GSC Acquisition Co
Form 10-Q
November 14, 2007

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2007

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: 001-33553

GSC Acquisition Company
(Exact name of Registrant as specified in its charter)

Delaware	20-5779392
(State or other jurisdiction of incorporation)	**(IRS Employer Identification Number)**

500 Campus Drive, Suite 220
Florham Park, New Jersey 07932
(Address of principal executive offices)

(973) 437-1000
(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. þ Yes o 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. (Check one):

o Large accelerated filer o Accelerated filer þ Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Act). þ Yes o No

As of November 13, 2007, 25,200,000 shares of common stock were issued and outstanding.

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Forward-Looking Statements

This report, and the information incorporated by reference in it, include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements may include, but are not limited to, statements regarding our expectations, hopes, beliefs, intentions or strategies regarding the future. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words "anticipates," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "possible," "potential," "predict," "project," "should," "would" and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements in this report may include, for example, statements about our:

- *ability to complete a combination with one or more target businesses;*
- *success in retaining or recruiting, or changes required in, our management or directors following a business combination;*
- *potential inability to obtain financing to complete a business combination;*
- *limited pool of prospective target businesses;*
- *potential change in control if we acquire one or more target businesses for stock;*
- *public securities' limited liquidity and trading;*
- *the delisting of our securities from the American Stock Exchange or an inability to have our securities listed on the American Stock Exchange following a business combination;*
- *use of proceeds not in trust or available to us from interest income on the trust account balance; or*
- *financial performance.*

The forward-looking statements contained or incorporated by reference in this report are based on our current expectations and beliefs concerning future developments and their potential effects on us and speak only as of the date of such statement. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to, those factors described under Part II, Item 1A,, Risk Factors. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

References in this report to "we," "us" or "our company" refer to GSC Acquisition Company.

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PART I — FINANCIAL INFORMATION

ITEM 1. Financial Statements.

GSC ACQUISITION COMPANY
(a development stage company)

UNAUDITED CONDENSED BALANCE SHEET

ASSETS

	September 30, 2007	December 31, 2006
Cash and cash equivalents	$ 82,799	$ 24,918
Cash and cash equivalents held in trust	203,978,348	—
Prepaid expense	149,352	—
Account receivable	116,328	—
Deferred tax asset	31,523	—
Deferred offering costs	—	190,122
Total assets	$ 204,358,350	$ 215,040
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Accrued expenses	$ 101,853	$ 105,000
Income tax payable	904,007	—
Due to affiliate	495,102	75,496
Account payable	94,663	
Accrued offering costs		147,963
Deferred underwriting discount	6,210,000	
Total liabilities	7,805,625	328,459
Common stock, subject to possible conversion, 4,139,999 shares at $9.74 per share	40,338,990	
Dividend income attributable to common stock subject to possible conversion (net of income taxes of $205,651 at September 30, 2007)	251,019	
Stockholders' equity (1)		
Preferred stock, $0.0001 par value; 1,000,000 shares authorized; none issued or outstanding		
Common stock, $0.001 par value, 200,000,000 shares authorized; 25,200,000 and 6,562,500 shares issued and outstanding at September 30, 2007 and December 31, 2006, respectively	25,200	6,563
Additional paid-in capital	155,123,815	18,437
Retained earnings	813,701	(138,419)
Total stockholders' equity	155,962,716	(113,419)
Total liabilities and stockholders' equity	$ 204,358,350	$ 215,040

(1) – Share amounts have been retroactively restated from the date of inception to reflect the effect of a stock dividend of one share for each five outstanding shares of common stock (see note 6).

See accompanying notes.

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GSC ACQUISITION COMPANY
(a development stage company)

UNAUDITED CONDENSED STATEMENT OF OPERATIONS

For the period from July 1, 2007 to September 30, 2007
And for the period from January 1, 2007 to September 30, 2007
And for the period from October 26, 2006 (date of inception) to September 30, 2007

	For the period from July 1, 2007 to September 30, 2007	For the period from January 1, 2007 to September 30, 2007	For the period from October 26, 2006 (date of inception) to September 30, 2007
Formation, general and administrative costs	$ 203,555	$ 215,929	$ 354,348
Operating loss	(203,555)	(215,929)	(354,348)
Dividend income	2,291,552	2,291,552	2,291,552
Income before provision for taxes	2,087,997	2,075,623	1,937,204
Provision for income taxes	872,484	872,484	872,484
Net income	$ 1,215,513	$ 1,203,139	$ 1,064,720
Less: Dividend income attributable to common stock subject to possible conversion (net of income taxes of $205,651 at September 30, 2007)	(251,019)	(251,019)	(251,019)
Pro forma net income attributable to common stock not subject to possible conversion	$ 964,494	$ 952,120	$ 813,701
Net income per share (1):			
Basic	$ 0.05	$ 0.10	$ 0.09
Diluted	$ 0.04	$ 0.07	$ 0.07
Weighted average shares outstanding (1):			
Basic	25,200,000	12,623,713	11,619,709
Diluted	29,698,255	17,121,968	16,117,964

(1) – Share amounts have been retroactively restated from the date of inception to reflect the effect of a stock dividend of one share for each five outstanding shares of common stock (see note 6).

See accompanying notes.

GSC ACQUISITION COMPANY
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UNAUDITED CONDENSED STATEMENT OF STOCKHOLDERS' EQUITY

For the period from January 1, 2007 to September 30, 2007
And for the period from October 26, 2006 (date of inception) to December 31, 2006

	Common Stock (1) Shares	Amount	Additional Paid-in Capital	Earnings Accumulated During the Development Stage	Total Stockholders' Equity
Common shares issued	6,562,500	$ 6,563	$ 18,437	$ —	$ 25,000
Net loss	—	—	—	(138,419)	(138,419)
Balances, at December 31, 2006	6,562,500	6,563	18,437	(138,419)	(113,419)
Common stock repurchased from founding stockholder and directors for $4.00	(2,062,500)	(2,063)	2,059	—	(4)
Sale of 20,700,000 units, net of underwriting discounts and offering costs	20,700,000	20,700	191,442,309	—	191,463,009
Net proceeds subject to possible conversion of 4,139,999 shares	—	—	(40,338,990)	—	(40,338,990)
Proceeds from sale of warrants to founding stockholder	—	—	4,000,000	—	4,000,000
Accretion of trust account relating to common stock subject to conversion	—	—	—	(251,019)	(251,019)
Net income	—	—	—	1,203,139	1,203,139
Balances, at September 30, 2007	25,200,000	$ 25,200	$ 155,123,815	$ 813,701	$ 155,962,716

(1) – Share amounts have been retroactively restated from the date of inception to reflect the effect of a stock dividend of one share for each five outstanding shares of common stock (see note 6).

See accompanying notes.

GSC ACQUISITION COMPANY
(a development stage company)

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS

For the period from January 1, 2007 to September 30, 2007
And for the period from October 26, 2006 (date of inception) to September 30, 2007

	For the period from July 1, 2007 to September 30, 2007	For the period from January 1, 2007 to September 30, 2007	For the period from October 26, 2006 (date of inception) to September 30, 2007
Cash flows from operating activities			
Net income	$ 1,215,513	$ 1,203,139	$ 1,064,720
Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities:			
Change in operating assets and liabilities:			
Deferred offering costs	—	190,122	—
Deferred tax asset	(31,523)	(31,523)	(31,523)
Prepaid expense	(149,352)	(149,352)	(149,352)
Account receivable	(104,031)	(116,328)	(116,328)
Income tax payable	904,007	904,007	904,007
Account payable	94,663	94,663	94,663
Accrued expenses	11,853	(3,147)	101,853
Accrued offering costs	(710,565)	(147,963)	—
Due to affiliate	108,405	419,606	495,102
Net cash and cash equivalents provided by operating activities	1,338,970	2,363,224	2,363,142
Cash flows from investing activities			
Cash held in trust account	(2,283,348)	(203,978,348)	(203,978,348)
Net cash and cash equivalents used in investing activities	(2,283,348)	(203,978,348)	(203,978,348)
Cash flows from financing activities			
Gross proceeds from initial public offering	—	207,000,000	207,000,000
Proceeds from sale of common stock to founding stockholder	—	—	25,000
Proceeds from sale of warrants	—	4,000,000	4,000,000
Repurchase of common stock	—	(4)	(4)
Payment of underwriter's discount and offering expenses	(22,590)	(9,326,991)	(9,326,991)
Net cash and cash equivalents provided by (used in) financing activities	(22,590)	201,673,005	201,698,005
Net increase (decrease) in cash	(966,968)	57,881	82,799
Cash and cash equivalents, beginning of period	1,049,767	24,918	
Cash and cash equivalents, end of period	$ 82,799	$ 82,799	$ 82,799

See accompanying notes.

GSC ACQUISITION COMPANY
(a development stage company)

Notes to Condensed Financial Statements

Note 1 — Organization and Nature of Business Operations

GSC ACQUISITION COMPANY (a development stage company) (the "Company") was incorporated in Delaware on October 26, 2006. The Company was formed to acquire through merger, capital stock exchange, asset acquisition, stock purchase, reorganization or other similar business combination, one or more currently unidentified businesses or assets. The Company has neither engaged in any operations nor generated any revenue from operations to date. All activity through September 30, 2007 relates to the formation of the Company, its initial public offering and efforts to identify prospective target businesses described below and in Note 3. The Company will not generate any operating revenues until after completion of its initial business combination. The Company generates non-operating income in the form of dividend income on cash and cash equivalents. 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 Company has selected December 31st as its fiscal year end.

The registration statement for the Company's initial public offering ("IPO") was declared effective June 25, 2007. The Company consummated the IPO on June 29, 2007 and recorded proceeds of approximately $191.5 million net of the underwriters' discount and commission of $14.5 million and offering costs of $1.0 million.

A total of $201,695,000, including $191.5 million of the net proceeds from the IPO, $4.0 million from the sale of warrants to the founding stockholder (see Note 4) and $6.2 million of deferred underwriting discounts and commissions, has been placed in a trust account at JPMorgan Chase Bank, N.A., with the American Stock Transfer & Trust Company serving as trustee. Except for a portion of the interest income permitted to be released to the Company, the proceeds held in trust will not be released from the trust account until the earlier of the completion of the Company's initial business combination or the liquidation of the Company. Under the terms of the investment management trust agreement, up to a total of $2.4 million of interest income (net of taxes payable) may be released to the Company, subject to availability. As of September 30, 2007, the balance in the trust account was $203,978,348, which includes $2,283,348 of dividends earned since the inception of the trust.

The Company's management has broad discretion with respect to the specific application of the net proceeds of the IPO, although substantially all of the net proceeds of the IPO are intended to be generally applied toward consummating a business combination with an existing operating company. As used herein, a "Target Business" shall mean one or more businesses or assets that, at the time of the Company's initial business combination, has a fair market value of at least 80% of the balance in the trust account (excluding deferred underwriting discounts of $6.2 million) described below and a "Business Combination" shall mean the acquisition by the Company of such Target Business.

The Company's efforts in identifying prospective target businesses will not be limited to a particular industry. Instead, the Company intends to focus on various industries and target businesses in the United States and Europe that may provide significant opportunities for growth.

The Company will seek stockholder approval before it will effect 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, the Company's first stockholder (the "founding stockholder") and its three directors have agreed to vote the shares of common stock they owned immediately before this 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 IPO 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 holding not more than 20% of the shares (minus one share) sold in the IPO vote against the business combination and 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 so long as such combination is approved by public stockholders prior to June 25, 2009, the Company may combine with a different Target Business meeting the fair market value criterion described above.

GSC ACQUISITION COMPANY
(a development stage company)

Notes to Financial Statements — (Continued)

Note 1 — Organization and Nature of Business Operations (continued)

If a Business Combination is approved and completed, any Public Stockholder voting against a Business Combination will be entitled to convert their stock into a pro rata share of the aggregate amount then on deposit in the trust account, before payment of deferred underwriting discounts and commissions and including any interest earned on their pro rata portion of the trust account, net of income taxes payable by the Company thereon, and net of any interest income of up to $2.4 million on the balance of the trust account previously released to the Company to fund its working capital requirements. Public Stockholders who convert their stock into their share of the trust account will continue to have the right to exercise any Warrants they may hold. As of September 30, 2007, 4,139,999 shares of common stock may be subject to conversion for cash payments of approximately $9.74 per share totaling $40,338,990.

During the period from July 1, 2007 to September 30, 2007, the Company earned enough interest to begin accreting interest income to the common stock subject to possible conversion. Accordingly, the Company accreted approximately $251,019 of interest, net of $205,651 of income taxes as of September 30, 2007.

The Company will dissolve and promptly distribute only to its Public Stockholders the amount in the trust account, less any income taxes payable on interest income and any interest income of up to $2.4 million on the balance of the trust account previously released to the Company to fund its working capital requirements, plus any remaining net assets if the Company does not effect a Business Combination by June 25, 2009. 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 IPO price per Unit in the IPO (assuming no value is attributed to the Warrants contained in the Units).

Note 2 — Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States, or GAAP, for interim financial statements. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. The accompanying unaudited interim financial statements should be read in conjunction with the financial statements for the period ended December 31, 2006. In our opinion, all adjustments (consisting only of normal recurring accruals) considered necessary for fair presentation have been included. The results of operations for the period from July 1, 2007 to September 30, 2007 and the period January 1, 2007 to September 30, 2007, are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2007.

Cash and cash equivalents:
The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Cash and cash equivalents held in trust:
A total of $201,695,000, including $191.5 million of the net proceeds from the IPO, $4.0 million from the sale of warrants to the founding stockholder (see Note 4) and $6.2 million of deferred underwriting discounts and commissions, has been placed in a trust account at JPMorgan Chase Bank, N.A., with the American Stock Transfer &

Trust Company serving as trustee. The trust proceeds are invested in the "100% U.S. Treasury Securities Money Market Fund." The money market fund invests exclusively in direct short-term obligations of the US Treasury. As of September 30, 2007, the balance in the trust account was $203,978,348, which includes $2,283,348 of dividends earned since the inception of the trust.

Income taxes:
The Company is taxed as a corporation for U.S. federal and state and local income tax purposes. It accounts for income taxes in accordance with the provisions of FASB Statement No. 109 "Accounting for Income Taxes".

Net income per share:
Basic net income per share is computed by dividing net income applicable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted net income per share is computed similar to basic net income per share, but includes the dilutive effect of shares issued pursuant to the Company's outstanding warrants which are exercisable on the later of (i) the completion of a business combination or (ii) 13 months after the consummation of the Company's IPO.

GSC ACQUISITION COMPANY
(a development stage company)

Notes to Financial Statements — (Continued)

Note 2 — Summary of Significant Accounting Policies (continued)

Use of estimates:
The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Offering costs:
Deferred offering costs as of December 31, 2006 consisted principally of legal fees incurred through the balance sheet date that are related to the IPO and were charged to additional paid-in capital at the time of the closing of the IPO.

Organization costs:
Organization costs consist principally of professional fees incurred in connection with the organization of the Company and have been expensed as incurred.

Note 3 — Initial Public Offering

On June 29, 2007, the Company sold to the public 20,700,000 units ("Units") at a price of $10.00. Each unit consists of one share of our common stock, $0.001 par value, and one redeemable common stock purchase warrant ("Warrant").

Each Warrant entitles the holder to purchase from the Company one share of common stock at an exercise price of $7.50 commencing the later of the completion of a Business Combination with a Target Business or 13 months from June 29, 2007 ("Closing Date") of the IPO and expiring four years from the date of the prospectus, unless earlier redeemed. Holders of the Warrants must pay the exercise price in full upon exercise of the Warrants. 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 $14.25 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 given. The terms of the Warrants include, among other things, that (i) in no event will a Warrant holder be entitled to receive a net cash settlement of the Warrant, and (ii) the Warrants may expire unexercised and worthless if a prospectus relating to the common stock to be issued upon the exercise of the warrants is not current and an applicable registration statement is not effective prior to the expiration date of the Warrant, and as a result purchasers of our Units will have paid the full Unit purchase price solely for the share of common stock included in each Unit.

The Company agreed to pay the underwriters in the IPO an underwriter discount of 7.0% of the gross proceeds of the IPO. However, the underwriters have agreed that a portion of the underwriter discount equal to 3.0% of the gross proceeds will not be payable unless and until the Company completes a Business Combination and have waived their right to receive such payment upon the Company's liquidation if it is unable to complete a Business Combination. As of September 30, 2007, such amount is $6.2 million which is included as deferred underwriting discount on the balance sheet.

Note 4 — Related Party Transactions

On November 7, 2006, the founding stockholder purchased 5,468,750 shares of the Company's common stock ("Initial Founding Shares") for an aggregate purchase of $25,000. Subsequent to the purchase of the Initial Founder's Shares, our founding stockholder sold an aggregate of 82,032 of the initial founder's shares to three of our directors. The Initial Founding Shares are identical to those included in the Units except that our founding stockholder and each transferee has agreed 1) that in connection with the stockholder vote required to approve the Company's initial Business Combination, to vote the Initial Founding Shares in accordance with a majority of the shares of common stock voted by the Public Stockholders and 2) to waive its right to participate in any liquidation distribution with respect to the Initial Founding Shares if a Business Combination is not consummated by June 25, 2009.

On November 7, 2006, the founding stockholder entered into a binding agreement to purchase an aggregate of 4,000,000 Warrants at a price of $1.00 per Warrant from the Company. The purchase was consummated on June 28, 2007. The Warrants are identical to the Warrants contained in the Units except that they are not redeemable for cash while held by the founding stockholder or its permitted transferees and the shares of common stock issued upon exercise of such Warrants by the founding stockholder or its permitted transferees will not be registered under the Securities Act but will be subject to certain resale registration rights. The founding stockholder has further agreed that

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Notes to Financial Statements — (Continued)

Note 4 — Related Party Transactions (continued)

it will not sell or transfer these Warrants until completion of a Business Combination, except in certain limited circumstances.

The Company has agreed to pay to GSCP (NJ) Holdings, L.P., an affiliate of the founding stockholder, a total of $7,500 per month for office space and general and administrative services. Services commenced on June 25, 2007, the effective date of the IPO, and will terminate upon the earlier of (i) the consummation of a Business Combination, or (ii) the liquidation of the Company.

A recapitalization was effected on May 29, 2007, in which the Company purchased from the founding stockholder 1,692,968 of outstanding shares of common stock for retirement and a total of 25,782 of outstanding shares of common stock from three directors, in each case for the nominal consideration of $1.00.

Note 5 — 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.

Note 6 — Common Stock

As described in Note 4, a recapitalization was effected on May 29, 2007, in which the Company purchased for retirement from the founding stockholder 1,692,968 of outstanding shares of common stock and a total of 25,782 of outstanding shares of common stock from three directors, in each case for nominal consideration of $1.00.

On June 25, 2007 the Board of Directors declared a stock dividend to stockholders of record on June 24, 2007. The stock dividend was paid on June 29, 2007. One share of Common stock was issued for each five outstanding shares of Common Stock. All references in the accompanying financial statements as of December 31, 2006 and for the period from October 26, 2006 (date of inception) to September 30, 2007 to the number of shares of common stock have been retroactively restated to reflect this transaction.

These transactions were effected to ensure that the shares included in the Units sold in the IPO represented approximately 80% of the Company's outstanding share capital.

Note 7 — Provision for Income Taxes

The Company is subject to U.S. Federal, state and local income taxes. The components of the Company's income tax provision by taxing jurisdiction for the period ended September 30, 2007 are as follows:

Current		
Federal	$	568,437
State & Local		335,570
Current provision (benefit) for income taxes	$	904,007
Deferred		
Federal	$	(19,822)

State & Local		(11,701)
Deferred provision (benefit) for income taxes	$	(31,523)
Total provision (benefit) for income taxes	$	872,484

The Company's effective tax rate of 42.02% differs from the federal statutory rate of 34.0% mainly due to certain differences including state and local income taxes and amortization or organizational costs.

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FASB Statement No. 109 (“FAS 109”), “Accounting for Income Taxes” prescribes an asset and liability approach to accounting for income taxes that requires the recognition of deferred tax assets and deferred tax liabilities for the expected future tax consequences of events that have been recognized in different periods for income tax purposes than for financial statement reporting purposes. Deferred taxes reflect the temporary differences between the tax basis and financial statement carrying value of assets and liabilities. Provisions for deferred taxes are made in recognition of these temporary differences in accordance with the provisions of FAS 109.

The Company has a net deferred tax asset of $.031 million at September 30, 2007 related to book/tax differences with respect to amortization of organizational costs. Management believes that it is more likely than not that the results of future operations will generate sufficient taxable income to realize a future benefit with respect to the deferred tax asset.

Note 8 — Recent Accounting Pronouncements

On July 13, 2006, the Financial Accounting Standards Board (“FASB”) released FASB Interpretation No. 48 “*Accounting for Uncertainty in Income Taxes*” (“FIN 48”). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company’s tax returns to determine whether the tax positions are “more-likely-than-not” of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. The Company has adopted FIN 48 as of January 1, 2007, as required. The Company has evaluated and determined that the adoption of FIN 48 does not have an effect on the Company’s financial positions and results of operations at this time given its limited operations and activities.

On September 20, 2006, the FASB released Statement of Financial Accounting Standards No. 157 “Fair Value Measurements” (“FAS 157”). FAS 157 establishes an authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair-value measurements. The application of FAS 157 is required for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. At this time, management is evaluating the implications of FAS 157 and its impact on the financial statements has not yet been determined.

Note 9 — Subsequent Event

On October 19, 2007, the Company withdrew $1,370,000 from the trust account for working capital.

ITEM. 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

GSC Acquisition Company is a newly organized blank check company formed on October 26, 2006 for the purpose of acquiring, through a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or other similar business combination, one or more businesses or assets, which we refer to as our initial business combination. We consummated our Initial Public Offering on June 29, 2007. We are currently in the process of evaluating and identifying targets for a business combination. We intend to use cash from the proceeds of our IPO, our capital stock, debt or a combination of cash, stock and debt to consummate a business combination. The issuance of additional shares of our stock in a business combination:

- may significantly reduce the equity interest of our stockholders;
- will likely cause a change in control if a substantial number of our shares of common stock are issued, which may affect, among other things, our ability to use our net operating loss carry forwards, if any, and may also result in the resignation or removal of one or more of our current officers and directors; and
- may adversely affect prevailing market prices for our common stock and warrants.

Similarly, debt securities issued by us in a business combination may result in:

- default and foreclosure on our assets if our operating revenues after a business combination were insufficient to pay our debt obligations;
- acceleration of our obligations to repay the indebtedness even if we have made all principal and interest payments when due if the debt security contained covenants requiring the maintenance of certain financial ratios or reserves and any such covenant was breached without a waiver or renegotiation of that covenant;
- our immediate payment of all principal and accrued interest, if any, if the debt security was payable on demand; and
- our inability to obtain additional financing, if necessary, if the debt security contained covenants restricting our ability to obtain additional financing while such debt security was outstanding.

We have neither engaged in any operations nor generated any revenues from operations to date. Our entire activity since inception has been to prepare for and consummate our IPO and thereafter to identify and investigate potential targets for a business combination. We will not generate any operating revenues until consummation of a business combination. We will generate non-operating income in the form of interest and dividend income on cash and cash equivalents.

Net income for the period from October 26, 2006 (date of inception) to September 30, 2007 was $1,064,720, which consisted of $2,291,552 of dividend income primarily from the trust account offset by $354,348 of formation, general and administrative costs and $872,484 of provision for income taxes. Net income for the period from January 1, 2007 to September 30, 2007 was $1,203,139, which consisted of $2,291,552 of dividend income primarily from the trust account offset by $215,929 of formation, general and administrative costs and $872,484 of provision for income taxes. Net income for the three months ended September 30, 2007 was $1,215,513, which consisted of $2,291,552 of dividend income primarily from the trust account offset by $203,555 of formation, general and administrative costs and $872,484 of provision for income taxes.

Off-Balance Sheet Arrangements

We have not entered into any off-balance sheet financing arrangements and have not established any special purpose entities. We have not guaranteed any debt or commitments of other entities or entered into any options on non-financial assets.

Liquidity and Capital Resources

A total of $201.7 million, including $191.5 million of the net proceeds from the IPO, $4.0 million from the sale of warrants to the founding stockholder and $6.2 million of deferred underwriting discounts and commissions, was placed in trust, except for $50,000 that was made available to the Company for working capital needs. We expect that most of the proceeds held in the trust account will be used as consideration to pay the sellers of a target business or businesses with which we ultimately complete our initial business combination. We expect to use substantially all of the net proceeds of this IPO not held in the trust account to pay expenses in locating and acquiring a target business, including identifying and evaluating prospective acquisition candidates, selecting the target business, and structuring, negotiating and consummating our initial business combination. To the extent that shares of our capital stock or debt financing is used in whole or in part as consideration to effect our initial business combination, any proceeds remaining held in the trust account as well as any other net proceeds not expended will be made available for general corporate purposes, including to finance the operations of the combined business. We intend to focus on potential target businesses with valuations greater than or equal to 80% of the amount held in the trust account (excluding deferred underwriting discounts and commissions of $6.2 million). We believe that the funds placed in trust, together with other available funds, including from the issuance of additional equity and/or the issuance of debt, would support the acquisition of such a target business. Such debt securities may include a long term debt facility, a high-yield notes offering or mezzanine debt financing, and depending upon the business of the target company, inventory, receivable or other secured asset-based financing. The need for and mix of additional equity and/or debt would depend on many factors. The proposed funding for any such business combination would be disclosed in the proxy statement relating to the required shareholder approval.

We believe that the $50,000 in funds available to us outside of the trust account, together with interest income of up to $2.4 million on the balance of the trust account which may be released to us for working capital requirements, will be sufficient to allow us to operate through June 25, 2009, assuming that our initial business combination is not consummated during that time. Over this time period, we anticipate making the following expenditures:

- approximately $180,000 of expenses in fees relating to our office space and certain general and administrative services;

- approximately $2,270,000 for general corporate purposes that will be used for miscellaneous expenses (potentially including deposits or down payments for a proposed initial business combination), legal, accounting and other expenses, including due diligence expenses and reimbursement of out-of-pocket expenses incurred in connection with the investigation, structuring, negotiation and consummation of our initial business combination, director and officer liability insurance premiums and reserves, legal and accounting fees relating to SEC reporting obligations, brokers' retainer fees, consulting fees and finder's fees.

We do not believe we will need additional financing in order to meet the expenditures required for operating our business prior to our initial business combination. However, we will rely on interest earned of up to $2.4 million on the balance of the trust account to fund such expenditures and, to the extent that the interest earned is below our expectation, we may have insufficient funds available to operate our business prior to our initial business combination.

We may need to obtain additional financing either to consummate our initial business combination or because we become obligated to convert into cash a significant number of shares of public stockholders voting against our initial business combination, in which case we may issue additional securities or incur debt in connection with such business combination. Following our initial business combination, if cash on hand is insufficient, we may need to obtain additional financing in order to meet our working capital needs and satisfy our other obligations.

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. $197.7 million of the net IPO proceeds (which includes $6.2 million of the proceeds attributable to the underwriters' deferred discount from the IPO) has been placed in a trust account at JPMorgan Chase Bank, N.A., with the American Stock Transfer & Trust Company as trustee. As of September 30, 2007, the balance of the trust account was $204.0 million. The proceeds held in trust will only be invested in U.S. government securities having a maturity of 180 days or less or in money market funds which invest principally in either short-term securities issued or guaranteed by the United States having the highest rating from a recognized credit rating agency or tax exempt municipal bonds issued by governmental entities located within the United States or otherwise meeting the conditions under Rule 2a-7 under the Investment Company Act. Thus, we are currently subject to market risk primarily through the effect of changes in interest rates on short-term government securities and other highly rated money-market instruments. We do not believe that the effect of other changes, such as foreign exchange rates, commodity prices and/or equity prices currently pose significant market risk for us.

We have not engaged in any hedging activities since our inception. We do not currently expect to engage in any hedging activities.

ITEM 4. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures

We evaluated the effectiveness of our disclosure controls and procedures, as defined in the Exchange Act, as of the end of the period covered by this Quarterly Report on Form 10-Q. Peter Frank, our Chief Executive Officer and Principal Accounting and Financial Officer as well as a Director, participated in this evaluation. Based upon that evaluation, Mr. Frank concluded that our disclosure controls and procedures were effective as of the end of the period covered by the report.

(b) Changes in Internal Controls over Financial Reporting

As a result of the evaluation completed by Mr. Frank, we have concluded that there were no changes during the fiscal quarter ended September 30, 2007 in our internal controls over financial reporting, which have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. Legal Proceedings.

None.

ITEM 1A. Risk Factors.

We operate in an environment that involves a number of significant risks and uncertainties. Risk factors related to our Company are disclosed in our quarterly report of Form 10-Q for the quarter ended June 30, 2007 and should be considered by our investors.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Unregistered Sales of Equity Securities

On November 7, 2006, GSC Secondary Interest Fund, LLC, the founding stockholder, purchased 5,468,750 shares of the Company’s common stock (“Initial Founding Shares”) for an aggregate purchase price of $25,000.

On November 7, 2006, the founding stockholder entered into a binding agreement, as amended on May 25, 2007, to purchase an aggregate of 4,000,000 Warrants at a price of $1.00 per Warrant from the Company. The purchase was consummated on June 28, 2007.

The sales of the securities to our founding stockholder were exempt from registration under the Securities Act in reliance on Section 4(2) of the Securities Act as a transaction by an issuer not involving a public offering. In each such transaction, the founding stockholder represented its intention at such time to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were or, at the time of issuance of physical certificates, will be affixed to the instruments representing such securities issued or to be issued in such transactions.

On December 12, 2006, our founding stockholder sold an aggregate of 82,032 of the initial founder’s shares to three of our directors at that time, Messrs. Goodwin, McKinnon and Mueller, after appointment of such directors. The private sales by our founding stockholder to our outside directors, who are sophisticated buyers, were made in reliance on exemptions available for private sales under the Securities Act, as our founding stockholder was neither the issuer nor a dealer. There were no sales to any other individuals and there was no general solicitation. In an effort to ensure that the sales were made in private transactions, the purchase agreements imposed transfer restrictions on the securities, and the buyers provided written representations that indicated they were acquiring the securities for their own account for investment and not with a view towards, or for resale in connection with, any public sale or distribution. Appropriate legends were or, at the time of issuance of physical certificates, will be affixed to the instruments representing the securities issued or to be issued in such transactions.

On May 29, 2007, a recapitalization was effected in which the Company purchased from the founding stockholder 1,692,968 of outstanding shares of common stock for retirement and a total of 25,782 of outstanding shares of common stock from three directors, in each case for the nominal consideration of $1.00.

On June 25, 2007 the Board of Directors declared a stock dividend to stockholders of record on June 24, 2007. The stock dividend was paid on June 29, 2007. One share of Common stock was issued for each five outstanding shares of Common Stock. All references in the accompanying financial statements as of December 31, 2006 and for the period from October 26, 2006 (date of inception) to September 30, 2007 to the number of shares of common stock have been retroactively restated to reflect this transaction.

On October 5, 2007 our founding stockholder repurchased 22,500 shares from Mr. Edward A. Mueller in connection with his resignation from the Board of Directors of the Company effective as of October 3, 2007. The private purchase by our founding stockholder was made in reliance on exemptions available for private sales under the Securities Act.

A registration statement for our IPO was declared effective on June 25, 2007. The registration statement related to a proposed maximum aggregate offering of 17,250,000 Units (consisting of 17,250,000 shares of Common Stock and 17,250,000 Warrants) for a proposed maximum aggregate offering price of $172,500,000. On June 25, 2007, in accordance with Rule 462(b), we increased the number of Units being registered by 3,450,000, to 20,700,000 Units (consisting of 20,700,000 shares of Common Stock and 20,700,000 Warrants) for a proposed maximum aggregate offering price of $207,000,000. The underwriter for our IPO was Citigroup Global Markets Inc., acting as sole bookrunning manager and representative of Ladenburg Thalmann & Co. Inc. and I-Bankers Securities, Inc. (together, the “Underwriters”).

On June 29, 2007, the net proceeds from (i) the sale of 20,700,000 units in our IPO (including the underwriters’ over-allotment option), after deducting approximately $14.5 million and $1.0 million to be applied to underwriting discounts and offering expenses, respectively, plus approximately $6.2 million of deferred underwriting discounts and (ii) the sale of 4,000,000 warrants to our founding stockholder for a purchase price of $4.0 million, was approximately $201.7 million. All of these net proceeds were placed in trust, except for $50,000 that was used for working capital.

As of September 30, 2007, we incurred an aggregate of approximately $1.1 million in organizational and offering related expenses (excluding underwriters discount and commissions), which have been or will be paid out of the proceeds of our IPO not held in trust and our withdrawal of interest earned on the funds held in trust. Up to $2.4 million of interest earned on the funds held in trust may be released to the Company, of which $1,370,000 was released on October 19, 2007, for the following purposes:

- payment of estimated taxes incurred as a result of interest income earned on funds currently held in the trust account;

- payment of premiums associated with our directors and officers liability insurance;

- expenses for due diligence and investigation of prospective target businesses;

- legal and accounting fees relating to our SEC reporting obligations and general corporate matters; and

- miscellaneous expenses.

As of September 30, 2007, approximately $204.0 million was held in a trust account. We intend to use $195.5 million of such funds to consummate our initial business combination as described in more detail under Part I, Item 2, Management’s Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources.

ITEM 3. Defaults upon Senior Securities.

Not applicable.

ITEM 4. Submission of Matters to a Vote of the Security Holders.

On June 22, 2007, in connection with our IPO, by unanimous written consent, our stockholders approved the adoption of an Amended and Restated Certificate of Incorporation, which was adopted on June 26, 2007.

ITEM 5. Other Information.

None.

ITEM 6. Exhibits.

Exhibit Number	Description
1.1*	Form of Underwriting Agreement
3.1**	Amended and Restated Certificate of Incorporation
3.2*	Form of Bylaws
4.1*	Specimen Unit Certificate
4.2*	Specimen Common Stock Certificate
4.3*	Form of Warrant Agreement between the Registrant and American Stock Transfer & Trust Company
4.4*	Form of Warrant Certificate
10.1*	Form of Letter Agreement between the Registrant and GSC Secondary Interest Fund, LLC
10.2*	Form of Letter Agreement between the Registrant and each of the directors and executive officers of the Registrant
10.3*	Initial Founder's Securities Purchase Agreement, dated as of November 7, 2006, between the Registrant and GSC Secondary Interest Fund, LLC
10.4*	Form of Registration Rights Agreement among the Registrant and American Stock Transfer & Trust Company
10.5*	Form of Indemnity Agreement between the Registrant and each of its directors and executive officers
10.6***	Investment Management Trust Agreement by and between the Registrant and American Stock Transfer & Trust Company
10.7*	Amended Form of Right of First Review Agreement between the Registrant and GSC Group, Inc.
10.8*	Initial Founder's Securities Purchase Agreement, dated as of December 12, 2006, between the Registrant, GSC Secondary Interest Fund, LLC, James K. Goodwin and Edward A. Mueller
10.9*	Initial Founder's Securities Purchase Agreement, dated as of December 21, 2006, between the Registrant, GSC Secondary Interest Fund, LLC and Richard A. McKinnon
10.10*	Repurchase Agreement and Amendment to Initial Founder's Securities Purchase Agreement, dated as of May 29, 2007, between the Registrant and GSC Secondary Interest Fund, LLC
10.11*	Repurchase Agreement, dated as of May 29, 2007, between the Registrant, James K. Goodwin, Richard A. McKinnon and Edward A. Mueller
31.1	Section 302 Certification by Chief Executive Officer and Principal Accounting and Financial Officer
31.2	Section 302 Certification by President
32.1	Section 906 Certification by Chief Executive Officer and Principal Accounting and Financial Officer

* Incorporated herein by reference to the GSC Acquisition Company Registration Statement on Form S-1 (Commission File No. 333-138832)

** Incorporated herein by reference to Exhibit 1.1 of the GSC Acquisition Company Form 8-K filed on July 2, 2007 (Commission File No. 001-33553)

*** Incorporated herein by reference to Exhibit 10.1 of the GSC Acquisition Company Form 8-K filed on July 2, 2007 (Commission File No. 001-33553)

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

GSC ACQUISITION COMPANY

November 14, 2007	By:	/s/ Peter Frank	
		Name:	Peter Frank
		Title:	Chief Executive Officer and Principal Accounting and Financial Officer

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