GHL Acquisition Corp.
Form 10-Q
May 14, 2009

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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 March 31, 2009

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 001-33963

GHL Acquisition Corp.

(Exact name of registrant as specified in its charter)

Delaware	**26-1344998**
(State of Incorporation)	(I.R.S. Employer Identification No.)

300 Park Avenue, 23rd Floor New York, New York	**10022**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number (212) 389-1500

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer o	Non-accelerated filer þ (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of May 8, 2009, there were 48,500,000 shares of the registrant s common stock outstanding.

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Part I. Financial Information

Item 1. Financial Statements

GHL Acquisition Corp.
(A Corporation in the Development Stage)
Statements of Financial Condition

	March 31, 2009 (unaudited)	December 31, 2008
Assets:		
Current assets:		
Cash and cash equivalents	$ 2,249	$ 129,140
Prepaid expenses	83,333	11,667
Income tax receivable		2,667
Total current assets	85,582	143,474
Deferred tax asset	1,376,614	1,168,232
Investments held in trust at broker, including accrued interest of $146,297 and $110,490 at March 31, 2009 and December 31, 2008, respectively	401,901,589	401,838,554
Total assets	$ 403,363,785	$ 403,150,260
Liabilities and Stockholders Equity:		
Current liabilities:		
Accrued expenses	$ 1,658,357	$ 1,610,848
Income tax payable	132,870	
Total current liabilities	1,791,227	1,610,848
Deferred underwriter commissions	11,288,137	11,288,137
Total liabilities	13,079,364	12,898,985
Common stock subject to possible conversion (11,999,999 shares, at conversion value)	119,987,999	119,987,999
Preferred stock, $0.0001 par value		
Authorized 1,000,000 shares		
None issued and outstanding at March 31, 2009 and December 31, 2008, respectively		
Common stock, $0.001 par value		
Authorized 200,000,000 shares		
Issued and outstanding 48,500,000 shares (including 11,999,999 shares of common stock subject to possible conversion presented above) at March 31, 2009 and December 31, 2008	48,500	48,500
Additional paid-in capital	268,562,770	268,562,770
Retained earnings accumulated during the development stage	1,685,152	1,652,006
Total stockholders equity	270,296,422	270,263,276

Total liabilities and stockholders equity	$ 403,363,785	$ 403,150,260

See notes to the financial statements (unaudited).

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GHL Acquisition Corp.
(A Corporation in the Development Stage)
Statements of Income
(unaudited)

	Three Months ended March 31, 2009	Three Months ended March 31, 2008	For the Period from November 2, 2007 (Inception) to March 31, 2009
Professional fees	$ 253,044	$ 63,726	$ 2,567,193
Other operating expenses	209,689	48,541	491,537
Total expenses	462,733	112,267	3,058,730
Other income interest	523,034	1,213,016	6,127,588
Income before provision for taxes	60,301	1,100,749	3,068,858
Provision for income taxes	27,155	556,357	1,383,706
Net income	$ 33,146	$ 544,392	$ 1,685,152
Weighted average shares outstanding basic and diluted	48,500,000	27,485,989	
Earnings per common share basic and diluted	$ 0.00	$ 0.02	

See notes to the financial statements (unaudited).

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GHL Acquisition Corp.
(A Corporation in the Development Stage)
Statements of Changes in Stockholders Equity (unaudited)
For the Period from November 2, 2007 (Inception) to March 31, 2009

	Common Stock		Additional Paid-in Capital	Retained Earnings (Deficit) Accumulated during the Development Stage	Total Stockholders Equity
	Shares	Amount			
Balance at November 2, 2007 (Inception)		$	$	$	$
Issuance of units to Founder on November 13, 2007 at approximately $0.002 per unit	11,500,000	11,500	13,500		25,000
Net loss				(3,812)	(3,812)
Balance at December 31, 2007	11,500,000	11,500	13,500	(3,812)	21,188
Sale of 40,000,000 units through public offering at $10.00 per unit, net of underwriter s discount and offering expenses and excluding $119,987,999 of proceeds allocable to 11,999,999 shares of common stock subject to possible conversion	40,000,000	40,000	260,546,270		260,586,270
Sale of private placement warrants			8,000,000		8,000,000
Forfeiture of 1,725,000 units by Founder on January 10, 2008	(1,725,000)	(1,725)	1,725		
Forfeiture of 1,275,000 units by Founder on March 27, 2008	(1,275,000)	(1,275)	1,275		
Net income				1,655,818	1,655,818
Balance at December 31, 2008	48,500,000	48,500	268,562,770	1,652,006	270,263,276
Net income				33,146	33,146
Balance at March 31, 2009	48,500,000	$ 48,500	$ 268,562,770	$ 1,685,152	$ 270,296,422

See notes to the financial statements (unaudited).

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GHL Acquisition Corp.
(A Corporation in the Development Stage)
Statements of Cash Flows
(unaudited)

	Three Months ended March 31, 2009	Three Months ended March 31, 2008	For the Period from November 2, 2007 (Inception) to March 31, 2009
Cash flows from operating activities:			
Net income	$ 33,146	$ 544,392	$ 1,685,152
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Non-cash items included in net income:			
Deferred taxes	(208,382)		(1,376,614)
Changes in operating assets and liabilities:			
Interest income receivable	(146,297)	(709,445)	(256,787)
Prepaid expenses	(71,666)	(116,667)	(83,333)
Accrued expenses	47,509	38,726	1,658,357
Accrued interest expense		3,306	5,844
Due to related party		21,506	
Income tax payable	132,870	556,357	132,870
Income tax receivable	2,667		
Net cash provided by (used in) operating activities	(210,153)	338,175	1,765,489
Cash flows from investing activities:			
Proceeds invested in Trust Account		(400,000,000)	(400,000,000)
Interest income in Trust Account	83,262	(503,571)	(1,644,802)
Net cash provided by (used in) investing activities	83,262	(400,503,571)	(401,644,802)
Cash flows from financing activities:			
Proceeds from public offering		400,000,000	400,000,000
Proceeds from issuance of private placement warrants		8,000,000	8,000,000
Payment of underwriting fee		(6,900,000)	(6,900,000)
Payment of costs associated with offering		(135,042)	(1,146,972)
Proceeds from note payable to related party			250,000
Payment of note payable to related party		(255,844)	(255,844)
Deferred offering costs			(90,622)
Proceeds from sale of Founder units			25,000
Net cash provided by financing activities		400,709,114	399,881,562
Net increase (decrease) in cash	(126,891)	543,718	2,249

Cash and cash equivalents, at beginning of period		129,140		184,378		
Cash and cash equivalents, at end of period	$	2,249	$	728,096	$	2,249
Supplemental disclosure:						
Interest paid	$		$	5,844	$	5,844
Taxes paid	$	100,000	$	395	$	2,770,050
Supplemental disclosure of non-cash financing activities:						
Accrued deferred underwriter commissions	$	11,288,137	$	11,288,137	$	11,288,137

See notes to the financial statements (unaudited).

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GHL Acquisition Corp.
(a corporation in the development stage)
NOTES TO UNAUDITED FINANCIAL STATEMENTS

Note 1 Organization, Business Operations, and Basis of Presentation

GHL Acquisition Corp. (the "Company), a blank check company, was incorporated in Delaware on November 2, 2007 for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or other similar business combination with one or more businesses or assets ("Business Combination). The Company is considered in the development stage and is subject to the risks associated with development stage companies.

At March 31, 2009, the Company had not yet commenced any operations. All activity through March 31, 2009 relates to the Company s formation, initial public offering (the Public Offering) and proposed business combination as described in Notes 3 and 9, respectively.

The registration statement for the Public Offering was declared effective February 14, 2008. The Company consummated the Public Offering on February 21, 2008 and received gross proceeds of approximately $408,000,000, consisting of $400,000,000 from the Public Offering and $8,000,000 from the sale of the private placement warrants to the Company s founder, Greenhill & Co., Inc. (the Founder). Upon the closing of the Public Offering, the Company paid $6,900,000 of underwriting fees to a third party and placed $400,000,000 of the total proceeds into a trust account (Trust Account). The remaining proceeds of $1,100,000 were used to pay a portion of the offering costs.

The Company s management has broad discretion with respect to the specific application of the net proceeds of the Public Offering, although substantially all of the net proceeds of the Public Offering are intended to be generally applied toward consummating a Business Combination. Up to $5,000,000 of interest, subject to adjustment, earned on the Trust Account balance may be released to the Company to fund working capital requirements and additional interest earnings may be released to fund income tax obligations. As used herein, Target Business shall mean one or more businesses that at the time of the Company s initial Business Combination has a fair market value of at least 80% of the Company s net assets (which includes all of the Company s assets, including the funds held in the Trust Account, less the Company s liabilities (excluding deferred underwriting discounts and commissions of $11,288,137). There is no assurance that the Company will be able to successfully effect a Business Combination.

The Company, after signing a definitive agreement for a Business Combination, is required to submit such transaction for stockholder approval. In the event that (i) a majority of the outstanding shares of common stock sold in the Public Offering that vote in connection with a Business Combination vote against the Business Combination or the proposal to amend the Company s amended and restated certificate of incorporation to provide for its perpetual existence or (ii) public stockholders owning 30% or more of the shares sold in the Public Offering vote against the Business Combination and exercise their conversion rights described below, the Business Combination will not be consummated. The Company s stockholders prior to the Public Offering (Insiders) agreed to vote their 8,500,000 Founder s shares of common stock in accordance with the vote of the majority of the shares voted by all the holders of the shares sold in the Public Offering (Public Stockholders) with respect to any Business Combination and related amendment to the Company s amended and restated certificate of incorporation to provide for the Company s perpetual existence. Moreover, the Company s stockholders prior to the Public Offering and the Company s officers and directors agreed to vote any shares of common stock acquired in, or after, the Public Offering in favor of the Business Combination and related amendment to the Company s amended and restated certificate of incorporation to provide for the Company s perpetual existence. After consummation of a Business Combination, these voting provisions will no longer be applicable.

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With respect to a Business Combination which is approved and consummated, any Public Stockholder who votes against the Business Combination may demand that the Company convert his or her shares into cash. 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, inclusive of any interest, net of any taxes due on such interest and net of franchise taxes, and net of up to $5,000,000 in interest income on the Trust Account balance previously released to us to fund working capital requirements, divided by the number of shares of common stock held by Public Stockholders at the consummation of the Public Offering. The Company will proceed with the Business Combination if Public Stockholders owning no more than 30% (minus one share) of the shares sold in the Public Offering both vote against the Business Combination and exercise their conversion rights. Accordingly, Public Stockholders holding 11,999,999 shares sold in the Public Offering may seek conversion of their shares in the event of a Business Combination. Such Public Stockholders are entitled to receive their per share interest in the Trust Account computed without regard to the shares of common stock held by the Company s stockholders prior to the consummation of the Public Offering.

The Company s amended and restated certificate of incorporation provides that the Company will continue in existence only until February 14, 2010. If the Company has not completed a Business Combination by such date, its corporate existence will cease and it will liquidate. In the event of liquidation, it is possible that the per share value of the residual assets remaining available for distribution (including Trust Account assets) will be less than the Public Offering price per share in the Public Offering (assuming no value is attributed to the Warrants contained in the units to be offered in the Public Offering discussed in Note 3).

Note 2 Summary of Significant Accounting Policies

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents.

Fair Value of Financial Instruments

Effective January 1, 2008, the Company adopted FASB Statement No. 157, Fair Value Measurements (SFAS 157), for assets and liabilities measured at fair value on a recurring basis. SFAS 157 accomplished the following key objectives:

- Defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date;
- Establishes a three-level hierarchy (valuation hierarchy) for fair value measurements;
- Requires consideration of the Company s creditworthiness when valuing liabilities; and
- Expands disclosures about instruments measured at fair value.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of the valuation hierarchy and the distribution of the Company s financial assets within it are as follows:

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Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Company s assets carried at fair value on a recurring basis are its investments in money market securities within investments held in trust at broker on the statements of financial condition. The securities have been classified within level 1, as their valuation is based on quoted prices for identical assets in active markets.

The estimated fair value at March 31, 2009 including accrued interest is as follows:

	Level 1	**Level 2**	**Level 3**	**Balance as of March 31, 2009**
Investments	$ 401,901,589	$	$	$ 401,901,589
Total investments	$ 401,901,589	$	$	$ 401,901,589

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 income and expenses during the reporting period. Actual results could differ materially from those estimates.

Earnings per Share

The Company calculates earnings per share (EPS) in accordance with FASB Statement No. 128, Earnings per Share (SFAS 128). Basic and diluted EPS is calculated by dividing net income by the weighted-average number of shares of common stock outstanding during the period.

Warrants issued by the Company in the initial public offering and private placement are contingently exercisable at the later of one year from the date of the offering and the consummation of a business combination, provided, in each case, there is an effective registration statement covering the shares issuable upon exercise of the warrants. Hence, the shares of common stock underlying the warrants are excluded from basic and diluted EPS.

Income Taxes

The Company accounts for taxes in accordance with FASB Statement No. 109, Accounting for Income Taxes (SFAS 109), which requires the recognition of tax benefits or expenses on the temporary differences between the financial reporting and tax bases of its assets and liabilities. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized. The

Company also complies with FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 (FIN 48), which provides criteria for the recognition, measurement, presentation and disclosure of uncertain tax position. A tax benefit from an uncertain position may be recognized only if it is more likely than not that the position is sustainable based on its technical merits.

Transaction Costs

Effective January 1, 2009, the Company adopted FASB Statement No. 141 (revised 2007), Business Combinations (SFAS 141R). Under SFAS 141R, the Company recognizes as expense the direct costs of a business combination in the period in which the expense is incurred. The Company has expensed transaction costs incurred prior to January 1, 2009 in accordance with the transitional guidance under SFAS 141R, which allows transaction costs to be expensed for an acquisition that will not close until after the effective date of SFAS 141R.

Business Combinations

In April 2008, FASB Staff Position No. FSP FAS 142-3, Determination of the Useful Life of Intangible Assets (FSP FAS 142-3) was issued. FSP FAS 142-3 amends the factors that should be considered in developing a renewal or extension assumptions used for purposes of determining the useful life of a recognized intangible asset under SFAS No. 142, Goodwill and Other Intangible Assets (SFAS 142). FSP FAS 142-3 is intended to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141R and other U.S. generally accepted accounting principles. FSP FAS 142-3 is effective for fiscal years beginning after December 15, 2008. The Company will assess the potential effect of FSP FAS 142-3, if applicable, once the Company enters into a business combination.

Note 3 Public Offering

The Company sold in its Public Offering 40,000,000 units at a price of $10.00 per unit. Each unit (a Unit) consists of one share of the Company s common stock, $0.001 par value, and one Redeemable Common Stock Purchase Warrant (a Warrant). Each Warrant will entitle the holder to purchase from the Company one share of common stock at an exercise price of $7.00 commencing on the later of the completion of a Business Combination or 12 months from the effective date of the Public Offering and expiring five years from the effective date of the Public Offering or earlier upon redemption or liquidation of the Trust Account. The Company may redeem all of the Warrants, at a price of $.01 per Warrant upon 30 days prior notice while the Warrants are exercisable, and there is an effective registration statement covering the common stock issuable upon exercise of the Warrants current and available, only if the last sales 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 day prior to the date on which notice of redemption is given. The Company will not redeem the Warrants unless an effective registration statement covering the shares of common stock issuable upon exercise of the Warrants is current and available throughout the 30-day redemption period. If the Company calls the Warrants for redemption as described above, the Company s management will have the option to adopt a plan of recapitalization pursuant to which all holders that wish to exercise Warrants would be required to do so on a cashless basis . In such event, each exercising holder would surrender the Warrants for that number of shares of common stock equal to the quotient obtained by dividing (i) the product of the number of shares of common stock underlying the Warrants, multiplied by the difference between the exercise price of the Warrants and the fair market value (defined below) by (ii) the fair market value. The fair market value means the average reported last sales price of the Company s common stock for the 10 trading days ending on the third trading day prior to the date on which the notice of redemption is sent to the holders of Warrants. In accordance with the Warrant Agreement relating to the Warrants sold and issued in the Public Offering, the Company will only be required to use its best efforts to maintain the effectiveness of the registration statement covering the common stock issuable upon exercise of the Warrants. The Company will not be obligated to deliver securities, and there are no contractual penalties for failure to deliver securities, if a registration statement is not effective at the time of exercise. Additionally, if a registration statement is not effective at the time of exercise, the holder of such Warrant shall not be entitled to exercise such Warrant and in no event (whether in the case of a registration statement not being effective or otherwise) will the Company be required to net cash settle the Warrant exercise. Consequently, the Warrants may expire unexercised and unredeemed. The number of Warrant shares issuable upon the exercise of each Warrant is subject to adjustment from time to time upon the occurrence of the events enumerated in the Warrant Agreement.

The Warrants are classified within stockholders equity since, under the terms of the Warrants, the Company cannot be required to settle or redeem them for cash.

Total underwriting fees, including contingent fees, related to the Public Offering aggregate to $23,251,500. The Company paid $6,900,000 upon closing of the Public Offering, $11,288,137 is payable only upon the consummation of a Business Combination, and $5,063,363 is payable only upon the consummation of a Business Combination less any pro-rata reductions resulting from the exercise of the stockholder conversion rights. Specifically, Banc of America Securities LLC and other underwriters have agreed that approximately 70% of the underwriting discounts 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 the Company is unable to complete a Business Combination. The deferred underwriting commission paid will be less pro-rata reductions resulting from the exercise of the stockholder conversion rights as described in the Proxy Statement. Accordingly, on the statement of financial condition, the $11,288,137 liability for deferred underwriting commission excludes $5,063,363, which is included net in common stock subject to possible conversion.

On March 31, 2009, $401,901,589 was held in trust, of which the Company had the right to withdraw $1,901,589 to fund working capital needs and the payment of income and franchise taxes. The Company also had $2,249 of unrestricted cash available.

Note 4 Related Party Transactions and Commitments

The Company presently occupies office space provided by the Founder. The Founder has agreed that, until the Company consummates a Business Combination, it will make such office space, as well as certain office and secretarial services, available to the Company, as may be required by the Company from time to time. The Company has agreed to pay the Founder a total of $10,000 per month for such services commencing on the effective date of the Public Offering and will terminate upon the earlier of (i) the consummation of a Business Combination, or (ii) the liquidation of the Company. The Company paid a total of $30,000 with respect to this commitment for the period ended March 31, 2009.

From time to time, the Founder funds administrative expenses, such as travel expenses, meals and entertainment and office supplies, incurred in the ordinary course of business. Such expenses are to be reimbursed by the Company to the Founder. As of December 31, 2008, the Founder has funded a total of $7,857 of administrative expenses, all of which were repaid during the period ended March 31, 2009.

On January 10, 2008, the Company cancelled 1,725,000 Founder s Units, which were surrendered in a recapitalization, leaving the Founder with a total of 9,775,000 Units. Of the 9,775,000 Founder s Units, an aggregate of 1,275,000 Founder s Units, including the common stock included therein, were forfeited on March 27, 2008, following the expiration of the over-allotment option of Banc of America Securities LLC and the other underwriters pursuant to the terms of the applicable purchase agreement.

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Note 5 Income Taxes

The components of the provision for income taxes for the three months ended March 31, 2009 and 2008 are set forth below:

	For the Three Months Ended March 31, 2009	For the Three Months Ended March 31, 2008
	(unaudited)	
Current taxes:		
U.S. federal	$ 148,105	$ 353,586
State and local	87,432	202,771
Total current tax expense	235,537	556,357
Deferred taxes:		
U.S. federal	(131,030)	(34,285)
State and local	(77,352)	(14,310)
Valuation allowance		48,595
Total deferred tax expense	(208,382)	
Total provision for income taxes	$ 27,155	$ 556,357

Deferred income taxes reflect the net tax effects of temporary differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when such differences are expected to reverse.

The Company has a deferred income tax asset for the tax effect of temporary differences of $1,376,614 at March 31, 2009. The Co