,000 units, the 1,000,000 shares of common stock and the 2,000,000 warrants underlying such units, and the 2,000,000 shares of common stock underlying such warrants, have been deemed compensation by the NASD and are therefore subject to a 180-day lock-up pursuant to Rule 2710(g)(1) of the NASD Conduct Rules. Accordingly, the option may not be sold, during the offering or sold, transferred, assigned, pledged or hypothecated, or be the subject of any hedging, short sale, derivative, put, or call transaction that would result in the effective economic disposition of the securities by any person for a one year period (including the foregoing 180-day period) following the date of this

prospectus. However, the purchase option may be transferred to any underwriter and selected dealer participating in the offering and their *bona fide* officers or partners.

Although the purchase option and its underlying securities have been registered under the registration statement of which this prospectus forms a part of, the purchase option grants to holders demand and piggy back rights for periods of five and seven years, respectively, from the date of this prospectus with respect to the registration under the Securities Act of 1933 of the securities directly and indirectly issuable upon exercise of the purchase option. We will bear all fees and expenses attendant to registering the securities, other than underwriting commissions which will be paid for by the holders themselves. The exercise price and number of units issuable upon exercise of the purchase option may be adjusted in certain circumstances including in the event of a stock dividend, or our recapitalization, reorganization, merger or consolidation. However, the purchase option will not be adjusted for issuances of common stock at a price below its exercise price.

Regulatory Restrictions on Purchase of Securities

Rules of the SEC may limit the ability of the underwriters to bid for or purchase our securities before the distribution of the securities is completed. However, the underwriters may engage in the following activities in accordance with the rules:

Stabilizing Transactions. The underwriters may make bids or purchases for the purpose of pegging, fixing or maintaining the price of our securities, so long as stabilizing bids do not exceed a specified maximum as set forth in Regulation M which requires generally, among other things, that no stabilizing bid will be initiated at or increased to a price higher than the lower of the offering price or the highest independent bid for the security on the principal trading market for the security.

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Over-Allotments and Syndicate Coverage Transactions. The underwriters may create a short position in our securities by selling more of our securities than are set forth on the cover page of this prospectus. If the underwriters create a short position during the offering, the representative may engage in syndicate covering transactions by purchasing our securities in the open market. The representative may also elect to reduce any short position by exercising all or part of the over-allotment option.

Penalty Bids. The representative may reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

Stabilization and syndicate covering transactions may cause the price of the securities to be higher than they would be in the absence of these transactions. The imposition of a penalty bid might also have an effect on the prices of the securities if it discourages resales of the securities.

Neither we nor the underwriters makes any representation or prediction as to the effect that the transactions described above may have on the prices of the securities. These transactions may occur on the American Stock Exchange, in the over-the-counter market or on any trading market. If any of these transactions are commenced, they may be discontinued without notice at any time.

Other Terms

We have granted Ferris, Baker Watts, Inc. for a period of two years from the later of our consummation of a business combination or one year after the effective date of the registration statement, the right to send a representative (who need not be the same individual from meeting to meeting) to observe each meeting of our board of directors. Each such representative will be required to sign a customary confidentiality agreement. We agree to give Ferris, Baker Watts, Inc. written notice of each such meeting and to provide Ferris, Baker Watts, Inc. with such items as are provided to the other directors.

We have also entered into a financial advisory agreement with Ferris, Baker Watts, Inc., the representative of the underwriters in this offering, whereby Ferris, Baker Watts, Inc., will serve as our exclusive financial advisor in connection with a business combination for a period of two years from the effective date of this offering. Pursuant to the terms of this agreement, Ferris, Baker Watts, Inc. will

be entitled to receive two percent (2%) of the consideration associated with any business combination by us.

Although they are not obligated to do so, any of the underwriters may introduce us to potential target businesses or assist us in raising additional capital, as needs may arise in the future, other than our agreement with Ferris Baker Watts, Inc., the representative of the underwriters in this offering, there are no preliminary agreements or understandings between any of the underwriters and any potential targets. We are not under any contractual obligation to engage any of the underwriters to provide any services for us after this offering, but if we do, we may pay the underwriters a finder s fee that would be determined at that time in an arm s length negotiation where the terms would be fair and reasonable to each of the interested parties; provided that no agreement will be entered into and no fee will be paid prior to the one year anniversary of the date of this prospectus.

Indemnification

We have agreed to indemnify the underwriters against some liabilities, including civil liabilities under the Securities Act of 1933, or to contribute to payments the underwriters may be required to make in this respect.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to our directors, officers and controlling persons pursuant to the provisions of our Articles of Incorporation and our By-laws, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by us of expenses incurred or paid by our directors, officers or controlling persons in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we

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will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

LEGAL MATTERS

Seyfarth Shaw LLP will pass upon the validity of the securities offered in this prospectus for us. Certain legal matters with respect to this offering will be passed upon for the underwriters by Gersten Savage LLP.

EXPERTS

The financial statements of India Globalization Capital, Inc. on June 30, 2005 and for the period from April 29, 2005 (date of inception) through June 30, 2005 appearing in this prospectus and in the registration statement have been included herein in reliance upon the report of Goldstein Golub Kessler LLP, independent registered public accounting firm, given on the authority of such firm as experts in accounting and auditing. Certain information relating to the Indian economy set forth in the section entitled Proposed Business has been included herein in reliance upon the report of Mega Ace Consultancy, an India-based consulting firm, given on the authority of such firm as experts on the Indian economy.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1, which includes exhibits, schedules and amendments, under the Securities Act of 1933, with respect to this offering of our securities. Although this prospectus, which forms a part of the registration statement, contains all material information included in the registration statement, parts of the registration statement have been omitted as permitted by rules and regulations of the SEC. We refer you to the registration statement and its exhibits for further information about us, our securities and this offering. The registration statement and its exhibits, as well as our other reports filed with the SEC, can be inspected and copied at the SEC s public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549-1004. The public may obtain information about the operation of the public reference room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains a web site at http://*www.sec.gov* which contains the Form S-1 and other reports, proxy and information statements and information regarding issuers that file electronically with the SEC.

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INDIA GLOBALIZATION CAPITAL, INC.
INDEX TO FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
India Globalization Capital, Inc.

We have audited the accompanying balance sheet of India Globalization Capital, Inc. (a development stage company) as of June 30, 2005 and the related statements of operations, stockholders equity and cash flows for the period from April 29, 2005 (date of inception) through June 30, 2005. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of India Globalization Capital, Inc. as of June 30, 2005 and the results of its operations and its cash flows for the period from April 29, 2005 (date of inception) through June 30, 2005 in conformity with United States generally accepted accounting principles.

Goldstein Golub Kessler LLP
New York, New York
July 11, 2005

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INDIA GLOBALIZATION CAPITAL, INC.
(a development stage company)
BALANCE SHEET

		June 30, 2005
ASSETS		
Current assets:		
Cash	$	35,700
Total current assets:		35,700
Deferred offering costs		330,500
Total assets	$	366,200
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accrued expenses	$	256,200
Note payable to stockholder		100,000
Total current liabilities	$	356,200
COMMITMENT		
STOCKHOLDERS EQUITY		
Preferred stock $.0001 par value; 1,000,000 shares authorized; 0 issued and outstanding		
Common stock $.0001 par value; 150,000,000 shares authorized; 5,000,000 issued and outstanding		500
Additional paid-in capital		24,500
Deficit accumulated during the development stage		(15,000)
Total stockholders equity		10,000
Total liabilities and stockholders equity	$	366,200

See notes to financial statements

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INDIA GLOBALIZATION CAPITAL, INC.
(a development stage company)
STATEMENT OF OPERATIONS

		April 29, 2005 (Date of Inception) through June 30, 2005
Legal and formation and travel costs	$	15,000
Net loss for the period	$	(15,000)
Net loss per share	$	(0)
Weighted average number of shares outstanding basic and fully diluted		3,789,474

See notes to financial statements

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INDIA GLOBALIZATION CAPITAL, INC.
(a development stage company)
STATEMENT OF STOCKHOLDERS EQUITY

	Common Stock Shares	Amount	Additional Paid-In Capital	Deficit Accumulated During the Development Stage	Total Stockholders Equity
Issuance of common stock to founders at $.0005 per share (3,500,000 shares on May 5, 2005 and 1,500,000 shares on June 20, 2005)	5,000,000	$ 500	$ 24,500		$ 25,000
Net loss				$ (15,000)	(15,000)
Balance June 30, 2005	5,000,000	$ 500	$ 24,500	$ (15,000)	$ 10,000

See notes to financial statements

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INDIA GLOBALIZATION CAPITAL, INC.
(a development stage company)
STATEMENT OF CASH FLOWS

		April 29, 2005 (Date of Inception) through June 30, 2005
Cash flows from operating activities:		
Net loss	$	(15,000)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Changes in:		
Accrued expenses		15,000
Net cash provided by operating activities		
Cash flows from financing activities:		
Increase in amount due to stockholder		
Issuance of common stock to founders		25,000
Payment of offering costs		(89,300)
Proceeds from note payable to stockholder		100,000
Cash provided by financing activities		35,700
Net increase in cash and cash at end of period	$	35,700
Non cash financing activity: accrual of deferred offering costs	$	241,200

See notes to financial statements

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INDIA GLOBALIZATION CAPITAL, INC.
(a development stage company)
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE A ORGANIZATION AND BUSINESS OPERATIONS

India Globalization Capital, Inc. (the Company) was incorporated in Maryland on April 29, 2005. The Company was formed to serve as a vehicle for the acquisition of an operating business in an unspecified industry located in India through a merger, capital stock exchange, asset acquisition or other similar business combination. The Company has neither engaged in any operations nor generated significant revenue to date. The Company is considered to be in the development stage and is subject to the risks associated with activities of development stage companies. As such, the Company has no operating results through June 30, 2005, and their ability to begin operations is dependent upon the completion of a financing. The Company has selected December 31 as its year-end.

The Company s management has broad discretion with respect to the specific application of the net proceeds of the proposed initial public offering of its Units (as described in Note C) (Proposed Offering), although substantially all of the net proceeds of the Proposed Offering are intended to be generally applied toward acquiring one or more operating businesses in an unspecified industry located in India (Business Combination), which may not constitute a business combination for accounting purposes. Furthermore, there is no assurance that the Company will be able to successfully effect a Business Combination. Upon the closing of the Proposed Offering, approximately ninety percent (90%) of the net proceeds, after payment of certain amounts to the underwriter, will be held in a trust account (Trust Fund) and invested in government securities until the earlier of (i) the consummation of its first Business Combination or (ii) the distribution of the Trust Fund as described below. The remaining proceeds may be used to pay for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses. The Company, after signing a definitive agreement for the acquisition of a target business, will submit such transaction for stockholder approval. In the event that holders of 20% or more of the shares issued in the Proposed Offering vote against the Business Combination, the Business Combination will not be consummated. However, the persons who were stockholders prior to the Proposed Offering (the Founding Stockholders) will participate in

any liquidation distribution with respect to any shares of the common stock acquired in connection with or following the Proposed Offering.

In the event that the Company does not consummate a Business Combination within 18 months from the date of the consummation of the Proposed Offering, or 24 months from the consummation of the Proposed Offering if certain extension criteria have been satisfied (the Acquisition Period), the proceeds held in the Trust Fund will be distributed to the Company s public stockholders, excluding the Founding Stockholders to the extent of their initial stock holdings. In the event of such distribution, it is likely that the per share value of the residual assets remaining available for distribution (including Trust Fund assets) will be less than the initial public offering price per share in the Proposed Offering (assuming no value is attributed to the Warrants contained in the Units to be offered in the Proposed Offering discussed in Note C).

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Loss per common share:

Loss per share is computed by dividing net loss applicable to common stockholders by the weighted average number of common shares outstanding for the period.

[2] Use of estimates:

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

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INDIA GLOBALIZATION CAPITAL, INC.
(a development stage company)
NOTES TO FINANCIAL STATEMENTS (Continued)

[3] Income taxes:

Deferred income taxes are provided for the differences between the bases of assets and liabilities for financial reporting and income tax purposes. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company recorded a deferred income tax asset for the tax effect of deferred start-up costs aggregating approximately $5,100. In recognition of the uncertainty regarding the ultimate amount of income tax benefits to be derived, the Company has recorded a full valuation at June 30, 2005.

The effective tax rate differs from the statutory rate of 34% due to increase in the valuation allowance.

[4] Deferred offering costs:

Deferred offering costs consist principally of legal and accounting and related regulatory filing fees incurred through the balance sheet date that are related to the Proposed Offering and that will be charged to capital upon the receipt of the capital or charged to expense if not completed.

NOTE C PROPOSED OFFERING; VALUE OF THE UNDERWRITERS PURCHASE OPTION:

The Proposed Offering calls for the Company to offer for public sale up to 20,000,000 Units. Each Unit consists of one share of the Company s common stock, $.0001 par value, and two redeemable common stock purchase Warrants. On the 90th day after the date of the prospectus or earlier, at the discretion of the underwriter, the Warrants will separate from the Units and begin to trade.

After separation, each Warrant will entitle the holder to purchase from the Company one share of common stock at an exercise price of $5.00 commencing on the latter of (a) one year from the effective date of the Proposed Offering or (b) the earlier of the completion of a business combination with a target business or the distribution of the Trust Fund and expiring five years from the date of the prospectus. The Company has a right to call the Warrants, provided the common stock has traded at a closing price of at least $8.50 per share for any 20 trading days within a 30 trading day period ending on the third business day prior to the date on which notice of redemption is given. If the company calls the Warrants, the holder will either have to redeem the Warrants by purchasing the common stock from the company for $5.00 or the Warrants will expire.

The Company will pay the underwriters in the Proposed Offering an underwriting discount of 5.5% of the gross proceeds of the Proposed Offering and a non-accountable expense allowance of 2.5% of the gross proceeds of the Proposed Offering. In addition, the Company has agreed to sell to Ferris Baker, Watts, Inc. for $100, an option to purchase up to a total of 1,000,000 Units. The Units that would be issued upon exercise of this option are identical to those offered by this prospectus, except that each of the Warrants underlying this option entitles the holder to purchase one share of the Company s common stock at a price of $6.25. This Underwriter s Purchase Option (UPO) is exercisable at $7.50 per Unit at the latter of one year from the effective date, or the consummation of a business combination. The UPO has a life of five years from the effective date.

The sale of the option will be accounted for as an equity transaction. Accordingly, there will be no net impact on the Company s financial position or results of operations, except for the recording of the $100 proceeds from the sale. The Company has determined, based upon a Black-Scholes model, that the fair value of the option on the date of sale would be approximately $1,512,400 using an expected life of five years, volatility of 30.1% and a risk-free interest rate of 3.9%.

IGC has no trading history, as such it is not possible to value the UPO based on historical trades. In order to estimate the value of the UPO the Company considered a basket of Indian companies that trade either in the U.S. or in the U.K. The average volatility of the representative Indian companies was calculated to be

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INDIA GLOBALIZATION CAPITAL, INC.
(a development stage company)
NOTES TO FINANCIAL STATEMENTS (Continued)

30.1%. Management believes that this volatility is a reasonable benchmark to use in estimating the value of the UPO. The actual volatility of the Unit will depend on many factors that cannot be ascertained at this time.

NOTE D NOTES PAYABLE TO STOCKHOLDERS

The Company issued a $100,000 unsecured promissory note to one of the Founding Stockholders of the Company on May 2, 2005. The note bears interest at 4% per annum and is payable on the earlier of April 30, 2006 or the consummation of the Proposed Offering. Due to the short-term nature of the note, the fair value of the note approximates its carrying amount. Approximately $1,000 of interest has been included in the statement of operations for the period ended June 30, 2004 relating to this note.

NOTE E RELATED PARTY TRANSACTION

The Company has agreed to pay Integrated Global Network, LLC, a related party and privately-held company where one of the Founding Stockholders serves in an executive capacity, an administrative fee of $7,500 per month for office space and general and administrative services from the effective date of the Proposed Offering through the acquisition date of a target business.

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Until 2005, all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

No dealer, salesperson or any other person is authorized to give any information or make any representations in connection with this offering other than those contained in this prospectus and, if given or made, the information or representations must not be relied upon as having been authorized by us. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any security other than the securities offered by this prospectus, or an offer to sell or a solicitation of an offer to buy any securities by anyone in any jurisdiction in which the offer or solicitation is not authorized or is unlawful. The delivery of this prospectus will not, under any circumstances, create any implication that the information is correct as of any time subsequent to the date of this prospectus.

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$120,000,000
India Globalization Capital, Inc.
20,000,000 Units

PROSPECTUS

Ferris, Baker Watts
Incorporated
, 2005

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PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. ***Other Expenses of Issuance and Distribution***

The estimated expenses payable by us in connection with the offering described in this registration statement (other than the underwriting discount and commissions and the representative non-accountable expense allowance) will be as follows:

Initial Trustees Fee(1)	1,000
SEC Registration Fee	$ 45,667.60
NASD Filing Fee	39,300.01
Accounting Fees and Expenses	25,000
Printing and Engraving Expenses	50,000
Legal Fees and Expenses	260,000
D&O Liability Insurance Premiums(2)	125,000
Blue Sky Services and Expenses	40,000
Miscellaneous(3)	41,032.39
Total	$ 627,000

(1) In addition to the initial acceptance fee that is charged by Continental Stock Transfer & Trust Company, as trustee, the registrant will be required to pay to Continental Stock Transfer & Trust Company annual fees of $3,000 for acting as trustee, $4,800 for acting as transfer agent of the registrant s common stock, $2,400 for acting as warrant agent for the registrant s warrants and $1,800 for acting as escrow agent.

(2) This amount represents the approximate Director and Officer liability insurance premiums the registrant anticipates paying following the consummation of its initial public offering of its securities and until it consummates a business combination.

(3) This amount represents additional expenses that may be incurred by the Registrant or Underwriters in connection with the offering over and above those specifically listed above, including distribution and mailing costs.

Item 15. ***Recent Sales of Unregistered Securities***

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

Stockholders	Number of Shares
Ram Mukunda	2,500,000*
John Cherin	500,000*
Dr. Ranga Krishna	500,000*
Raghu Ram	125,000**
Emmanuel K. Nzai	275,000**
Parveen Mukunda	850,000**
Sudhakar Shenoy	75,000**
Suhail Nathani	75,000**
Shakti Sinha	25,000**
Dr. Prabuddha Ganguli	25,000**
Dr. Anil K. Gupta	50,000**

* Shares issued on May 5, 2005.
** Shares issued on June 20, 2005.

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Such shares were issued on May 5, 2005 and June 20, 2005 in connection with our organization pursuant to the exemption from registration contained in Section 4(2) of the Securities Act of 1933, as they were sold to sophisticated, wealthy individuals. The shares issued to the individuals and entities above were sold for an aggregate offering price of $25,000 at an average purchase price of approximately $.005 per share. No underwriting discounts or commissions were paid with respect to such sales.

Item 16. ***Exhibits and Financial Statement Schedules***

(a) The following exhibits are filed as part of this Registration Statement:

Exhibit No.	Description
1.1	Form of Underwriting Agreement**
1.2	Form of Selected Dealer Agreement**
3.1	Articles of Incorporation**
3.2	By-laws**
4.1	Specimen Unit Certificate**
4.2	Specimen Common Stock Certificate**
4.3	Specimen Warrant Certificate**
4.4	Form of Warrant Agreement between Continental Stock Transfer & Trust Company and the Registrant**
4.5	Form of Purchase Option to be granted to the Representative**
5.1	Opinion of Seyfarth Shaw LLP*
10.1	Amended and Restated Letter Agreement between the Registrant, Ferris, Baker Watts, Inc. and Ram Mukunda**
10.2	Amended and Restated Letter Agreement between the Registrant, Ferris, Baker Watts, Inc. and John Cherin**
10.3	Amended and Restated Letter Agreement between the Registrant, Ferris, Baker Watts, Inc. and Ranga Krishna**
10.4	Form of Investment Management Trust Agreement between Continental Stock Transfer & Trust Company and the Registrant**
10.5	Promissory Note issued by the Registrant to Ram Mukunda**
10.6	Form of Stock Escrow Agreement among the Registrant, Ram Mukunda, John Cherin and Continental Stock Transfer & Trust Company**
10.7	

	Form of Registration Rights Agreement among the Registrant and each of the existing stock-holders**
10.8	Form of Warrant Purchase Agreement among Ferris, Baker Watts, Inc. and one or more of the Initial Stockholders**
10.9	Form of Office Service Agreement between the Registrant and Integrated Global Networks, LLC**
10.10	Letter Advisory Agreement between the Registrant and Ferris, Baker Watts, Inc.**
10.11	Form of Letter Agreement between Ferris, Baker Watts, Inc. and certain officers and directors of the Registrant**
10.12	Form of Letter Agreement between Ferris, Baker Watts, Inc. and each of the Special Advisors of the Registrant**
10.13	Form of Letter Agreement between the Registrant and certain officers and directors of the Registrant.**
10.14	Form of Letter Agreement between the Registrant and each of the Special Advisors of the Registrant.**
23.1	Consent of Goldstein Golub Kessler LLP.
23.2	Consent of Seyfarth Shaw LLP (incorporated by reference from Exhibit 5.1)*
23.3	Consent of Mega Ace Consultancy.**
24	Power of Attorney**
99.1	Code of Ethics***

* To be filed by amendment.
** Previously filed.
*** To be filed with the Registrant s initial Form 10-K.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this amended registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Bethesda, in the state of Maryland on July 19, 2005.

India Globalization Fund, Inc.
By: /s/ Ram Mukunda

Ram Mukunda
Chief Executive Officer and President

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated. This document may be executed by the signatories hereto on any number of counterparts, all of which shall constitute one and the same instrument.

Signature	Title	Date
/s/ Ram Mukunda Ram Mukunda	Chairman, Chief Executive Officer and President (Principal Executive Officer)	July 19, 2005
/s/ John Cherin John Cherin	Chief Financial Officer, Treasurer and Director (Principal Financial and Accounting Officer)	July 19, 2005
/s/ Ranga Krishna* Ranga Krishna	Director	July 19, 2005
/s/ Suhail Nathani* Suhail Nathani	Director	July 19, 2005
/s/ Sudhakar Shenoy* Sudhakar Shenoy	Director	July 19, 2005

* by Ram Mukunda, Power of Attorney