

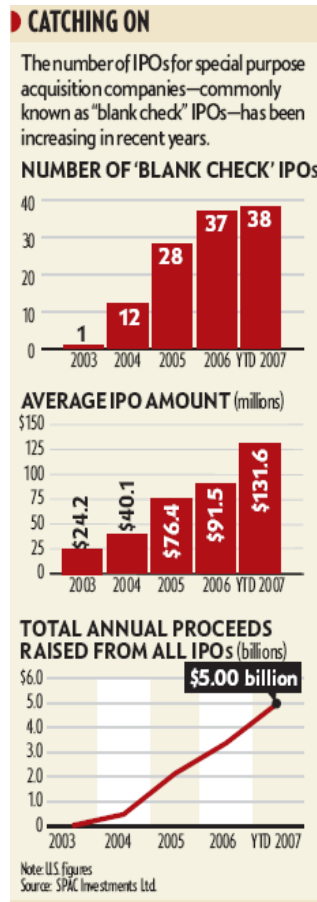
By [Bob Tita](#)

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A Stone rolls into China deal scene

Former cardboard king hunts acquisitions via IPO



After convincing investors to trust him with \$120 million, Roger Stone wants them to let him spend \$300 million of their money in China.

Mr. Stone, ex-CEO of Chicago's Stone Container Corp., and Richard Tan, founder of a business conglomerate in China, aim to raise \$300 million in an IPO to buy a company in China. For Mr. Stone, 72, [Stone Tan China Acquisition Corp.](#) is his second “blank check” IPO in two years.

Such IPOs are an increasingly common way to connect Western investors with companies in China. The business experience of Messrs. Stone and Tan should help attract investors and Chinese companies, observers say.

"These guys have branded themselves. That's very salable to investors," says Francis Gaskins, president of California-based stock research firm IPOdesktop.com.

Mr. Stone, chairman of Stone Tan, and Mr. Tan, 51, the CEO, paid \$25,000 for 9.37 million shares of the company's stock, or 20% of the total. With the offering priced at \$8 million, their stake would be worth \$75 million. They also paid \$2 million for warrants for 2 million additional shares.

Mr. Stone declined to comment; Mr. Tan did not return calls.

In 2005, Mr. Stone raised \$120 million that he later used to buy mills from International Paper Co. for \$155 million. Shares in the Northfield company, now KapStone Paper & Packaging Corp., began trading on Nasdaq in May.

Despite a stock price of \$6.38 and a market capitalization of just \$159.3 million, companies like KapStone are getting noticed on Wall Street as places to put money to work. So far this year, there have been 38 blank check IPOs, generating more than \$5 billion in proceeds. During 2006, there were 37 offerings that raised \$3.38 billion.

"You have all these massive pools of capital that need to be deployed," says Andre Peschong, a partner in Bridgewater Capital Corp., a California investment bank. Blank check or "special acquisition" IPOs, he notes, "are like public venture capital or publicly traded private-equity funds."

But special acquisition companies have to work fast. Messrs. Stone and Tan will have 24 months after raising money to purchase a company, or investors' money will be refunded. And they'll compete with private-equity firms, hedge funds and others prowling for deals in China. Of the 116 special acquisition IPOs completed since 2003, just 31 have completed acquisitions.

"There's always a temptation to overpay or not do the best deal," says Tom Taulli of research firm DealProfiles.com in California. "The short amount of time doesn't help."

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