

SPAC Universal Business Nixes One of Three Deals

A week after losing a \$35 million financing commitment, **Universal Business Payment Solutions Acquisition Corp. (UBPS)** said it would cancel the acquisition of **Electronic Merchant Systems**, a credit card and debit card sales business.

Universal Business, a special purpose acquisition company, is still going ahead with the purchases of credit card processing company **JetPay** and the related payroll-processing and tax-filing companies **AD Computer** and **Payroll Tax Filing Services**.

In July, Radnor, Pa.-based Universal Business inked a \$179 million deal to acquire Electronic Merchant, AD Computer and Payroll Tax Filing to form a transaction processing company focused on small businesses.

SPACs are shell companies that raise money in initial public offerings and use the proceeds to acquire businesses within a predetermined amount of time. The money raised in the IPO is put in a trust account and is returned to every shareholder if a deal doesn't happen in that time frame, or to individual investors if they choose not to invest in the acquisition.

Universal Business raised \$72 million in its IPO and has until mid-February 2013 to close a deal.

On Dec. 5, the private equity firm **ABRY Partners** withdrew a \$35 million loan commitment that would have been used to fund the Electronic Merchant Systems purchase. Universal Business Chief Administrative Officer Peter Davidson said at the time that "events at EMS" caused ABRY to pull the financing. He declined to say what those events were.

Universal Business then tried to negotiate a stock-based purchase with EMS. Universal said that, if it was unsuccessful, it would abandon that part of the deal. Completing the other two acquisitions was more important, according to an investment banker working on the deal.

EMS, based in Alexandria, Va., is what is known in the payment processing business as an independent sales organization, or ISO. ISOs sell credit card processing services to merchants, and generally provide the card terminals as well. The banker said there are numerous ISOs that would probably be cheaper for Universal Business to acquire than EMS.

Prior to the ABRY commitment, Universal Business had a \$60 million credit facility with **Goldman Sachs** that would have been used to finance the acquisition of EMS, Davidson said, but that was contingent on Universal Business retaining at least \$68 million of the \$72 million raised in its IPO. When it became clear that too many of the SPAC's shareholders would want their money back for Universal to retain \$68 million, the SPAC lined up the ABRY commitment, Davidson said.

Universal Business shares closed at \$6.09 on Dec. 12, above its \$6 IPO price. Universal warrants, good for another share at \$6.90, closed at 11 cents. As part of the acquisitions, Universal will exchange one share for every 7.5 warrants.

Adviser to SEC's Schapiro Named Adviser to Investment Management Division Director

Jennifer McHugh, a senior adviser to Securities and Exchange Commission Chairman Mary Schapiro since 2009, was named a senior adviser to Norm Champ, the director of the SEC's Division of Investment Management.

McHugh previously served as acting director of investment management division, which protects investors and promotes capital formation through oversight and regulation of the multitrillion-dollar investment management industry, which includes mutual funds and hedge funds.

She is a 13-year veteran of the SEC, having served as acting director of the division of investment management from the end of 2010 to early 2011. Prior to being named senior adviser to Schapiro, McHugh was senior adviser to the director of the division of investment management

from 2001 to 2009. In 2000, she served as special counsel in the division's office of investment adviser regulation.

Prior to joining the SEC, McHugh was an associate in the investment management practice group of **Dechert LLP**. She has a law degree from Catholic University and a bachelor's degree from the University of Notre Dame.

Third Creek's Adam Epstein Publishes Book on How to Be a Director of a Small Company

Adam Epstein, the founding principal of **Third Creek Advisors**, has published a book for the directors of small cap companies called "The Perfect Corporate Board: A Handbook for Mastering the Unique Challenges of Small-Cap Companies."

Danville, Calif.-based Third Creek, which Epstein helped found in 2010 after six years at San Francisco-based **Enable Capital Management**, said the book addresses a long-standing void in corporate governance resources.

The 70% of U.S. companies that have market values of less than \$500 million have been hampered by a one-size-fits-all mentality to corporate governance, Third Creek said in a statement.

"Just as operating a \$100 million company is a vastly different undertaking than operating a \$100 billion company, governing the two different sized companies is different as well," said Epstein in the statement. "By failing to acknowledge this distinction, our historic one-size-fits-all approach to corporate governance has handicapped the biggest source of American jobs."

The book is being published by McGraw Hill and royalties from it will be donated to Fisher House Foundation, a military non-profit organization that provides a home away from home for families of military personnel receiving medical care at major military and veterans medical centers.

Epstein also serves on the board of **OCZ Technology Group**, a San Jose, Calif.-based maker of solid-state drives and other premium computer equipment.