Ideation Acquisition Corp.
Form 10-Q
November 10, 2008

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

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

For the quarterly period ended September 30, 2008

OR

o **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.)
1990 South Bundy Boulevard, Suite 620 Los Angeles, California (Address of principal executive offices)	90025 (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 þ No o

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 larger accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer o Accelerated filer o Non-accelerated filer þ Smaller reporting company o

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

Yes þ No o

At November 7, 2008, 12,500,000 shares of the registrant s common stock were issued and outstanding.

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PART 1 FINANCIAL INFORMATION

ITEM 1. Financial Statements

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

	September 30, 2008 (Unaudited)	December 31, 2007
Assets		
Current Assets:		
Cash and cash equivalents	$ 483,355	$ 124,139
Interest receivable	114,303	291,835
Income taxes receivable	61,410	
Franchise taxes receivable	156,000	
Other current assets	68,160	49,256
Total current assets	883,228	465,230
Other asset, cash and cash equivalents held in trust	78,815,000	78,815,000
Deferred tax asset	227,913	
Total assets	$ 79,926,141	$ 79,280,230
Liabilities and Stockholders Equity		
Current Liabilities:		
Accrued expenses	$ 224,583	$ 26,721
Income taxes payable		74,244
Franchise taxes payable		68,666
Total current liabilities	224,583	169,631
Long-term liability		
Deferred underwriters fee	2,730,000	2,730,000
Common stock subject to possible redemption (2,999,999 shares at September 30, 2008 and December 31, 2007 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 and outstanding		
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 September 30, 2008 and	1,250	1,250

December 31, 2007				
Additional paid-in capital		52,595,237		52,595,237
Income accumulated during the development stage		735,079		144,120
Total stockholders equity		53,331,566		52,740,607
Total liabilities and stockholders equity	$	79,926,141	$	79,280,230

See accompanying notes to condensed financial statements

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

	For the Three Months Ended September 30, 2008	For the Three Months Ended September 30, 2007	For the nine Months Ended September 30, 2008	Period from June 1, 2007 (Inception) to September 30, 2008
Revenue	$	$	$	$
Formation and operating costs	360,216	90	646,295	747,172
Loss from operations	(360,216)	(90)	(646,295)	(747,172)
Interest income	396,052		1,520,512	1,860,929
Income (loss) before provision for income taxes (benefit)	35,836	(90)	874,217	1,113,757
Provision for income taxes (benefit)				
Current	41,983		511,171	606,591
Deferred	(92,689)		(227,913)	(227,913)
Total provision (benefit) for income taxes	(50,706)		283,258	378,678
Net income (loss)	$ 86,542	$ (90)	$ 590,959	$ 735,079
Maximum number of shares subject to possible redemption:				
Weighted average number of shares, basic and diluted	2,999,999		2,999,999	1,933,471
Income (loss) per share amount, basic and diluted	$	$	$	$
Weighted average number of common shares outstanding (not subject to possible redemption):				
Basic	9,500,001	1,462,833	9,500,001	6,946,722
Diluted	11,745,777	1,462,833	11,623,259	9,056,611
Income per share amount:				
Basic	$ 0.01	$ 0.00	$ 0.06	$ 0.11
Diluted	$ 0.01	$ 0.00	$ 0.05	$ 0.08

See accompanying notes to condensed financial statements

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IDEATION ACQUISITION CORP.
(a corporation in the development stage)
Condensed Statements of Changes in Stockholders Equity

	Common Stock Shares	Common Stock Amount	Additional Paid In Capital	Income Accumulated During the Development Stage	Total Stockholders Equity
Common shares issued to founders	2,500,000	$ 250	$ 24,750	$ 0	$ 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				590,959	590,959
Balances at September 30, 2008 **(unaudited)**	12,500,000	$ 1,250	$ 52.595.237	$ 735,079	$ 53,331,566

See accompanying notes to condensed financial statements

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

	For the Nine Months Ended September 30, 2008	Period from June 1 2007 (inception) to September 30, 2007	Period from June 1, 2007 (Inception) to September 30, 2008
Cash flows from operating activities:			
Net income (loss)	$ 590,959	$ (5,090)	$ 735,079
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:			
Deferred tax assets	(227,913)		(227,913)
Changes in operating assets and liabilities:			
Interest receivable	177,530		(114,303)
Income taxes receivable	(61,410)		(61,410)
Franchise taxes receivable	(156,000)		(156,000)
Other current assets	(18,902)	(295,455)	(68,160)
Accrued expenses	197,862	257,365	224,583
Income taxes payable	(74,244)		
Franchise taxes payable	(68,666)		
Net cash (used in) provided by operating activities	359,216	(43,180)	331,876
Net cash used in investing activities:			
Cash and cash equivalents held in trust account			(78,815,000)
Cash flows from financing activities:			
Proceeds from notes payable to stockholders		200,000	200,000
Proceeds from common shares issued to founders		25,000	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 activities		225,000	78,966,479
Net increase in cash and cash equivalents	359,216	181,820	483,355
Cash and cash equivalents, beginning of period	124,139		
Cash and cash equivalents, end of period	$ 483,355	$ 181,820	$ 483,355

Supplemental disclosures:						
Deferred offering costs	$		$	250,000	$	2,730,000
Cash paid for income taxes	$	824,000	$		$	824,000

See accompanying notes to condensed financial statements

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

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).

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

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 JP Morgan 100% US Treasury Money Market Fund (Ticker: VHPXX) and JP Morgan Treasury Plus Money Market Fund (Ticker: AJTXX). On October 8, 2008, the Company purchased $55,000,000 face value US Treasury T-Bills maturing on January 8, 2009 (CUSIP 912795J69) for the Trust Account.The Company currently holds no investment in the JP Morgan Treasury Plus Money Market Fund. As of September 30, 2008, the Company has earned approximately $1,861,000 of interest income on the trust from inception including approximately $396,000 earned during the quarter.

The accompanying unaudited condensed financial statements of the Company as of September 30, 2008 and December 31, 2007 and for the three and nine month periods ended September 30, 2008, and for the period from inception (June 1, 2007) to September 30, 2008, 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 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, 2007. The results of operations for the three and nine month periods ended September 30, 2008 are not necessarily indicative of the results that may occur for the year ended December 31, 2008.

Note 2 Summary of Significant Accounting Policies

Basis of presentation

The financial statements of the Company 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.

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 as of September 30, 2008.

Net Income per Common Share

The Company complies 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. 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 2,245,776 for the three months ended September 30, 2008, 0 for the three months ended September 30, 2007, 2,123,258 for the nine months ended September 30, 2008 and 2,109,889 for the period June 1, 2007 (Inception) to September 30, 2008.

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

New 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 will require 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 financial statements; however, it could impact future transactions entered into by the Company.

In December 2007, the SEC issued SAB No. 110, *Share-Based Payment* (SAB 110). SAB 110 establishes the continued use of the simplified method for estimating the expected term of equity based compensation. The simplified method was intended to be eliminated for any equity based compensation arrangements granted after December 31, 2007. SAB 110 is being published to help companies that may not have adequate exercise history to estimate expected terms for future grants. The adoption of SAB 110 has not had a material effect on the Company s consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities An Amendment to FASB Statement No. 133* . SFAS No. 161 is intended to improve financial standards for derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity s financial position, financial performance, and cash flows. Entities are required to provide enhanced disclosures about: (a) how and why an entity uses derivative instruments; (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations; and (c) how derivative instruments and related hedged items affect an entity s financial position, financial performance, and cash flows. It is effective for financial statements issued for fiscal years beginning after November 15, 2008, with early adoption encouraged. The adoption of this statement is not expected to have a material effect on the Company s financial statements.

Redeemable common stock

The Company accounts 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 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.

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

Note 3 Initial Public Offering

In its initial pubic 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.

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 September 30, 2008, the Company includes approximately $247,000 of these proceeds in their cash balance as they plan on withdrawing the cash as needed for operations. From June 1, 2007 (inception) to September 30, 2008, the company has transferred approximately $1.5 million from the Trust Account, of which approximately $700,000 has been used to fund the company s working capital requirements.

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 inception to September 30, 2008 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 $44,000 from April 1, 2008 to September 30, 2008 for office space and administrative services and paid approximately $37,000 to Sprint EMX LLC.

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

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

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.

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 $0 and $227,913 on December 31, 2007 and September 30, 2008, respectively, for the tax effect of temporary differences during the period from June 1, 2007 (Inception) to December 31, 2007, and during the three and nine month periods ended September 30, 2008. Temporary differences during the period from June 1, 2007 (Inception) to December 31, 2007 and during the three and nine month periods ended September 30, 2008 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 34% for the periods from June 1, 2007 (Inception) to September 30, 2008, 32% for the nine month period ended September 30, 2008 and was (141) % for the three month period ended September 30, 2008. Prior to the third quarter of 2008, the Company believed that it was liable for state incomes 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.

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

	For the Three Months Ended September 30, 2008	For the Nine Months Ended September 30, 2008	Period from June 1, 2007 (Inception) to September 30, 2008

Current Tax Provision						
Federal	$	167,280	$	532,346	$	606,591
State		(125,297)		(21,175)		
Total Current		41,983		511,171		606,591
Deferred Tax Provision:						