

STONELEIGH PARTNERS ACQUISITION CORP.  
Form 10-Q  
December 14, 2007

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the fiscal quarter ended October 31, 2007

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 001-33502

STONELEIGH PARTNERS ACQUISITION CORP.  
(Exact name of Registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

20-3483933  
(I.R.S. Employer  
Identification No.)

20 Marshall Street #104  
South Norwalk, CT  
(Address of principal executive  
offices)

06854  
(Zip code)

Registrant's telephone number, including area code: (203) 663-4200

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.  
Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2) Yes  No

On December 13, 2007 there were 34,097,500 shares of Common Stock, par value \$0.0001 outstanding.

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**PART I - FINANCIAL INFORMATION**

## ITEM 1. FINANCIAL STATEMENTS.

**STONELEIGH PARTNERS ACQUISITION CORP.**  
**(a corporation in the development stage)****CONDENSED BALANCE SHEETS**

	October 31, 2007 (Unaudited)	July 31, 2007
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 3,145,314	\$ 1,035,420
Investments held in Trust (Notes 1 and 3)	221,305,176	221,416,629
Prepaid insurance and other expenses	182,704	213,542
Total current assets	224,633,194	222,665,591
<b>TOTAL ASSETS</b>	<b>\$224,633,194</b>	<b>\$222,665,591</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 61,168	\$ 38,998
Taxes payable	1,145,014	690,189
Note payable, current portion (Note 7)	108,736	108,736
Total current liabilities	1,314,918	837,923
<b>LONG TERM LIABILITIES</b>		
Note payable, long term (Note 7)	45,307	72,492
<b>COMMON STOCK SUBJECT TO POSSIBLE CONVERSION</b>		
(8,351,465 shares at conversion value) (Note 1)	66,903,031	66,427,592
<b>COMMITMENTS</b> (Note 5)	-	-
<b>STOCKHOLDERS' EQUITY</b> (Notes 2, and 6):		
Preferred stock, \$0.0001 par value, 5,000,000 shares authorized, 0 issued and outstanding		
Common stock, par value \$0.0001 per share, 100,000,000 shares authorized, 25,746,035 shares issued and outstanding (excluding 8,351,465 shares subject to conversion)	2,575	2,575
Additional paid-in capital	153,811,381	154,286,820
Earnings accumulated in the development stage	2,555,982	1,038,189

<b>TOTAL STOCKHOLDERS' EQUITY</b>	156,369,938	155,327,584
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	\$224,633,194	\$222,665,591

*The accompanying notes should be read in conjunction with the financial statements.*

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

**CONDENSED STATEMENTS OF INCOME**

	For the three months ended October 31, 2007 (Unaudited)	For the three months ended October 31, 2006 (Unaudited)	From September 9, 2005 (inception) to October 31, 2007 (Unaudited)
<b>Operating Expenses</b>			
Formation and administrative costs (Notes 4 and 5)	\$ 142,144	\$ 2,116	\$ 284,099
<b>Loss from operations</b>	(142,144)	(2,116)	(284,099)
<b>Other income (expense)</b>			
Interest income (Note 1)	2,806,883	15,402	4,647,764
Interest expense (Note 7)	(1,916)	-	(3,193)
<b>Income before provision for income taxes</b>	2,662,823	13,286	4,360,472
Provision for federal and state income taxes (Note 4)	1,145,030	5,049	1,804,490
<b>Net income for the period</b>	\$ 1,517,793	\$ 8,237	\$ 2,555,982
Accretion of Trust Fund relating to common stock subject to possible conversion	(475,439)	-	(793,180)
Net income attributable to common stockholders	\$ 1,042,354	\$ 8,237	\$ 1,762,802
<b>Shares outstanding subject to possible conversion</b>	8,351,465	-	
<b>Net income per share subject to possible conversion, basic and diluted</b>	\$ 0.06	\$ -	
<b>Weighted average number of shares outstanding</b>	25,746,035	6,250,000	
<b>Net income per share:</b>			
Basic and diluted	\$ 0.04	\$ 0.00	

*The accompanying notes should be read in conjunction with the financial statements.*

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

**CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY**  
From September 9, 2005 (inception) to October 31, 2007

	Common stock		Additional Paid-In-Capital	(Deficit) Earnings Accumulated in the Development Stage	Total
	Shares	Amount			
<b>Balance, September 9, 2005 (inception)</b>	-	\$ -	-	-	-
Issuance of Common Stock to initial stockholder	100	-	1	-	1
Issuance of 8,150,000 warrants at \$0.05 per warrant	-	-	407,500	-	407,500
Issuance of 4,075,000 Class Z warrants and 4,075,000 Class W warrants with an aggregate value of \$407,500 in exchange for the cancellation of 8,150,000 warrants with an aggregate value of \$407,500	-	-	-	-	-
Issuance of 700,000 Class Z warrants and 700,000 Class W warrants at \$0.05 per warrant	-	-	70,000	-	70,000
Issuance of 6,925,000 Class Z warrants and 6,925,000 Class W warrants at \$0.05 per warrant	-	-	692,500	-	692,500
Net loss for the period	-	-	-	(2,230)	(2,230)
<b>Balance, July 31, 2006</b>	100	\$ -	1,170,001	\$ (2,230)	\$ 1,167,771
Issuance of 3,800,000 Class Z warrants and 3,800,000 Class W warrants at \$0.05 per					



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warrant	-	-	380,000	-	380,000
Issuance of common stock to initial stockholders with an aggregate value of \$1,550,000 in exchange for the return and cancellation of 15,500,000 Class Z warrants and 15,500,000 Class W warrants with an aggregate value of \$1,550,000	6,249,900	625	(625)	-	-
Proceeds from sale of underwriter purchase option			100		100
Proceeds from issuance of insider warrants			4,450,000		4,450,000
Sale of 27,847,500 units through public offering net of underwriter discount offering expenses and excluding \$66,109,851 of proceeds allocable to 8,351,465 shares of common stock subject to possible conversion	19,496,035	1,950	148,605,085	-	148,607,035
Accretion of trust fund relating to common stock subject to possible conversion			(317,741)		(317,741)
Net income for the year	-	-	-	1,040,419	1,040,419
<b>Balance, July 31, 2007</b>	25,746,035	\$ 2,575	\$ 154,286,820	\$ 1,038,189	\$ 155,327,584
Accretion of trust fund relating to common stock subject to possible conversion (Unaudited)	-	-	(475,439)	-	(475,439)
Net income for the period (Unaudited)				1,517,793	1,517,793
	25,746,035	\$ 2,575	\$ 153,811,381	\$ 2,555,982	\$ 156,369,938

**Balance, October 31,  
2007 (Unaudited)**

*The accompanying notes should be read in conjunction with the financial statements*

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

**CONDENSED STATEMENTS OF CASH FLOWS**

	For the three months ended October 31, 2007 (Unaudited)	For the three months ended October 31, 2006 (Unaudited)	From September 9, 2005 (inception) to October 31, 2007 (Unaudited)
<b>OPERATING ACTIVITIES</b>			
Net income for the period	\$ 1,517,793	\$ 8,237	\$ 2,555,982
Decrease (increase) in investments held in trust fund	111,453	-	(865,526)
<b>Adjustments to reconcile net income to net cash provided by operating activities</b>			
Changes in:			
Prepaid insurance and other expenses	30,838	-	16,647
Accrued payable and accrued expenses	22,170	25,843	49,630
Taxes payable	454,825	5,049	1,145,014
<b>Net cash provided by operating activities</b>	<b>2,137,079</b>	<b>39,129</b>	<b>2,901,747</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of investments held in Trust Fund	(2,892,723)	-	(444,749,002)
Maturities of investments held in Trust Fund	2,892,723	-	224,309,352
<b>Net cash used in investing activities</b>	<b>-</b>	<b>-</b>	<b>(220,439,650)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from issuance of common stock to initial stockholders	-	-	1
Proceeds from issuance of insider warrants in private placement	-	-	4,450,000
Proceeds from issuance of underwriter's purchase option	-	-	100
Portion of net proceeds from sale of units through public offering allocated to shares of common stock subject to possible conversion	-	-	66,109,851
Proceeds from issuance of warrants to security holders	-	-	1,550,000
Principal payment on notes	(27,185)	-	(45,308)
Payment of deferred registration costs	-	(23,922)	(260,594)
Net proceeds from sale of units through public offering	-	-	148,879,167

including the proceeds from underwriter  
over-allotment exercise

<b>Net cash provided by financing activities</b>	(27,185)	(23,922)	220,683,217
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<b>Net increase in cash and cash equivalents</b>	2,109,894	15,207	3,145,314
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**Cash and cash equivalents**

Beginning of period	1,035,420	912,426	-
End of period	\$ 3,145,314	\$ 927,633	\$ 3,145,314

**Supplemental disclosure of non-cash  
financing activities**

Fair value of underwriter purchase option included in offering costs	\$ -	\$ -	\$ 4,372,000
Accretion relating to common stock subject to possible conversion	\$ (475,439)	\$ -	\$ (793,180)
Financed insurance	\$ 154,043	\$ -	\$ 199,350

**Supplemental disclosure of cash flow  
information**

Cash paid for interest	\$ 1,916	\$ -	\$ 3,193
Cash paid for taxes	\$ 690,205	\$ -	\$ 695,017

*The accompanying notes should be read in conjunction with the financial statements.*

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

**NOTES TO CONDENSED FINANCIAL STATEMENTS**

**NOTE 1 — DISCUSSION OF THE COMPANY'S ACTIVITIES**

**Organization and activities**— Stoneleigh Partners Acquisition Corp. (the “Company”) was incorporated in Delaware on September 9, 2005 to serve as a vehicle to effect a merger, capital stock exchange, asset acquisition or other similar business combination with a currently unidentified operating business (a “Target Business”). All activities from inception (September 9, 2005) through October 31, 2007 relate to the Company’s formation and capital raising activities.

The Company is considered to be a development stage company and as such the financial statements presented herein are presented in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 7, Accounting and Reporting by Development Stage Enterprises.

The registration statement for the Company’s initial public offering (“IPO” or the “Offering”) was declared effective on May 31, 2007. The Company consummated the Offering on June 5, 2007 and received net proceeds of approximately \$197.8 million, which includes approximately \$4.45 million from the Insider Warrants sold in a private placement (described in Note 6) and a portion of the proceeds of the sale of the Company’s shares of common stock sold to the Company’s stockholders prior to the Offering (“Initial Stockholders”). On June 12, 2007 the Company consummated the closing of an additional 2,847,500 Units, which were subject to an underwriter over-allotment option, generating additional gross proceeds of \$22,780,000.

The Company’s management intends to apply substantially all of the net proceeds of the Offering toward consummating a Business Combination. The initial Target Business must have a fair market value equal to at least 80% of the Company’s net assets at the time of such acquisition. However, there is no assurance that the Company will be able to successfully effect a Business Combination.

The Company’s Certificate of Incorporation provides that the Company’s corporate existence will cease in the event it does not consummate a Business Combination by May 31, 2009. If the Company does not effect a Business Combination by May 31, 2009 (the “Target Business Acquisition Period”), the Company will promptly distribute the amount held in trust (the “Trust Account”), which is substantially all of the proceeds from the Offering, including any accrued interest, to its public stockholders.

Management agreed that approximately \$220.4 million (or approximately \$7.95 per Unit) of the net proceeds of the Offering, the sale of the Insider Warrants (defined in Note 6) and the sale of common stock to the Initial Stockholders will be held in the Trust Account and invested in permitted United States government securities and money market funds. The placing of funds in the Trust Account may not protect those funds from third party claims against the Company. Although the Company will seek to have all vendors, prospective acquisition targets or other entities it engages, execute agreements with the Company waiving any right, title, interest or claim of any kind in or to any monies held in the Trust Account, there is no guarantee that they will execute such agreements. There may be released to the Company from the Trust Account (i) interest income earned on the Trust Account balance to pay any tax obligations of the Company, and (ii) up to an aggregate amount of \$3,000,000 in interest earned on the Trust Account to fund expenses related to investigation and selection of a Target Business and the Company’s other working capital requirements. As of October 31, 2007, the Company has transferred \$3,690,204 of interest income to its operating account of which \$690,205 was used to pay federal and state income taxes (See Note 8).

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

**NOTES TO CONDENSED FINANCIAL STATEMENTS**

**NOTE 1 — DISCUSSION OF THE COMPANY'S ACTIVITIES – (CONTINUED)**

The Company, after signing a definitive agreement for a Business Combination, is obliged to submit such transaction for approval by a majority of the public stockholders of the Company. Stockholders that vote against such proposed Business Combination and exercise their conversion rights are, under certain conditions described below, entitled to convert their shares into a pro-rata distribution from the Trust Account (the "Conversion Right"). The actual per share conversion price will be equal to the amount in the Trust Account (inclusive of any interest thereon), calculated as of two business days prior to the proposed Business Combination, divided by the number of shares sold in the Offering, or approximately \$7.95 per share based on the value of the Trust Account as of October 31, 2007. As a result of the Conversion Right, \$66,903,031 (including accretion of \$793,180) has been classified as common stock subject to possible conversion. The Initial Stockholders have agreed to vote their 6,250,000 founding shares of common stock in accordance with the manner in which the majority of the shares of common stock offered in the Offering are voted by the Company's public stockholders ("Public Stockholders") with respect to a Business Combination.

In the event that a majority of the outstanding shares of common stock voted by the Public Stockholders vote for the approval of the Business Combination and holders owning 30% or more of the outstanding common stock do not vote against the Business Combination and do not exercise their Conversion Rights, the Business Combination may then be consummated.

With respect to a Business Combination which is approved and consummated, any Public Stockholder who voted against the Business Combination may contemporaneously with or prior to such vote exercise their Conversion Right and their common shares would be cancelled and returned to the status of authorized but unissued shares. The per share conversion price will equal the amount in the Trust Account, calculated as of two business days prior to the consummation of the proposed Business Combination, divided by the number of shares of common stock held by Public Stockholders at the consummation of the Offering. Accordingly, Public Stockholders holding less than 30% of the aggregate number of shares owned by all Public Stockholders may convert their shares in the event of a Business Combination.

**NOTE 2 — OFFERING AND PRIVATE PLACEMENT OF INSIDER WARRANTS**

In the Offering, effective May 31, 2007 (closed on June 5, 2007), the Company sold to the public 25,000,000 units (the "Units" or a "Unit") at a price of \$8.00 per Unit. Net proceeds from the Offering totaled approximately \$193.2 million, which was net of approximately \$6.5 million in underwriting fees and other expenses paid at closing. Each unit consists of one share of the Company's common stock and one warrant (a "Warrant"). The Company sold to HCFB/Brenner Securities LLC ("HCFB" or "Representative"), the Representative of the underwriters in the Offering, a purchase option to purchase up to a total of 1,250,000 additional Units (Note 6). The Company also had granted to the Representative a 45-day option to purchase up to 3,750,000 Units solely to cover over allotments, if any.

On June 12, 2007 the Company consummated the closing of an additional 2,847,500 Units which were subject to the underwriter's over-allotment option generating net proceeds of \$22,040,000, which was net of \$740,000 in underwriting discount fees.

Simultaneously with the Closing of the Offering, the Company sold to certain of the Initial Stockholders 5,975,000 Insider Warrants for an aggregate purchase price of \$4,450,000. See discussion in Note 6.



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

**NOTES TO CONDENSED FINANCIAL STATEMENTS**

**NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Interim Financial Statements** - The accompanying unaudited condensed financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) and should be read in conjunction with the Company’s audited financial statements and footnotes thereto for the period from inception (September 9, 2005) to July 31, 2007 included in the Company’s Form 10-K filed on October 10, 2007. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations. However, the Company believes that the disclosures are adequate to make the information presented not misleading. The financial statements reflect all adjustments (consisting primarily of normal recurring adjustments) that are, in the opinion of management necessary for a fair presentation of the Company’s financial position and results of operations. The operating results for the three months ended October 31, 2007 and October 31, 2006 and for the period from inception (September 9, 2005) to October 31, 2007 are not necessarily indicative of the results to be expected for any other interim period of any future year.

**Cash and Cash Equivalents**— Included in cash and cash equivalents are deposits with financial institutions as well as short-term money market instruments with original maturities of three months or less when purchased.

**Investments held in trust**- The Company’s restricted investment held in the Trust Fund at October 31, 2007 is invested in a money market fund that purchases U.S. Government Institutional securities. The Company recognized interest income of \$2,781,271 and \$4,555,731 on the investment held in trust for the three months ended October 31, 2007 and for the period from inception (September 9, 2005) to October 31, 2007 respectively, which is included on the accompanying statements of income.

**Concentration of Credit Risk**— Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents and investments held in trust. The Company may maintain 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.

**Net Income Per Share**— Net income per share is computed based on the weighted average number of shares of common stock outstanding.

Basic earnings per share excludes dilution and is computed by dividing income available to common stockholders by the weighted average common shares outstanding for the period. In addition to the 100 shares purchased by the Initial Stockholders upon formation, the 6,249,900 shares of the Company’s common stock issued on April 4, 2007 (Note 6) and 19,496,035 shares issued in the Offering have been included to the weighted average common shares outstanding for the periods presented. Basic net income per share subject to possible conversion is calculated by dividing accretion of Trust Fund relating to common stock subject to possible conversion by 8,351,465 shares subject to possible conversion. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. No such securities were outstanding as of October 31, 2007 and since the effect of outstanding warrants to purchase common stock and the underwriters purchase option (“UPO”) is antidilutive, they have been excluded from the Company’s computation of diluted net income per share for the three months ending October 31, 2007.



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

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

**NOTES TO CONDENSED FINANCIAL STATEMENTS**

**NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(CONTINUED)**

**Income Taxes**— Deferred income tax assets and liabilities are computed for differences between the financial statement and tax basis of assets and liabilities that will result in future taxable or deductible amounts and are based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred income tax assets to the amount expected to be realized. As of October 31, 2007 and July 31, 2007 there were no temporary differences and therefore no deferred tax has been established.

**New Accounting Pronouncements**— In July 2006, the Financial Accounting Standards Board (“FASB”) issued Interpretation No. 48 (“FIN 48”), “Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109.” FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in an income tax return. FIN 48 also provides guidance in derecognition, classification, interest and penalties, accounting in interim periods, disclosures and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The adoption of FIN 48 did not have a significant effect on the Company’s balance sheet or statements of income.

In September 2006, the FASB issued FASB Statement No. 157, Fair Value Measurements (“SFAS No. 157”), which defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements. SFAS No. 157 applies to other accounting pronouncements that require or permit fair value measurements. The new guidance is effective for financial statements issued for fiscal years beginning after November 15, 2007, and for interim periods within those fiscal years. The adoption of SFAS No. 157 is not expected to have a material effect on the Company’s financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities — including an amendment of FASB Statement No. 115” (“SFAS No. 159”). SFAS No. 159 permits entities to elect to measure many financial instruments and certain other items at fair value. Upon adoption of SFAS No. 159, an entity may elect the fair value option for eligible items that exist at the adoption date. Subsequent to the initial adoption, the election of the fair value option should only be made at initial recognition of the asset or liability or upon a remeasurement event that gives rise to new-basis accounting. SFAS No. 159 does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value nor does it eliminate disclosure requirements included in other accounting standards. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007 and may be adopted earlier but only if the adoption is in the first quarter of the fiscal year. The Company is considering whether to adopt SFAS No. 159.

The Company does not believe that any other recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on the accompanying financial statements.

**NOTE 4 — TAXES**

The Company’s effective tax rate approximates the combined federal and state statutory rate. The Company is incorporated in Delaware and accordingly is subject to franchise taxes. Included as part of general and administrative costs in the accompanying statement of income for the three months ended October 31, 2007 is Delaware franchise tax expense of \$43,132.



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

**NOTES TO CONDENSED FINANCIAL STATEMENTS**

**NOTE 5 — COMMITMENTS**

**Administrative Services Agreement**

The Company has agreed to pay an affiliate of two stockholders \$7,500 per month commencing on May 31, 2007 (effective date of the Offering) for office, secretarial and administrative services. For the three months ended October 31, 2007 and 2006 and the period from September 9, 2005 (inception) through October 31, 2007, \$22,500, \$0 and \$37,500 respectively for these services is included in general and administrative costs in the accompanying statements of income.

**Underwriting Agreement**

In connection with the Offering, the Company entered into an underwriting agreement (the "Underwriting Agreement") with HCFP/Brenner Securities LLC ("HCFP"), the representative of the underwriters in the Proposed Offering.

Pursuant to the Underwriting Agreement, the Company paid to the underwriters certain fees and expenses related to the Offering, including underwriting discounts of \$7,240,350.

In addition, in accordance with the terms of the Underwriting Agreement, the Company engaged HCFP, on a non-exclusive basis, to act as its agent for the solicitation of the exercise of the Company's Warrants. In consideration for solicitation services, the Company will pay HCFP a commission equal to 5% of the exercise price for each Warrant exercised more than one year after June 5, 2007 if the exercise is solicited by HCFP.

HCFP and another underwriter were engaged by the Company to act as the Company's non-exclusive investment bankers in connection with a proposed Business Combination (Note 1). For assisting the Company in obtaining approval of a Business Combination, the Company will pay a cash transaction fee of \$7,475,000 upon consummation of a Business Combination.

The Company has sold to HCFP a purchase option to purchase the Company's Units (Note 6).

**NOTE 6 — COMMON AND PREFERRED STOCK, WARRANTS AND UNDERWRITER PURCHASE OPTION**

**Insider Purchase Commitment**

Gary D. Engle, the Company's Chairman and Chief Executive Officer, James A. Coyne, the Company's Vice Chairman and Chief Financial Officer, Jonathan Davidson, a director, and Brian Kaufman, one of the Company's Senior Advisors, have entered into an agreement with HCFP which is intended to comply with Rule 10b5-1 under the Exchange Act, pursuant to which such individuals, or entities such individuals control, will place limit orders for an aggregate of \$15 million of the Company's Units commencing 30 calendar days after the Company files a preliminary proxy statement seeking approval of the holders of common stock for a Business Combination and ending 30 days thereafter. Each of Messrs. Engle, Coyne, Davidson and Kaufman has agreed that he will not sell or transfer any Units purchased by him pursuant to this agreement (or any of the securities included in such units) until the completion of a Business Combination or the Company's liquidation. It is intended that these purchases will comply with Rule 10b-18 under the Exchange Act. These purchases will be made at a price not to exceed \$8.65 per unit and will be made by

HCFP or another broker dealer mutually agreed upon by such individuals and HCFP in such amounts and at such times as HCFP or such other broker dealer may determine, in its sole discretion, so long as the purchase price does not exceed the above-referenced per unit purchase price.

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

**NOTES TO CONDENSED FINANCIAL STATEMENTS**

**NOTE 6 — COMMON STOCK, WARRANTS AND UNDERWRITER PURCHASE OPTION – (CONTINUED)**

a. Common and Preferred Stock

On May 30, 2007, the Company amended and restated its Certificate of Incorporation authorizing the issuance of up to 100,000,000 shares of common stock, par value \$.0001 per share, and 5,000,000 shares of preferred stock, par value \$.0001 per share. In addition, the May 30, 2007 amendment to the Company's Certificate of Incorporation changed the capital stock's par value from \$0.01 to \$0.0001. All of the references in the accompanying financial statements to the par value have been retroactively restated to reflect the change in par value.

b. Warrants

In March 2006, the Company issued an aggregate of 4,075,000 Class W warrants and 4,075,000 Class Z warrants to its three existing warrant holders in exchange for the return and cancellation of the outstanding 8,150,000 warrants which were purchased in October 2005, for an aggregate \$407,500, or \$0.05 per warrant. On March 15, 2006, the Company sold and issued additional Class W warrants to purchase 700,000 shares of the Company's common stock, and additional Class Z warrants to purchase 700,000 shares of the Company's common stock, for an aggregate purchase price of \$70,000, or \$0.05 per warrant. On May 25, 2006, the Company sold and issued additional Class W warrants to purchase 6,925,000 shares of the Company's common stock, and additional Class Z Warrants to purchase 6,925,000 shares of the Company's common stock, to+ its existing warrant holders for an aggregate purchase price of \$692,500 or \$0.05 per warrant.

On January 23, 2007, the 11,700,000 old Class Z warrants were exchanged for 11,700,000 new Class Z warrants (the "Class Z Warrants") and the 11,700,000 old Class W warrants were exchanged for 11,700,000 new Class W warrants (the "Class W Warrants") and the Company sold and issued additional Class W warrants to purchase 3,800,000 shares of the Company's common stock and additional 3,800,000 Class Z warrants to purchase 3,800,000 shares of the Company's common stock to its existing warrant holders and to two other accredited investors for an aggregate purchase price \$380,000 or \$0.05 per warrant.

Each Class W Warrant was exercisable for one share of common stock. Except as set forth below, the Class W Warrants entitled the holder to purchase shares at \$1.75 per share, subject to adjustment in the event of stock dividends and splits, reclassifications, combinations and similar events, for a period commencing on the later of: (a) completion of the Business Combination and (b) June 5, 2008, and ending June 5, 2015.

Each Class Z Warrant was exercisable for one share of common stock. Except as set forth below, the Class Z Warrants entitled the holder to purchase shares at \$1.50 per share, subject to adjustment in the event of stock dividends and splits, reclassifications, combinations and similar events, for a period commencing on the later of: (a) completion of the Business Combination and (b) June 5, 2008, and ending June 5, 2015.

On April 4, 2007, 15,500,000 Class W warrants and 15,500,000 Class Z warrants with an aggregate value of \$1,550,000 were returned by the warrant holders and cancelled by the Company. In exchange for the return of the Class W and Z Warrants, the Company issued 6,249,900 shares of the Company's common stock with an aggregate value of \$1,550,000 to such individuals.

Simultaneously with the consummation of the Offering, certain of the Company's officers, directors, and senior advisors purchased 5,975,000 Warrants for an aggregate purchase price of \$4,450,000 ("Insider Warrants").

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

**NOTES TO CONDENSED FINANCIAL STATEMENTS**

**NOTE 6 — COMMON STOCK, WARRANTS AND UNDERWRITER PURCHASE OPTION – (CONTINUED)**

Public Warrants

Each warrant sold in the Offering (a “Public Warrant”) is exercisable for one share of common stock. The Public Warrants entitle the holder to purchase shares at \$5.50 per share, subject to adjustment in the event of stock dividends and splits, reclassifications, combinations and similar events for a period commencing on the later of: (a) completion of the Business Combination and (b) May 31, 2008 and ending May 31, 2011. The Company has the ability to redeem the Public Warrants, in whole or in part, at a price of \$.01 per Public Warrant, at any time after the Public Warrants become exercisable, upon a minimum of 30 days’ prior written notice of redemption, and if, and only if, the last sale price of the Company’s common stock equals or exceeds \$11.50 per share, for any 20 trading days within a 30 trading day period ending three business days before the Company sent the notice of redemption.

Insider Warrants

At the closing of the Offering (Notes 1 and 2), the Company sold to certain of the Initial Stockholders 5,975,000 Insider Warrants for an aggregate purchase price of \$4,450,000 (the “Insider Warrants”). All of the proceeds received from these purchases have been placed in the Trust Account. The Insider Warrants are identical to the Public Warrants in the Offering except that they may be exercised on a cashless basis so long as they are held by the original purchasers, members of their immediate families or their controlled entities, and may not be sold or transferred, except in limited circumstances, until after the consummation of a Business Combination. If the Company dissolves before the consummation of a Business Combination, there will be no distribution from the Trust Account with respect to such Insider Warrants, which will expire worthless.

As the proceeds from the exercise of the Warrants will not be received until after the completion of a Business Combination, the expected proceeds from exercise will not have any effect on the Company’s financial condition or results of operations prior to a Business Combination.

Each Insider Warrant is exercisable for one share of common stock. The Insider Warrants entitle the holder to purchase shares at \$5.50 per share, subject to adjustment in the event of stock dividends and splits, reclassifications, combinations and similar events, for a period commencing on the later of: (a) completion of the Business Combination and (b) May 31, 2008 and ending May 31, 2011.

The Company is only required to use its best efforts to cause the registration statement to be declared effective and, once effective, the Company will use its best efforts to maintain its effectiveness. Accordingly, its obligation is merely to use its best efforts in connection with the registration rights agreement and upon exercise of the Warrants. The Company will satisfy its obligation by delivering unregistered shares of common stock. If a registration statement is not effective at the time a warrant is exercised, the Company will not be obligated to deliver registered shares of common stock, and there are no contracted penalties for its failure to do so. Consequently, the Warrants may expire worthless.



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**NOTES TO CONDENSED FINANCIAL STATEMENTS**

**NOTE 6 — COMMON STOCK, WARRANTS AND UNDERWRITER PURCHASE OPTION – (CONTINUED)**

c. Underwriter Purchase Option

Upon closing of the Offering, the Company sold and issued an option (the “UPO”) for \$100 to HCFP, to purchase up to 1,250,000 Units at an exercise price of \$10.00 per Unit. The Units underlying the UPO will be exercisable in whole or in part, solely at holders’ discretion, commencing on the later of (i) the consummation of a Business Combination and (ii) May 31, 2008, and expire on May 31, 2012. The Company accounted for the fair value of the UPO, inclusive of the receipt of the \$100 cash payment, as an expense of the Offering resulting in a charge directly to stockholders’ equity, which was offset by an equivalent increase in stockholder’s equity for the issuance of the UPO. As of June 5, 2007, the Company calculated, using a Black-Scholes option pricing model, the fair value of the 1,250,000 Units underlying the UPO to be approximately \$4,372,000. The fair value of the UPO granted was calculated as of the date of grant using the following assumptions: (1) expected volatility of 51.12% (2) risk-free interest rate of 4.86% and (3) contractual life of 5 years. The UPO 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 UPO (the difference between the exercise prices of the UPO and the underlying warrants and the market price of the units and underlying securities) to exercise the UPO without the payment of any cash.

The Company has no obligation to net cash settle the exercise of the UPO or the warrants underlying the UPO. The holder of the UPO will not be entitled to exercise the UPO or the warrants underlying the UPO unless a registration statement covering the securities underlying the UPO is effective or an exemption from registration is available. If the holder is unable to exercise the UPO or underlying warrants, the UPO or warrants, as applicable, will expire worthless.

**NOTE 7 — NOTE PAYABLE**

The Company has financed its Directors’ and Officers’ insurance policy for the amount of \$199,350 (the “Payable”) due to First Insurance Funding Corp of New York (secured by the uncovered premium of the policy). The Payable bears interest at 7.2% per annum with payments commencing June 30, 2007 and continuing through March 31, 2009. The Company will pay 22 equal installments of principal and interest of \$9,700. For the three months ended October 31, 2007 the Company recognized \$1,916 of interest expense and at October 31, 2007, the note payable balance was \$154,043.

**NOTE 8 — SUBSEQUENT EVENT**

In December 2007, \$352,590 was transferred from the Trust account to pay federal and state income taxes.

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

### FORWARD LOOKING STATEMENTS

The statements discussed in this Report include forward looking statements that involve risks and uncertainties, including the timely delivery and acceptance of the Company's products and the other risks detailed from time to time in the Company's reports filed with the Securities and Exchange Commission.

The following discussion should be read in conjunction with the Company's unaudited financial statements and footnotes thereto contained in this Quarterly Report filed on Form 10-Q and the Company's audited financial statements and footnotes thereto for the period from inception (September 9, 2005) to July 31, 2007 included in the Company's Form 10-K filed on October 10, 2007.

We were formed on September 9, 2005 for the purpose of acquiring one or more assets or control of one or more operating businesses through a merger, capital stock exchange, asset acquisition, stock purchase or other similar business combination. Our initial business combination must be with an acquisition target or targets whose collective fair market value is at least equal to 80% of our net assets.

We are currently in the process of evaluating and identifying targets for a business combination. We are not presently engaged in, and will not engage in, any substantive commercial business until we consummate a business combination. We intend to utilize cash derived from the proceeds of our IPO, our capital stock, debt or a combination of cash, capital stock and debt, in effecting a business combination.

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "should," "could," "would," "expect," "plan," "anticipate," "believe," "estimate," "continue," or the negative of such terms or other similar expressions. Factors that might cause or contribute to such a discrepancy include, but are not limited to, those described in our other Securities and Exchange Commission filings.

### **General**

We were formed on September 9, 2005 for the purpose of acquiring one or more assets or control of one or more operating businesses through a merger, capital stock exchange, asset acquisition, stock purchase or other similar business combination. Our initial business combination must be with an acquisition target or targets whose collective fair market value is at least equal to 80% of our net assets at the time of such acquisition.

We completed our initial public offering ("IPO") June 5, 2007. Our entire activity from inception through the consummation of our IPO was to prepare for and complete our IPO, and since the consummation of our IPO, our activity has been limited. We have not yet entered into any letters of intent, arrangements or agreements with any companies with respect to a business combination.

We are currently continuing the process of evaluating and identifying targets for a business combination. We are not presently engaged in, and will not engage in, any substantive commercial business until we consummate a business

combination. We intend to utilize cash derived from the proceeds of our IPO, our capital stock, debt or a combination of cash, capital stock and debt, in effecting a business combination.

For a description of the proceeds generated in our IPO and a discussion of the use of such proceeds, we refer you to Notes 1 and 2 of the financial statements included in Item 1 of the Form 10-Q.

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## Results of Operations

Net income for the three months ended October 31, 2007 was \$1,517,793, which consisted of interest income of the trust fund of \$2,781,271 and interest income on cash and cash equivalents of \$25,612 offset by operating costs of \$142,144 which was comprised of professional fees of \$48,824, \$22,500 for a monthly administrative services agreement with an affiliate, \$27,688 for directors and officers (“D&O”) insurance and \$43,132 for Delaware franchise taxes. The Company also incurred \$1,916 of interest expense for the financing of the D&O insurance and a \$1,145,030 provision for federal and state income taxes.

Net income for the three months ended October 31, 2006 was \$8,237, which consisted of interest income on cash and cash equivalents of \$15,402 offset by formation and operating costs of \$2,116 which was comprised of general and administrative fees of \$195 and professional fees of \$1,921. The Company also incurred \$5,049 in provision for federal and state income taxes.

Net income for the period from inception (September 9, 2005) to October 31, 2007 was \$2,555,982 which consisted of interest income of the trust fund of \$4,555,731 and interest income on cash and cash equivalents of \$92,033 offset by formation and operating costs of \$284,099 which was comprised of general and administrative fees of \$13,429, professional fees of \$108,351, \$37,500 for a monthly administrative services agreement with an affiliate, \$46,146 for directors and officers (“D&O”) insurance and \$78,673 for Delaware franchise taxes. The Company also incurred \$3,193 of interest expense for the financing of the D&O insurance and a \$1,804,490 provision for federal and state income taxes.

## Liquidity and Capital Resources

Of the gross proceeds from our IPO, including the exercise of an over allotment option on June 12, 2007: (i) we deposited approximately \$220.4 million into a trust account at Morgan Stanley, maintained by Continental Stock Transfer & Trust Company, as trustee, which amount included \$4,450,000 that we received from the sale of warrants to the Initial Stockholders in a private placement on June 5, 2007; (ii) the underwriters received \$7,240,350 as underwriting discount; (iii) we retained \$300,000 that will not be held in the trust account; and (iv) we used \$872,679 for offering expenses.

Our officers have purchased an aggregate of \$6,000,000 of our securities, consisting of 6,250,000 shares purchased from us prior to the IPO for \$1,550,000, and 5,975,000 warrants, purchased for \$4,450,000 concurrent with the IPO.

The proceeds deposited in the trust account will not be released from the trust account until the earlier of the consummation of a business combination or the expiration of the time period during which we may consummate a business combination. The proceeds held in the trust account may be used as consideration to pay the sellers of an acquisition target with which we complete a business combination. To the extent that our capital stock is used in whole or in part as consideration to effect a business combination, the proceeds held in the trust account will be used to finance the operations of the acquisition target. We may also use the proceeds held in the trust account to pay a finder's fee to any unaffiliated party that provides information regarding prospective targets to us.

We believe that the working capital available to us, in addition to the funds available to us outside of the trust account will be sufficient to allow us to operate until May 31, 2009, assuming that a business combination is not consummated during that time. Over this time, we have estimated that up to \$3,300,000 of working capital and reserves shall be allocated as follows: \$800,000 of expenses for legal, accounting and other expenses attendant to the due diligence investigations, structuring and negotiating of a business combination; up to \$180,000 for the administrative fee payable to PLM International Inc. (\$7,500 per month for 24 months), an affiliated third party; \$100,000 of expenses in legal and accounting fees relating to our SEC reporting obligations; and \$2,220,000 for general working capital that

can be used for fairness opinions in connection with our acquisition plans, director and officer liability insurance premiums, and other miscellaneous expenses and reserves.

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 or equity securities if such funds are required to consummate a business combination that is presented to us. We would only consummate such a fund raising simultaneously with the consummation of a business combination.

Through October 31, 2007, \$3,688,955 of interest income was released to the Company from the trust account of which \$690,205 was used to pay federal and state income taxes.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Market risk is a broad term for the risk of economic loss due to adverse changes in the fair value of a financial instrument. These changes may be the result of various factors, including interest rates, foreign exchange rates, commodity prices and/or equity prices. Of the net offering proceeds placed into a trust account at Morgan Stanley maintained by Continental Stock Transfer & Trust Company, acting as trustee. The proceeds held in trust will only be invested in United States "government securities," defined as any Treasury Bill issued within the meaning of Section 2(a)(16) of the Investment Company Act of 1940 having a maturity of 180 days or less, or in money market funds meeting certain conditions under Rule 2a-7 promulgated under the Investment Company Act of 1940. As of October 31, 2007, \$3,145,314 of the proceeds not held in trust were being held in business checking and savings accounts with Comerica Bank and First State Bank. Thus, we are subject to market risk primarily through the effect of changes in interest rates. The effect of other changes, such as foreign exchange rates, commodity prices and/or equity prices, does not pose significant market risk to us.

### ITEM 4. CONTROLS AND PROCEDURES.

Our management carried out an evaluation, with the participation of our principal executive officer and principal financial officer of the effectiveness of our disclosure controls and procedures as of October 31, 2007, the end of the fiscal quarter covered in this report. Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 ("Exchange Act")) were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in Securities and Exchange Commission rules and forms and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

As of October 31, 2007 there has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II

### OTHER INFORMATION

#### ITEM 1A. RISK FACTORS.

*Please see the information disclosed in the "Risk Factors" section of our Form 10-K for the year ended July 31, 2007 filed with the Securities and Exchange Commission on October 10, 2007.*

#### ITEM 6. EXHIBITS.

The Company hereby files as part of this quarterly report on Form 10-Q the Exhibits listed below.

- 31.1 - Section 302 Certification by Chief Executive Officer
- 31.2 - Section 302 Certification by Chief Financial Officer
- 32.1 - Section 906 Certification by Chief Executive Officer
- 32.2 - Section 906 Certification by Chief Financial Officer



SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

STONELEIGH PARTNERS ACQUISITION CORP.

Dated: December 14, 2007

By: /s/ Gary D. Engle  
Gary D. Engle  
Chairman of the Board and Chief  
Executive Officer  
(Principal Executive Officer)

Dated: December 14, 2007

By: /s/ James A. Coyne  
James A. Coyne  
Chief Financial Officer and Vice  
Chairman  
(Principal Financial and Accounting  
Officer)



