

Ideation Acquisition Corp.
Form 10-Q
May 14, 2009

Table of Contents

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

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

For the quarterly period ended March 31, 2009

OR

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

For the transition period from _____ to _____

**Commission file number 001-33800
Ideation Acquisition Corp.**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

77-0688094

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

1105 N. Market Street, Suite 1300

Wilmington, DE 19801

(Address of principal executive offices)

19801

(Zip code)

(310) 694-8150

(Registrant's telephone number, including area code)

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

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

Yes No

At May 13, 2009, 12,500,000 shares of the registrant's common stock were issued and outstanding.

TABLE OF CONTENTS

<u>PART I</u>	<u>FINANCIAL INFORMATION</u>	2
<u>ITEM 1.</u>	<u>CONSOLIDATED FINANCIAL STATEMENTS</u>	2
	<u>CONDENSED CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2009 (UNAUDITED) AND DECEMBER 31, 2008</u>	2
	<u>UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2009, THE THREE MONTHS ENDED MARCH 31, 2008, AND THE PERIOD FROM JUNE 1, 2007 (INCEPTION) THROUGH MARCH 31, 2009</u>	3
	<u>UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE THREE MONTHS ENDED MARCH 31, 2009, AND THE PERIOD FROM JUNE 1, 2007 (INCEPTION) THROUGH MARCH 31, 2009</u>	4
	<u>UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2009, FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND FOR THE PERIOD FROM JUNE 1, 2007 (INCEPTION) THROUGH MARCH 31, 2009</u>	5
	<u>NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)</u>	6
<u>ITEM 2.</u>	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	15
<u>ITEM 3.</u>	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	18
<u>ITEM 4.</u>	<u>CONTROLS AND PROCEDURES</u>	19
<u>PART II</u>	<u>OTHER INFORMATION</u>	20
<u>ITEM 1.</u>	<u>LEGAL PROCEEDINGS</u>	20
<u>ITEM 1A.</u>	<u>RISK FACTORS</u>	20
<u>ITEM 2.</u>	<u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	20
<u>ITEM 3.</u>	<u>DEFAULTS UPON SENIOR SECURITIES</u>	20
<u>ITEM 4.</u>	<u>SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS</u>	20
<u>ITEM 5.</u>	<u>OTHER INFORMATION</u>	21
<u>ITEM 6.</u>	<u>EXHIBITS</u>	21
<u>SIGNATURES</u>		22
<u>EX-31.1</u>		
<u>EX-31.2</u>		
<u>EX-32.1</u>		
<u>EX-32.2</u>		

Table of Contents**PART 1 FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS**

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

	March 31, 2009 (unaudited)	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 198,037	\$ 308,874
Interest receivable		1,208
Income taxes receivable	135,199	124,191
Franchise taxes receivable	121,000	121,000
Other current assets	11,935	41,699
Total current assets	466,171	596,972
Investments held in Trust Account Restricted		
U. S. Treasury Securities, at amortized cost	55,003,519	54,993,327
U.S. Treasury Mutual Funds, at fair value	23,811,481	23,821,673
Deferred tax asset	338,199	440,759
Total assets	\$ 79,619,370	\$ 79,852,731
Liabilities and Stockholders Equity		
Current liabilities, accrued expenses	\$ 1,262,227	\$ 507,626
Long-term liability deferred underwriters fee	2,730,000	2,730,000
Common stock subject to possible redemption (2,999,999 shares at March 31, 2009 and December 31, 2008, respectively, at redemption value of \$7.88 per share)	23,639,992	23,639,992
Commitments and contingencies		
Stockholders Equity:		
Preferred Stock, \$0.0001 par value, 1,000,000 shares authorized; none issued		
Common Stock, \$0.0001 par value, 50,000,000 shares authorized, 12,500,000 shares issued and outstanding including 2,999,999 shares subject to possible redemption, at March 31, 2009 and December 31, 2008	1,250	1,250
Additional paid-in capital	52,595,237	52,595,237
Retained earnings (deficit), accumulated during the development stage	(609,336)	378,626
Total stockholders equity	51,987,151	52,975,113

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Total liabilities and stockholders' equity	\$ 79,619,370	\$ 79,852,731
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See accompanying notes to condensed consolidated interim financial statements

2

Table of Contents

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

	For the Three Months Ended March 31, 2009	For the Three Months Ended March 31, 2008	Period from June 1, 2007 (Inception) to March 31, 2009
Revenue	\$		\$
Formation and operating costs	907,565	171,773	2,290,252
Loss from operations	(907,565)	(171,773)	(2,290,252)
Interest income	11,155	686,009	1,967,519
(Loss) income before (benefit) provision for income taxes	(896,410)	514,236	(322,733)
Provision (benefit) for income taxes			
Current	(11,008)	294,534	624,802
Deferred	102,560	(89,691)	(338,199)
Total provision (benefit) for income taxes	91,552	204,843	286,603
Net income (loss)	\$ (987,962)	\$ 309,393	\$ (609,336)
Maximum number of share subject to possible redemption:			
Weighted average number of shares, basic and diluted	2,999,999	2,999,999	2,226,244
Income per share amount, basic and diluted	\$ 0.00	\$ 0.00	\$ 0.00
Weighted average number of common share outstanding (not subject to possible redemption):			
Basic	9,500,001	9,500,001	7,351,725
Diluted	9,500,001	11,494,407	7,351,725
Income (loss) per share amount:			
Basic	\$ (0.10)	\$ 0.03	\$ (0.08)
Diluted	\$ (0.10)	\$ 0.03	\$ (0.08)

See accompanying notes to condensed consolidated interim financial statements

Table of Contents

IDEATION ACQUISITION CORP.
(a corporation in the development stage)
Condensed Consolidated Statements of Stockholders' Equity for the Period from
June 1, 2007 (Inception) to March 31, 2009

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings (Deficit)-Accumulated During the Development Stage	Total Stockholders Equity
Common shares issued to founders on June 1, 2007 at \$.01 per share	2,500,000	\$ 250	\$ 24,750	\$	\$ 25,000
Sale of 2,400,000 warrants at \$1 per warrant to initial stockholders			2,400,000		2,400,000
Sale of 10,000,000 units through public offering, net of underwriter's discount and offering expenses, at \$8 per unit (including 2,999,999 shares subject to possible redemption)	10,000,000	1,000	73,810,479		73,811,479
Proceeds subject to possible redemption, 2,999,999 shares			(23,639,992)		(23,639,992)
Net income for the period				144,120	144,120
Balances at December 31, 2007	12,500,000	\$ 1,250	\$ 52,595,237	\$ 144,120	\$ 52,740,607
Net income for the period				234,506	234,506
Balances at December 31, 2008	12,500,000	\$ 1,250	\$ 52,595,237	\$ 378,626	\$ 52,975,113
Net loss for the period (unaudited)				(987,962)	(987,962)
	12,500,000	\$ 1,250	\$ 52,595,237	\$ (609,336)	\$ 51,987,151

Balances at March 31, 2008
(unaudited)

See accompanying notes to condensed consolidated interim financial statements

4

Table of Contents

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

	For the Three Months Ended March 31, 2009	For the Three Months Ended March 31, 2008	Period from June 1, 2007 (Inception) to March 31, 2009
Cash flows from operating activities:			
Net income (loss)	\$ (987,962)	\$ 309,393	\$ (609,336)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Deferred income tax (benefit)	102,560	(89,691)	(338,199)
Change in operating assets and liabilities:			
Interest receivable	1,208	96,517	
Income taxes receivable	(11,008)		(135,199)
Franchise taxes receivable			(121,000)
Other current assets	29,764	(5,776)	(11,935)
Accrued expenses	754,601	67,606	1,262,227
Income taxes payable		114,171	
Franchise taxes payable		(17,127)	
Net cash provided by (used in) operating activities	(110,837)	475,093	46,558
Cash used in investing activities:			
Investments in Trust Account Restricted			(78,815,000)
Cash flows from financing activities:			
Proceeds from notes payable to stockholders			200,000
Proceeds from common shares issued to founders			25,000
Proceeds from public offering			80,000,000
Proceeds from issuance of insider warrants			2,400,000
Repayment of notes payable to stockholders			(200,000)
Payment of underwriters discount and offering costs			(3,458,521)
Net cash provided by financing			78,966,479
Net (decrease) increase in cash and cash equivalents	(110,837)	475,093	198,037
Cash and cash equivalents, beginning of period	308,874	124,139	
Cash and cash equivalents, end of period	\$ 198,037	\$ 599,232	\$ 198,037
Supplemental schedule of non-cash financing activities:			
Deferred offering costs	\$	\$	\$ 2,730,000

Supplemental disclosure of cash paid during the period
for:

Income and franchise taxes	\$	43,533	\$	150,000	\$	1,010,870
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See accompanying notes to condensed consolidated interim financial statements

5

Table of Contents

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

Note 1 Organization and Nature of Business Operations

Ideation Acquisition Corp. (a corporation in the development stage) (the Company) was incorporated in Delaware on June 1, 2007. The Company was formed to acquire through a merger, stock exchange, asset acquisition or similar business combination a currently unidentified business or businesses. The Company is considered to be in the development stage as defined in Statement of Financial Accounting Standards (SFAS) No. 7, Accounting and Reporting By Development Stage Enterprises, and is subject to the risks associated with activities of development stage companies. All activity from the period June 1, 2007 (Inception) through March 31, 2009 relates to the Company's formation, capital raising, and its initial public offering as described below. On March 25, 2009, the Company incorporated a wholly owned subsidiary, ID Arizona Corp (ID Arizona) for the purpose of accomplishing the merger described herein (Note 10).

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

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

The Company will seek stockholder approval before it will affect any Business Combination, even if the Business Combination would not ordinarily require stockholder approval under applicable state law. In connection with the stockholder vote required to approve any Business Combination, all of the Company's existing stockholders (Initial Stockholders) have agreed to vote the shares of common stock owned by them immediately before the Company's IPO in accordance with the majority of the shares of common stock voted by the Public Stockholders. Public Stockholders is defined as the holders of common stock sold as part of the Units in the Offering or in the aftermarket. The Company will proceed with a Business Combination only if a majority of the shares of common stock voted by the Public Stockholders are voted in favor of the Business Combination and Public Stockholders owning less than 30% of the shares sold in the Public Offering exercise their conversion rights. If a majority of the shares of common stock voted by the Public Stockholders are not voted in favor of a proposed initial Business Combination, but 24 months has not yet passed since closing of the Offering, the Company may combine with another Target Business meeting the fair market value criterion described above.

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

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

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

The Company will not generate any operating revenues until after the completion of its initial Business Combination, at the earliest. The Company will generate non-operating income in the form of interest income on cash and cash equivalents. The Trust Account assets are invested in United States government debt securities defined as any Treasury Bill or equivalent securities or money market funds meeting the conditions specified in Rule 2a-7 under the Investment Company of 1940. On January 9, 2009, the Company purchased \$55,004,000 face value US Treasury T-Bills maturing on April 9, 2009 (CUSIP 912795L33) for the Trust Account. The balance of the Trust are held in JP Morgan 100% US Treasury Premier Shares. As of March 31, 2009, the Company has earned approximately \$1,968,000 of interest income on the trust from inception including approximately \$11,000 earned during the quarter.

The accompanying unaudited condensed consolidated interim financial statements of the Company as of March 31, 2009 and December 31, 2008 and for the three month periods ended March 31, 2009 and 2008, and for the period from inception (June 1, 2007) to March 31, 2009, reflect all adjustments of a normal and recurring nature to present fairly the financial position, results of operations and cash flows for the interim period. These unaudited condensed consolidated interim financial statements have been prepared by the Company pursuant to the instructions to Form 10-Q and Article 10 of Regulation S-X. Pursuant to such instructions, certain financial information and footnote disclosures normally included in such financial statements have been condensed or omitted.

These unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Company and notes thereto, together with management's discussion and analysis or plan of operations, contained in the Company's annual report on Form 10-K for the year ended December 31, 2008. The results of operations for the three month period ended March 31, 2009 are not necessarily indicative of the results that may occur for the year ended December 31, 2009.

Note 2 Summary of Significant Accounting Policies***Basis of presentation***

The condensed consolidated financial statements for the three months ended March 31, 2009 reflect the operations of Ideation Acquisition Corporation and its wholly owned subsidiary, ID Arizona Corp., incorporated on March 25, 2009. Prior period's financial statements reflect the operations solely of the Company. These financial statements are presented in U.S. dollars in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Concentration of Credit Risk

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

Cash and cash equivalents

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

Net Income(loss) per Common Share

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

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

by dividing the net interest attributable to common shares subject to possible redemption by the weighted average number of shares subject to possible redemption. Basic and diluted net income per share amount for the shares outstanding not subject to possible redemption is calculated by dividing the net income exclusive of the net interest income attributable to common shares subject to redemption by the weighted average number of shares not subject to possible redemption. The weighted average number of incremental common shares representing the potential dilution attributable to the outstanding warrants to purchase common stock on an as if converted basis are 2,372,889 for the three months ended March 31, 2009, 1,994,406 for the three months ended March 31, 2008 and 2,114,580 for the period June 1, 2007 (Inception) to March 31, 2009. For the three months ended March 31, 2009 and for the period June 1, 2007 (Inception) to March 31, 2009, the basic shares were used due to the anti-dilutive effect of the additional shares mentioned above.

Table of Contents**IDEATION ACQUISITION CORP.****(a corporation in the development stage)****NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)****(unaudited)*****Redeemable common stock***

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

Newly Adopted Accounting Pronouncements

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

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

Fair value of financial instruments

The Company does not enter into financial instruments or derivative contracts for trading or speculative purposes. The carrying amounts of the Company's assets and liabilities, which qualify as financial instruments under SFAS No. 107, Disclosure About Fair Value of Financial Instruments, approximates their fair value represented in the accompanying condensed balance sheets.

Note 3 Initial Public Offering

In its initial public offering effective November 19, 2007 (consummated November 26, 2007), the Company sold 10,000,000 units (Units) at a price of \$8.00 per unit. Proceeds from the initial public offering totaled \$73,811,479 which was net of \$3,458,521 in underwriting and other expenses and \$2,730,000 of deferred underwriting fees. Each Unit consists of one share of the Company's common stock, \$0.0001 par value, and one Redeemable Common Stock Purchase Warrant (Warrant). Each Warrant will entitle the holder to purchase from the Company one share of common stock at an exercise price of \$6.00 commencing on the later of the completion of a Business Combination with a Target Business and November 19, 2008 and expiring November 19, 2011, unless earlier redeemed. The Warrants will be redeemable at a price of \$0.01 per Warrant upon 30 days' notice after the Warrants become

exercisable, only in the event that the last sale price of the common stock is at least \$11.50 per share for any 20 trading days within a 30 trading day period ending on the third business day prior to the date on which notice of redemption is sent. In accordance with the warrant agreement, the Company is only required to use its best efforts to maintain the effectiveness of the registration statement covering the Warrants. The Company will not be obligated to deliver securities, and there are no contractual penalties for failure to deliver securities, if a registration statement is not effective at the time of exercise. Additionally, in the event that a registration is not effective at the time of exercise, the holder of such Warrant shall not be entitled to exercise such Warrant and in no event (whether in the case of a registration statement not being effective or otherwise) will the Company be required to net cash settle the warrant exercise. Consequently, the Warrants may expire unexercised and unredeemed.

Table of Contents

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

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
(unaudited)**

Proceeds held in the Trust Account will not be available for the Company's use for any purpose, except to pay any income taxes and up to \$1.7 million can be taken from the interest earned on the Trust Account to fund the Company's working capital. These proceeds will be used to pay for business, legal, and accounting due diligence on prospective acquisitions and continuing general and administrative expenses. As of March 31, 2009, the Company includes approximately \$13,000 of these proceeds in their cash balance as they plan on withdrawing the cash as needed for operations. From June 1, 2007 (inception) to March 31, 2009, the Company has transferred approximately \$2.0 million from the Trust Account, of which approximately \$1.0 million has been used to fund the Company's working capital requirements, and \$1.0 million has been for the payment of taxes.

Note 4 Related Party Transactions

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

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

The Company paid approximately \$13,000 from June 1, 2007 (inception) to March 31, 2009 for office space and general and administrative services, leased from Clarity Partners, L.P. Barry A. Porter, one of our special advisors, is a co-founder and Managing General Partner of Clarity Partners, L.P., and the grantor trust of Mr. Porter, Nautilus Trust dtd 9/10/99, is one of our initial stockholders. Services commenced on November 19, 2007 and will terminate upon the earlier of (i) the consummation of a Business Combination or (ii) the liquidation of the Company. The Company terminated its agreement with Clarity Partners, L.P. effective March 31, 2008.

On March 20, 2008, the audit committee of Ideation Acquisition Corp approved a new sub-leasing and administrative and support services agreement. Effective April 1, 2008, the Company has moved its principal offices to 1990 S. Bundy Boulevard, Suite 620, Los Angeles, CA 90025. It subleases the space and pays approximately \$7,500 per month for office space and related services to Spirit EMX LLC. Robert N. Fried, our Chief Executive Officer and one of our initial shareholders, is the founder and Chief Executive Officer of Spirit EMX LLC. The Company incurred approximately \$87,000 from April 1, 2008 to March 31, 2009 for office space and administrative services and paid approximately \$80,000 to Sprint EMX LLC. In January, 2009, the Company moved its principal offices to 1105 N. Market Street, Suite 1300, Wilmington, Delaware 19801, while maintaining an office at 1990 S. Bundy Boulevard, Suite 620, Los Angeles, CA 90025.

The Initial Stockholders purchased warrants (Insider Warrants) exercisable for 2,400,000 shares of common stock at a purchase price of \$1.00 per warrant concurrently with the closing of the Offering at a price of \$1.00 per Insider Warrant directly from the Company and not as part of the Offering. All of the proceeds from this private placement have been placed in a Trust Account until a business combination has been consummated. The Insider Warrants are identical to the Warrants included in the Units sold in the Offering except that if the Company calls the Warrants for redemption, the Insider Warrants may be exercisable on a cashless basis so long as such securities are held by the Initial Stockholders or their affiliates. Additionally, our Initial Stockholders have agreed that the Insider Warrants will not be sold or transferred by them

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

until after the Company has completed a Business Combination. The Company believes based on a review of the trading prices of the public warrants of other blank check companies similar to the Company, that the purchase price of \$1.00 per Insider Warrant is not less than the approximate fair value of such warrants on the date of issuance. Therefore, the Company has not recorded stock-based compensation expense upon the sale of the Insider Warrants.

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

We reimburse Dr. Frost for Company-related use by Dr. Frost and our other executives of an airplane owned by a company that is beneficially owned by Dr. Frost. We reimburse Dr. Frost in an amount equal to the cost of a first class airline ticket between the travel cities for each executive, including Dr. Frost, traveling on the airplane for Company-related business. We do not reimburse Dr. Frost for personal use of the airplane by Dr. Frost or any other executive; nor do we pay for any other fixed or variable operating costs of the airplane. For the three months ending March 31, 2008 and March 31, 2009, we reimbursed Dr. Frost approximately \$11,000 and \$5,000, respectively for Company-related travel by Dr. Frost and other Ideation executives. For the period from June 1, 2007 (Inception) to March 31, 2009, we reimbursed Dr. Frost approximately \$21,000 for company related travel.

Note 5 Income taxes

Deferred income taxes are provided for the differences between the bases of assets and liabilities for financial reporting and income tax purposes. A valuation allowance is established when necessary to reduce the deferred tax assets to the amount expected to be realized. The Company recorded a deferred income tax asset of \$440,759 and \$338,199 on December 31, 2008 and March 31, 2009, respectively, for the tax effect of temporary differences during the period from June 1, 2007 (Inception) to March 31, 2009, and during the three month periods ended March 31, 2008 and 2009. Temporary differences during the period from June 1, 2007 (Inception) to December 31, 2008 and during the three month period ended March 31, 2009 consist of start up costs and organizational expenses.

The Company's provision for income taxes reflects the application of federal and state statutory rates to the Company's income before taxes. The Company's effective tax rate was approximately (88.8%) for the periods from June 1, 2007 (Inception) to March 31, 2009, (10.2%) for the three month period ended March 31, 2009, and 39.83% for the three month period ended March 31, 2008. Prior to the third quarter of 2008, the Company believed that it was liable for state income taxes and accordingly was recording a state tax provision and making quarterly estimated payments. Based on a review of facts and circumstances during the third quarter of 2008, the Company believes that it is not liable for state income taxes and accordingly, eliminated its state tax provision and recorded a receivable for the return of its estimated tax payments from the state. Permanent differences during the period June 1, 2007 (Inception) to March 31, 2009 constitute accrued contingent legal fees of \$1,165,679 which will be paid only upon the completion

of an acquisition by the Company. These fees will be capitalized as part of the cost of the acquisition and will not be deductible in determining current Federal taxable income. For financial statements purposes, these are expensed as incurred under the provision of Statement of Financial Accounting Standards (SFAS) No. 141R Business Combinations .

Effective January 1, 2007, the Company adopted the provisions of the Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 (FIN 48). There were no unrecognized tax benefits as of March 31, 2009. FIN 48 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For

Table of Contents

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
(unaudited)

those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The Company recognizes accrued interest and penalties related to unrecognized tax benefits as income tax expense. No amounts were accrued for the payment of interest and penalties at March 31, 2009. Management is currently unaware of any issues under review that could result in significant payments, accruals or material deviation from its position.

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

	For the Three Months Ended March 31, 2009	For the Three Months Ended March 31, 2008	Period from June 1, 2007 (Inception) to March 31, 2009
Current Tax (Benefit) Provision			
Federal	\$ (11,008)	\$ 229,171	\$ 624,802
State		65,363	
Total Current	(11,008)	294,534	624,802
Deferred Tax (Benefit) Provision:			
Federal	102,560	(69,787)	(338,199)
State		(19,904)	
Total Deferred	\$ 102,560	\$ (89,691)	\$ (338,199)
Total Provision	\$ 91,552	\$ 204,843	\$ 286,603

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

	For the Three Months Ended March 31, 2009	For the Three Months Ended March 31, 2008	Period from June 1, 2007 (Inception) to March 31, 2009
(Benefit) Provision at statutory rate	\$ (304,779)	\$ 174,840	\$ (109,728)
Permanent Differences	396,331		\$ 396,331
State taxes, net of federal benefit		30,003	
(Benefit) Provision for income taxes	\$ (91,552)	\$ 204,843	\$ (286,603)

Note 6 Investment held in Trust Account; U.S Treasury Securities

Since the closing of the Offering, net proceeds from the offering have been held in a trust account (Trust Account). The Trust Account may be invested in U.S. government debt securities, defined as any Treasury Bill or equivalent securities issued by the United States government having a maturity of one hundred and eighty (180) days or less or money market funds meeting the conditions specified in Rule 2a-7 under the Investment Company Act of 1940, until the earlier of (i) the consummation of its first Business Combination or (ii) the distribution of the Trust Account as described below. The proceeds in the Trust Account includes \$2,730,000 of the gross proceeds representing deferred underwriting discounts and commissions that will be released to the underwriters on completion of a Business Combination.

As of March 31, 2009, investment securities in the Company s Trust Account consist of (a) approximately \$55 million in United States Treasury Bills and (b) approximately \$24 million in a mutual fund that invests in United States Treasury securities. The Company classifies its United States Treasury and equivalent securities as held-to-maturity in accordance with SFAS No. 115, Accounting for Certain Debt and Equity Securities. Held-to-maturity securities are those securities which the Company has the ability and intent to hold until maturity. Held-to-maturity treasury securities are recorded at amortized cost on the accompanying balance sheets and adjusted for the amortization or accretion of premiums or discounts. The Company s investment in the United States Treasury mutual fund account is recorded at fair value. (Note 7)

Table of Contents

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

The carrying amount, including accrued interest, gross unrealized holding gains, and fair value of held-to-maturity securities at March 31, 2009 were as follows:

	Carrying amount	Gross Unrealized holding gains(Losses)	Fair value
Held-to-maturity:			
U.S. Treasury securities	\$55,003,519	\$ (619)	\$55,002,900

Note 7 Fair Value Measurements

Effective January 1, 2008, the Company adopted Statement of Financial Accounting Standard No. 157, *Fair Value Measurements*, or SFAS 157, for its financial assets and liabilities that are re-measured and reported at fair value at each reporting period, and non-financial assets and liabilities that are re-measured and reported at fair value at least annually. In accordance with the provisions of FSP No. FAS 157-2, *Effective Date of FASB Statement No. 157*, the Company elected to defer implementation of SFAS 157 as it relates to its non-financial assets and non-financial liabilities that are recognized and disclosed at fair value in the financial statements on a nonrecurring basis until January 1, 2009. FSP No. 157-3 clarifies the application of FASB 157 in a market that is not active. FSP No. 157-3 is effective upon issuance.

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

The following table presents information about the Company's assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2009, and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and includes situations where there is little, if any, market activity for the asset or liability (in millions):

Description	March 31, 2009	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
U.S. Treasury Mutual Funds held in trust	\$ 23.8	\$ 23.8	\$	\$

Description	December 31, 2008	(Level 1)	(Level 2)	(Level 3)
Assets:				
U.S. Treasury Mutual Funds held in trust	\$ 23.8	\$ 23.8	\$	\$

The fair values of the Company's cash and cash equivalents held in the Trust Account are determined through market, observable and corroborated sources.

Table of Contents

IDEATION ACQUISITION CORP.

(a corporation in the development stage)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

(unaudited)

Note 8 Commitments and contingencies

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

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

The Company has entered into a contingent fee arrangement with its law firm by which legal services related to potential acquisitions will be considered earned and paid upon the close of a business combination by the required date. Fees, once earned will be paid out of closing costs. Per the arrangement, fees for services performed will not be due to its law firm unless an acquisition is successfully completed. The estimated contingent legal fees to be paid on the close of an acquisition are approximately \$1,166,000.

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

The sale of this option has been accounted for as an equity transaction. Accordingly, there was no net effect on the Company's financial position or results of operations, except for the recording of the \$100 proceeds from the sale. The Company has determined, based upon a Black-Scholes model, that the most recent fair market value of the option is approximately \$2.6 million, using an expected life of five years from the date of the IPO, volatility of 96.4% and a risk-free interest rate of 1.72%. Because the units do not have a trading history, the volatility factor is based on information currently available to management. The volatility factor of 96.4% is the average volatility of various sample blank check companies that have completed a business combination and have at least two years of trading history. The Company's management believes that this volatility is a reasonable benchmark, given the uncertainty of the industry of the target business, to use in estimating the expected volatility for its common stock.

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

Note 9 Preferred stock

The Company is authorized to issue 1,000,000 shares of preferred stock with such designations, voting and other rights and preferences as may be determined from time to time by the Board of Directors. There were no preferred shares issued and outstanding as of March 31, 2009.

Note 10 Agreement and Plan of Merger

On March 31, 2009, the Company entered into an Agreement and Plan of Merger, Conversion and Share Exchange (the Share Exchange Agreement) with ID Arizona Corp., an Arizona corporation and wholly owned subsidiary of Ideation (ID Arizona), SearchMedia International Limited, an exempted company incorporated with limited liability in the Cayman Islands (SM Cayman or SearchMedia), the subsidiaries of SM Cayman, and Shanghai Jingli

Advertising Co. Ltd. (Jingli Shanghai; and together with SM Cayman and its subsidiaries, the SearchMedia entities or SM entities), and certain shareholders and warrant holders of SM Cayman, among others (such shareholders, warrant holders and other parties, together with the SM entities, the SearchMedia parties).

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

The Share Exchange Agreement provides that, upon the terms and subject to the conditions set forth in the Share Exchange Agreement and following receipt of stockholder approval by the Company, the Company will complete a corporate reorganization that would result in holders of the Company's securities holding securities in SearchMedia Holdings Limited (ID Cayman), a Cayman Islands company, rather than in the Company, a Delaware corporation. The reorganization involves two steps. First, the Company will effect a short-form merger, pursuant to which it will merge with and into ID Arizona, with ID Arizona surviving the merger. Second, after the merger, ID Arizona will become ID Cayman, a Cayman Islands company, pursuant to a conversion and continuation procedure under Arizona and Cayman Islands law. The reorganization will change the Company's place of incorporation from Delaware to the Cayman Islands. We refer to the entire two-step transaction as the redomestication. The redomestication will result in all of the Company issued and outstanding shares of common stock immediately prior to the redomestication converting into ordinary shares of ID Cayman, and all units, warrants and other rights to purchase the Company's common stock immediately prior to the redomestication being exchanged for substantially equivalent securities of ID Cayman.

Immediately following the redomestication, ID Cayman will complete the business combination with the SearchMedia parties (the Business Combination) pursuant to which (i) after giving effect to conversion of the preferred shares of SM Cayman, at closing, ID Cayman will acquire 101,652,369 ordinary shares of SM Cayman, representing 100% of the SM Cayman shares in issue; (ii) SM Cayman shareholders will receive 6,865,341 ordinary shares of ID Cayman; (iii) SM Cayman warrant holders will receive warrants to purchase 1,520,034 ordinary shares of ID Cayman; (iv) SM Cayman option holders will receive options to purchase 648,524 ordinary shares of ID Cayman; (v) SM Cayman holders of restricted share awards will receive 261,166 restricted shares of ID Cayman; and (vi) certain holders of SM Cayman promissory notes will receive 1,712,874 ordinary shares of ID Cayman or, in certain circumstances described in the Company's proxy statement/prospectus, 1,712,874 Series A preferred shares of ID Cayman and warrants to purchase 428,219 ordinary shares of ID Cayman. In addition, SM Cayman shareholders and warrant holders may receive up to an additional 10,150,352 ordinary shares pursuant to an earn-out provision in the Share Exchange Agreement. On the closing of the Business Combination, SM Cayman will be a wholly owned subsidiary of ID Cayman.

Note 11 Going concern issues arising from the requirements of our certificate of incorporation

The ability of the Company to continue as a going concern is dependent upon its ability to successfully complete a business combination by November 19, 2009. The accompanying condensed consolidated interim financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern and is required to liquidate.

Our Amended and Restated Certificate of Incorporation provides that the Company will continue in existence only until November 19, 2009. If the Company has not completed a business combination by such date, its corporate existence will cease except for the purposes of winding up our affairs and liquidating, pursuant to Section 278 of the Delaware General Corporation Law. This has the same effect as if its Board of Directors and Stockholders had formally voted to approve its dissolution pursuant to Section 275 of the Delaware General Corporation Law. The Company views the provision terminating its corporate life by November 19, 2009 as an obligation to its stockholders. This provision will be amended only in connection with, and upon consummation of, its initial business combination by such date.

Table of Contents

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

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

Special Note About Forward-Looking Statements

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

Overview

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

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

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

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

We received net proceeds of approximately \$79.1 million from the IPO and the Private Placement. Of those net proceeds, approximately \$2.73 million is attributable to the portion of the underwriters' discount which has been deferred until our consummation of a business combination. Of these net proceeds, \$78.8 million was deposited into a trust account (the Trust Account) maintained at Continental Stock Transfer & Trust Company (the Trustee) and will

be held in trust and not released until the earlier to occur of (i) the completion of a business combination or (ii) our liquidation, in which case such proceeds will be distributed to our public stockholders.

On March 25, 2009, the Company incorporated a wholly owned subsidiary, ID Arizona Corp (ID Arizona) for the purpose of accomplishing the merger described below

Table of Contents

On March 31, 2009, the Company entered into an Agreement and Plan of Merger, Conversion and Share Exchange (the Share Exchange Agreement) with ID Arizona Corp., an Arizona corporation and wholly owned subsidiary of Ideation (ID Arizona), SearchMedia International Limited, an exempted company incorporated with limited liability in the Cayman Islands (SM Cayman or SearchMedia), the subsidiaries of SM Cayman, and Shanghai Jingli Advertising Co. Ltd. (Jingli Shanghai; and together with SM Cayman and its subsidiaries, the SearchMedia entities or SM entities), and certain shareholders and warrant holders of SM Cayman, among others (such shareholders, warrant holders and other parties, together with the SM entities, the SearchMedia parties).

The Share Exchange Agreement provides that, upon the terms and subject to the conditions set forth in the Share Exchange Agreement and following receipt of stockholder approval by the Company, the Company will complete a corporate reorganization that would result in holders of the Company's securities holding securities in SearchMedia Holdings Limited (ID Cayman), a Cayman Islands company, rather than in the Company, a Delaware corporation. The reorganization involves two steps. First, the Company will effect a short-form merger, pursuant to which it will merge with and into ID Arizona, with ID Arizona surviving the merger. Second, after the merger, ID Arizona will become ID Cayman, a Cayman Islands company, pursuant to a conversion and continuation procedure under Arizona and Cayman Islands law. The reorganization will change the Company's place of incorporation from Delaware to the Cayman Islands. We refer to the entire two-step transaction as the redomestication. The redomestication will result in all of the Company's issued and outstanding shares of common stock immediately prior to the redomestication converting into ordinary shares of ID Cayman, and all units, warrants and other rights to purchase the Company's common stock immediately prior to the redomestication being exchanged for substantially equivalent securities of ID Cayman.

Immediately following the redomestication, ID Cayman will complete the business combination with the SearchMedia parties (the Business Combination) pursuant to which (i) after giving effect to conversion of the preferred shares of SM Cayman, at closing, ID Cayman will acquire 101,652,369 ordinary shares of SM Cayman, representing 100% of the SM Cayman shares in issue; (ii) SM Cayman shareholders will receive 6,865,341 ordinary shares of ID Cayman; (iii) SM Cayman warrant holders will receive warrants to purchase 1,520,034 ordinary shares of ID Cayman; (iv) SM Cayman option holders will receive options to purchase 648,524 ordinary shares of ID Cayman; (v) SM Cayman holders of restricted share awards will receive 261,166 restricted shares of ID Cayman; and (vi) certain holders of SM Cayman promissory notes will receive 1,712,874 ordinary shares of ID Cayman or, in certain circumstances described in the Company's proxy statement/prospectus, 1,712,874 Series A preferred shares of ID Cayman and warrants to purchase 428,219 ordinary shares of ID Cayman. In addition, SM Cayman shareholders and warrant holders may receive up to an additional 10,150,352 ordinary shares pursuant to an earn-out provision in the Share Exchange Agreement. On the closing of the Business Combination, SM Cayman will be a wholly owned subsidiary of ID Cayman.

Results of Operations

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

Net (loss) income attributable to common stockholders for the period from June 1, 2007 (inception) to March 31, 2009, was approximately \$(609,000), which consisted of \$1,968,000 in interest income offset by \$2,290,000 in formation and operating expenses and \$287,000 in income taxes.

Net (loss) income attributable to common stockholders for the three months ended March 31, 2009 was approximately \$(988,000) which consisted of approximately \$11,000 in interest income offset by \$907,000 in formation and operating expenses and \$92,000 in income taxes. Net income attributable to common stockholders for the three months ended March 31, 2008 was approximately \$309,000 which consisted of \$686,000 in interest income partially offset by \$172,000 in formation and operating expenses and \$205,000 in income taxes. We will pay any taxes resulting from interest accrued on the funds held in the Trust Account out of the funds held in the Trust Account.

Liquidity and Capital Resources

Approximately \$78.8 million of the net proceeds of our IPO and Private Placement, and a portion of the underwriters' discounts and expense allowance were deposited in the Trust Account, with the remaining net proceeds being placed in our operating

Table of Contents

account. We plan to use the interest income earned on the trust proceeds (up to a maximum of \$1.7 million) to identify, evaluate and negotiate with prospective acquisition candidates as well as cover our ongoing operating expenses until a transaction is approved by our shareholders or the assets held in the Trust Account is returned to them.

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

At March 31, 2009, we had cash outside of the Trust Account of approximately \$198,000 cash held in the Trust Account of approximately \$78,815,000, and other current assets of approximately \$12,000 and total current liabilities of \$1,262,000. We believe that the funds available to us outside of the Trust Account will be sufficient to allow us to operate until the SearchMedia transaction is completed.

At our instructions, on February 13, 2008, April 8, 2008, June 6, 2008, September 3, 2008, October 22, 2008 and March 26, 2009, the Trustee transferred \$300,000, \$400,000, \$400,000, \$400,000, \$350,000 and \$100,00 respectively, of interest earned on the Trust Account into our operating cash account for the purposes of paying taxes on the aggregate amount of interest earned on the funds held in the Trust Account and to cover our operating expenses.

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

Recently Adopted Accounting Pronouncements

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

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

Redeemable common stock

We account for redeemable common stock in accordance with Emerging Issue Task Force D-98 *Classification and Measurement of Redeemable Securities*. Securities that are redeemable for cash or other assets are classified outside of permanent equity if they are redeemable at the option of the holder. In addition, if the redemption causes a redemption event, the redeemable securities should not be classified outside of permanent equity. As further described in our filings with the Securities and Exchange Commission, we will only consummate a business combination if a majority of the shares of common stock voted by the public stockholders owning shares sold in our IPO vote in favor

of the business combination and public stockholders holding less than 30% (2,999,999) of common shares sold in our IPO exercise their conversion rights. If a business combination is not consummated by November 19, 2009, we will liquidate. Accordingly, 2,999,999 shares have been classified outside of permanent equity at redemption value. The Company recognizes changes in the redemption value immediately as they occur and adjusts the carrying value of the redeemable common stock to equal its redemption value at the end of each reporting period.

Table of Contents

Critical Accounting Policies

Basis of presentation

The condensed consolidated financial statements for the three months ended March 31, 2009 reflect the operations of Ideation Acquisition Corporation and its wholly owned subsidiary, ID Arizona Corp., incorporated on March 25, 2009. Prior period's financial statements reflect the operations solely of the Company. These financial statements are presented in U.S. dollars in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Concentration of Credit Risk

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

Cash and cash equivalents

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

Preferred Stock

We are authorized to issue 1,000,000 shares of preferred stock with such designations, voting and other rights and preferences as may be determined from time to time by the Board of Directors. There were no preferred shares issued as of March 31, 2009.

Net Income per Common Share

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

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

Table of Contents

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

ITEM 4. CONTROLS AND PROCEDURES

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

As required by Rules 13a-15 and 15d-15 under the Exchange Act, Dr. Uppaluri, our principal financial officer, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2008 and 2007. Based upon his evaluation, he concluded that our disclosure controls and procedures were effective.

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

Limitations on the Effectiveness of Controls

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving its objectives. Our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective at that reasonable assurance level.

Table of Contents

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

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

An investment in our securities involves a high degree of risk. There have been no material changes in the fiscal quarter ended March 31, 2009 to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2008 that was filed with the Securities and Exchange Commission on March 20, 2009.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

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

On March 31, 2009, ID Arizona Corp, a wholly owned subsidiary of the Company (ID Arizona) filed a Form S-4, a registration statement (the proxy statement/prospectus) under the Securities Act of 1933 (Securities Act) of securities to be issued (1) in a transaction of the type specified in paragraph (a) of Rule 145; (2) in a merger in which the applicable state law would not require the solicitation of the votes or consents of all of the security holders of the company being acquired; (3) in an exchange offer for securities of the issuer or another entity; (4) in a public reoffering or resale of any such securities acquired pursuant to this registration statement; or (5) in more than one of the kinds of transaction listed in (1) through (4) registered on one registration statement.

The Company s proxy statement/prospectus seeks approval of the Share Exchange Agreement which provides that, upon the terms and subject to the conditions set forth in the Share Exchange Agreement and following receipt of stockholder approval by the Company, the Company will complete a corporate reorganization that would result in holders of the Company s securities holding securities in SearchMedia Holdings Limited (ID Cayman), a Cayman Islands company, rather than in the Company. The reorganization involves two steps. First, the Company will effect a short-form merger, pursuant to which it will merge with and into ID Arizona, with ID Arizona surviving the merger. Second, after the merger, ID Arizona will become ID Cayman, a Cayman Islands company, pursuant to a conversion and continuation procedure under Arizona and Cayman Islands law. The reorganization will change the Company s place of incorporation from Delaware to the Cayman Islands. We refer to the entire two-step transaction as the redomestication. The redomestication will result in all of the Company s issued and outstanding shares of common stock immediately prior to the redomestication converting into ordinary shares of ID Cayman, and all units, warrants and other rights to purchase the Company s common stock immediately prior to the redomestication being exchanged for substantially equivalent securities of ID Cayman.

Immediately following the redomestication, ID Cayman will complete the business combination with the SearchMedia parties (the Business Combination) pursuant to which (i) after giving effect to conversion of the preferred shares of SearchMedia International Limited (SM Cayman) at closing, ID Cayman will acquire 101,652,369 ordinary shares of SM Cayman, representing 100% of the SM Cayman shares in issue; (ii) SM Cayman shareholders will receive 6,865,341 ordinary shares of ID Cayman; (iii) SM Cayman warrant holders will receive warrants to purchase 1,520,034 ordinary shares of ID Cayman; (iv) SM Cayman option holders will receive options to purchase 648,524 ordinary shares of ID Cayman; (v) SM Cayman holders of restricted share awards will receive 261,166 restricted shares of ID Cayman; and (vi) certain holders of SM Cayman promissory notes will receive 1,712,874 ordinary shares of ID Cayman or, in certain circumstances described in the Company s proxy statement/prospectus, 1,712,874 Series A preferred shares of ID Cayman and warrants to purchase 428,219 ordinary shares of ID Cayman. In addition, SM Cayman

Table of Contents

shareholders and warrant holders may receive up to an additional 10,150,352 ordinary shares pursuant to an earn-out provision in the Share Exchange Agreement. On the closing of the Business Combination, SM Cayman will be a wholly owned subsidiary of ID Cayman.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

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

Incorporated by reference to the exhibit of the same number filed with the ID Arizona Corp. s Registration Statement on Form S-4 filed on March 31, 2009 (File No. 333-158336)

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

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

** Filed herewith

Table of Contents

SIGNATURES

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

IDEATION ACQUISITION CORP.

Date: May 14, 2009

/s/ Robert N. Fried
Robert N. Fried
President, Chief Executive Officer and
Director
(Principal Executive Officer)

Date: May 14, 2009

/s/ Rao Uppaluri
Rao Uppaluri
Treasurer and Director
(Principal Financial Officer)