HAPC, Inc.
Form 10-Q/A
November 14, 2006
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q/A

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 2006.**

Or

¨ **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: 000-51902

HAPC, INC.

(Exact name of registrant as specified in its charter)

Delaware	**20-3341405**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

350 Madison Avenue, New York, New York, 10017

(Address of Principal Executive Offices including Zip Code)

(212) 418-5070

(Registrant s Telephone Number, Include 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 Exchange Act during the past 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 x   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).

Large Accelerated Filer ¨   Accelerated Filer ¨   Non-Accelerated Filer x

Indicated by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).   Yes x   No ¨

As of August 10, 2006, 18,625,252 shares of the registrant s common stock, par value $0.0001 per share, were outstanding.

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HAPC, INC.

Explanatory Note:

This Quarterly Report on Form 10-Q/A is being filed as Amendment Number 1 to our Quarterly Report on Form 10-Q which was originally filed with the Securities and Exchange Commission (the SEC) on August 10, 2006. We are filing this Form 10-Q/A to restate our unaudited interim financial statements for the six months ended June 30, 2006.

On November 13, 2006, the management of HAPC, Inc. (the Company), after discussion with the Company s Audit Committee, determined that it was necessary for the Company to restate (i) the Company s audited balance sheet as of April 18, 2006 and related statements of operations, stockholders equity (deficit) and cash flows for the periods from January 1, 2006 to April 18, 2006, and from August 15, 2005 (inception) to April 18, 2006 filed with the Company s Current Report on Form 8-K on April 26, 2006 and (ii) the Company s unaudited interim financial statements for the six months ended June 30, 2006 filed with the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.

The changes made to the aforementioned financial statements include the following revisions with respect to the Company s balance sheets as of April 18, 2006 and June 30, 2006:

(i) the inclusion, as mezzanine equity, of the conversion rights exercisable by 19.99% of the holders of the Company s common stock issued in the Company s initial public offering (the IPO) who may vote against a proposed business combination to be consummated by the Company and elect to exchange their shares of common stock for cash equal to a pro rata portion of the proceeds held in the trust account, including interest, in which a substantial portion of the net proceeds of the IPO have been deposited; and

(ii) the inclusion of an additional line item to delineate the cash held in the trust account which is reserved for distribution to the Company s stockholders and the cash held outside of the trust account which the Company may use for its general working capital purposes.

The changes made to the aforementioned financial statements had no effect on our net income reported.

This Form 10-Q/A amends and restates only certain information in the following sections as a result of the restatement described above:

Part I Item 1. Financial Statements

Part I Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Part I Item 4. Controls and Procedures

In connection with this Form 10-Q/A, the Company will file an amendment to its Form 8-K previously filed on April 26, 2006 with a restated audited balance sheet as of April 18, 2006 and related statements of operations, stockholders equity (deficit) and cash flows for the periods from January 1, 2006 to April 18, 2006, and from August 15, 2005 (inception) to April 18, 2006.

In addition, we are also including currently dated Sarbanes Oxley Act Section 302 and Section 906 certifications of the Chief Executive Officer and Chief Financial Officer that are attached to this Form 10-Q/A as Exhibits 31.1, 31.2, 32.1 and 32.2.

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Item 1. Financial Statements

HAPC, INC.

(formerly HEALTHCARE ACQUISITION PARTNERS CORP.)

(a corporation in the development stage)

BALANCE SHEETS

	June 30, 2006 (Unaudited)	December 31, 2005 (Audited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 997,268	$ 13,590
Investments held in trust	96,877,683	
Prepaid expenses	482,100	
Other deferred offering costs		165,088
Total assets	**$ 98,357,051**	**$ 178,678**
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Accrued expenses	$ 12,500	$ 93,954
Stockholder advance	100	100
Notes payable		85,000
Deferred underwriting fees	5,468,000	
Total Liabilities	**5,480,600**	**179,054**
COMMITMENTS		
Common stock subject to possible conversion 3,373,363 and 0 shares, respectively at conversion value	19,365,849	
Stockholders Equity (Deficit)		
Preferred stock, $.0001 par value; authorized 1,000,000 shares; none issued and outstanding		
Common stock, $.0001 par value; authorized 200,000,000 shares; issued 21,041,918 and 4,166,667, respectively and outstanding 18,625,252 and 1,750,001, respectively	2,104	417
Additional paid-in capital	81,458,204	8,434,588
Unearned stock compensation	(4,029,081)	(8,410,598)
Deficit accumulated during the development stage	(3,920,625)	(24,783)
Total stockholders equity (deficit)	**73,510,602**	**(376)**
Total liabilities and stockholders equity	**$ 98,357,051**	**$ 178,678**

See accompanying notes to financial statements

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HAPC, INC.

(formerly HEALTHCARE ACQUISITION PARTNERS CORP.)

(a corporation in the development stage)

STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended June 30, 2006	Six Months Ended June 30, 2006	For the period from August 15, 2005 (inception) to June 30, 2006
Revenues	$	$	$
General and Administrative expenses	$ 2,362,781	$ 4,559,970	$ 4,584,453
Loss from operations	**(2,362,781)**	**(4,559,970)**	**(4,584,453)**
Other Income (Expenses):			
Interest income	857,032	857,032	857,032
Interest expense	(223)	(1,011)	(1,311)
	856,809	856,021	855,721
Loss before provision for income taxes	(1,505,972)	(3,703,949)	(3,728,732)
Provisions for income taxes	191,149	191,893	191,893
Net loss	**$ (1,697,121)**	**$ (3,895,842)**	**$ (3,920,625)**
Net loss per share	$ (.11)	$ (.45)	$ (.62)
Weighted average shares outstanding - basic	15,403,969	8,614,703	6,284,410

See accompanying notes to financial statements

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HAPC, INC.

(formerly HEALTHCARE ACQUISITION PARTNERS CORP.)

(a corporation in the development stage)

STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIT)

For the period August 15, 2005 (inception) to December 31, 2005 (Audited)

and the period January 1, 2006 to June 30, 2006 (Unaudited)

	Common Stock		Paid-in			Treasury Stock		
	Shares	Par Value $0.0001 Amount	Capital in Excess of Par	Deficit Accumulated During the Development Stage	Deferred Stock Compensation	Shares	Amount	Total Stockholders Equity
Common stock issued September 13, 2005	4,166,667	$ 417	24,583	$	$		$	$ 25,000
Treasury stock purchased						(4,166,667)	(25,000)	(25,000)
Issuance of treasury shares for services			8,410,005		(8,435,005)	1,750,001	25,000	
Amortization of stock based compensation expense					24,407			24,407
Net loss				(24,783)				(24,783)
Balances at December 31, 2005	**4,166,667**	**417**	**8,434,588**	**(24,783)**	**(8,410,598)**	**(2,416,666)**		**(376)**
Issuance of common stock and warrants	16,875,251	1,687	101,249,819					101,251,506
Expenses of offering			(10,827,020)					(10,827,020)
Non-cash charge related to sale of Underwriters purchase option			1,966,666					1,966,666
Amortization of stock based compensation expense					4,381,517			4,381,517
Proceeds subject to possible conversion of 3,373,363 shares			(19,365,849)					(19,365,849)
Net loss				(3,895,842)				(3,895,842)
Balances at June 30, 2006	**21,041,918**	**$ 2,104**	**$ 81,458,204**	**$ (3,920,625)**	**$ (4,029,081)**	**(2,416,666)**	**$**	**$ 73,510,602**

See accompanying notes to financial statements

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HAPC, INC.

(formerly HEALTHCARE ACQUISITION PARTNERS CORP.)

(a corporation in the development stage)

STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended June 30, 2006	For the period from August 15, 2005 (inception) to June 30, 2006
Cash flows from operating activities:		
Net loss	$ (3,895,842)	$ (3,920,625)
Adjustment to reconcile net loss to net cash used in operating activities:		
Interest income on investments held in trust	(854,039)	(854,039)
Withdrawal from investments held in trust	191,149	191,149
Amortization of stock based compensation	4,381,517	4,405,924
Increase in prepaid expenses and taxes	(673,249)	(673,249)
Decrease in other deferred offering costs	165,088	
Increase (decreases) in accrued expenses	(81,454)	12,500
Increase in income taxes payable	191,149	191,149
Net cash used in operating activities	**(575,681)**	**(647,191)**
Cash flows from investing activities:		
Purchase of investments held in trust	(96,214,793)	(96,214,793)
Net cash used in operating activities	**(96,214,793)**	**(96,214,793)**
Cash flows from financing activities:		
Advance from initial stockholder		100
Proceeds from note payable		60,000
Payment of notes payable	(85,000)	(85,000)
Payment of deferred offering costs	(3,392,354)	(3,392,354)
Proceeds from issuance of shares of stock	81,885,657	81,910,657
Proceeds from issuance of shares of stock subject to possible conversion	19,365,849	19,365,849
Net cash provided by financing activities	**97,774,152**	**97,859,252**
Net change in cash	**983,678**	**997,268**
Cash, beginning of period	**13,590**	
Cash, end of period	**$ 997,268**	**$ 997,268**
Supplemental Disclosures of Cash Flow Information:		
Schedule of Non-Cash Financing Transactions		
Option issued to underwriter	1,966,666	1,966,666

Deferred underwriting fees	5,468,000	5,468,000
Issuance of note payable for treasury stock		25,000

See accompanying notes to financial statements

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HAPC, INC.

(formerly HEALTHCARE ACQUISITION PARTNERS CORP.)

(a corporation in the development stage)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

1. Basis of Presentation

The financial statements for the six months ended June 30, 2006 are unaudited. In the opinion of management, all adjustments (consisting only of normal recurring accruals) have been made that are necessary to present fairly the financial position of HAPC, Inc. (formerly Healthcare Acquisition Partners Corp.) (the Company) as of June 30, 2006 and the results of its operations and its cash flows for the six months ended June 30, 2006 and period from August 15, 2005 (inception) to June 30, 2006 in conformity with generally accepted accounting principles. Operating results for the interim period are not necessarily indicative of the results to be expected for the full year.

2. Nature of Operations and Summary of Significant Accounting Policies

The Company was incorporated in Delaware on August 15, 2005 as a blank check company whose objective is to acquire through a merger, capital stock exchange, asset acquisition or other similar business combination, one or more operating businesses primarily in the healthcare sector.

Practically all activity through June 30, 2006 relates to the Company s formation and the initial public offering described below. The Company has selected December 31 as its fiscal year end. The registration statement for the Company s initial public offering (the Public Offering) was declared effective on April 11, 2006. The Company consummated the Public Offering on April 18, 2006 and received gross proceeds of $100,000,002. Legal fees totaling $497,000 and underwriting costs totaling $2,600,000 have been paid from these proceeds. The Company s management has broad discretion with respect to the specific application of the net proceeds of the Public Offering (as described in Note 3), although substantially all of the net proceeds of the Public Offering are intended to be applied toward consummating a business combination with one or more operating businesses whose fair value is, either individually or collectively, at least 80% of the Company s net assets at the time of such acquisition (Business Combination).

In evaluating a prospective target business, the Company will consider, among other factors, its financial condition and results of operations; growth potential; experience and skill of management; availability of additional personnel; capital requirements; competitive position; barriers to entry into other industries; stage of development of products, processes or services; degree of current or potential market acceptance of the products, processes or services; proprietary features and degree of intellectual property or other protection of the products, processes or services; the regulatory environment of the industry; and costs associated with effecting the Business Combination. These criteria are not intended to be exhaustive. Any evaluation relating to the merits of a particular Business Combination will be based, to the extent relevant, on the above factors, as well as other considerations deemed relevant by the Company in effecting a Business Combination consistent with its business objective.

There are no assurances the Company will be able to successfully effect a Business Combination.

Of the proceeds of the Public Offering, $96,877,683 including interest, net of tax payments, is being held in a trust account (Trust Account) and invested in a money market fund, fully collateralized by U.S. government securities until the earlier of (i) the consummation of the first Business Combination or (ii) the distribution of the Trust Account as described below. The amount in the Trust Account includes $5,468,000 of contingent underwriting compensation (the Discount) which will be paid to the underwriters if a Business Combination is consummated, but which will be forfeited in part if public stockholders elect to have their shares redeemed for cash if a Business

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HAPC, INC.

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(a corporation in the development stage)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

2. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Combination is not consummated. The remaining amount of the proceeds may be used to pay business, legal accounting, due diligence on prospective acquisitions and continuing general and administrative expenses.

The Company, after signing a definitive agreement for the acquisition of a target business, will submit such transaction for stockholder approval. In the event that stockholders owning 20% 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 (the Initial Stockholders) have agreed to vote their 1,750,001 shares of common stock in accordance with the vote of the majority in interest of all other stockholders of the Company (Public Stockholders) with respect to any Business Combination. The Initial Stockholders have agreed not to acquire any additional shares of the registrant in connection with or following the Public Offering. After consummation of a Business Combination, these voting safeguards will no longer be applicable.

The Company s Amended and Restated Certificate of Incorporation provides for mandatory liquidation of the Company in the event that the Company does not consummate a Business Combination within 18 months from the date of the consummation of the Public Offering, or 24 months from the consummation of the Public Offering if certain extension criteria have been satisfied. In the event of liquidation, it is likely that the per share value of the residual assets remaining available for distribution (including Trust Account assets) will be less than the initial public offering price per share in the 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).

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HAPC, INC.

(formerly HEALTHCARE ACQUISITION PARTNERS CORP.)

(a corporation in the development stage)

NOTES TO FINANCIAL STATEMENTS

2. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents

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

Income taxes

The Company uses the liability method for reporting income taxes, under which current and deferred tax liabilities and assets are recorded in accordance with enacted tax laws and rates. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Under the liability method, the amounts of deferred tax liabilities and assets at the end of each period are determined using the tax rate expected to be in effect when taxes are actually paid or recovered. Future tax benefits are recognized when it is more likely than not that such benefits will be realized.

Recently issued accounting pronouncements

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

Loss per common share

Loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period.

Stock based compensation

The Company applied APB No. 25 (Accounting for Stock Issued to Employees) and related Interpretations in accounting for stock based compensation. Accordingly, compensation for shares issued to officers and directors is measured using their intrinsic value at the date of opportunity to acquire such shares and recognized as compensation expense ratably over the vesting period. Effective January 1, 2006, the Company will be applying the provisions of SFAS No. 123(R).

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 at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

Cash concentration of credit risk

The Company maintains cash balances with financial institutions, which, at times, may exceed the Federal Deposit Insurance Corporation limit. The Company has not experienced any losses to date as a result of this policy, and management believes there is little risk of loss.

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HAPC, INC.

(formerly HEALTHCARE ACQUISITION PARTNERS CORP.)

(a corporation in the development stage)

NOTES TO FINANCIAL STATEMENTS

3. Initial Public Offering

On April 18, 2006, the Company sold 16,666,667 units (Units) to the public at a price of $6.00 per unit. Each Unit consists of one share of the Company s common stock, $.0001 par value, and two Redeemable Common Stock Purchase Warrants (Warrants). Each Warrant will entitle the holder to purchase from the Company one share of common stock at an exercise price of $5.00 commencing on the later of the completion of a Business Combination or one year from the effective date of the Offering and expiring five years from the effective date of the Offering. The Company may call the Warrants for redemption in whole and not in part at a price of $.01 per Warrant at any time after the Warrants become exercisable. They cannot be redeemed unless the Warrant holders receive written notice not less than 30 days prior to the redemption; and, if, and only if, the reported last sale price of the common stock equals or exceeds $8.50 per share for any 20 trading days within a 30 trading day period ending on the third business day prior to the notice of redemption to Warrant holders. In connection with the Public Offering, the Company paid to FTN Midwest Securities Corp. an underwriting discount of 7% of the public offering price and a non-accountable expense allowance of 1% of the public offering price.

In addition, on April 18, 2006, the Company issued to FTN Midwest Securities Corp., for $100, an option to purchase up to a total of 833,333 units. The units issuable upon exercise of this option are identical to those offered in the Public Offering, except that each of the warrants underlying this option entitles the holder to purchase one share of our common stock at a price of $6.25. This option is exercisable at $7.50 per unit commencing on the later of the consummation of a Business Combination and one year from the date of the prospectus and expiring five years from the date of the prospectus. The option may only be exercised or converted by the option holder.

The sale of the option was accounted for as an equity transaction. Accordingly, there was no net impact on the Company s financial position or results of operations, except for the recording of the $100 proceeds from the sale. The Company determined that the fair value of the option on the date of sale was $2.36 per unit, or $1,966,666 total, using an expected life of five years, volatility of 47% and a risk-free interest rate of 3.98%. Accordingly, this amount was recorded as an expense of the offering resulting in a charge directly to stockholders equity.

The volatility calculation of 47% is based on the 180 day average volatility of a representative sample of forty-one (41) healthcare industry companies (the Sample Companies) with market capitalization under $200 million. Because it does not have a trading history, the Company needed to estimate the potential volatility of its common stock price. The volatility will depend on a number of factors, which cannot be ascertained at this time. The Company referred to the 180 day average volatility of the Sample Companies because Management believes that the average volatility of such companies is a reasonable benchmark to use in estimating the expected volatility of the Company s common stock post-business combination. Although an expected life of five years was taken into account for purposes of assigning a fair value to the options, if the Company does not consummate a business combination within the prescribed time period and liquidates, the options would become worthless.

On May 18, 2006, the Company sold 208,584 Units (the Overallotment Units) to FTN Midwest Securities Corp. pursuant to a partial exercise by FTN Midwest Securities Corp. of its overallotment option. The Overallotment Units were sold at the offering price of $6.00 per Unit, minus FTN Midwest Securities Corp. s 7% underwriting discount.

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HAPC, INC.

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NOTES TO FINANCIAL STATEMENTS

4. Investments Held in Trust

Investments held in trust at June 30, 2006, consist of a United States Treasury money market account with a fair market value of $96,877,683. There were no investments held in trust as of December 31, 2005.

5. Notes Payable

The Company issued a $60,000 unsecured promissory note to Healthcare Acquisition Holdings, LLC (Holdings). The note bears interest at a rate of 3% per annum and is payable on the earlier of September 28, 2006 or the date the Company consummates the Public Offering. Due to the short-term nature of the note, the fair value of the note approximates its carrying amount.

On December 30, 2005, the Company issued an unsecured $25,000 note, on similar terms to the $60,000 note payable, to Healthcare Acquisition Holdings, LLC to acquire the 4,166,667 common shares that Holdings received upon formation of the Company.

Both notes were re-paid in full in May 2006 and are no longer outstanding.

6. Commitments

The Company s chief executive officer receives annual compensation of $50,000 for serving as an officer and $50,000 for serving as a director. The Company s chief financial officer receives annual compensation of $50,000 and the Company s independent directors each receive annual compensation of $50,000.

The Company has entered into agreements with FTN Midwest Securities Corp. and certain officers and directors whereby each of them has agreed to present the Company, for its consideration, with any opportunity to acquire all or substantially all of the outstanding equity securities of, or otherwise acquire a controlling equity interest in, an operating business in the healthcare, or a healthcare-related, sector, provided that they are under no obligation to present the Company with any opportunity involving a business in the healthcare, or a healthcare-related, sector seeking a strategic combination with another operating business in the healthcare, or a healthcare-related, sector.

The Company currently utilizes and will continue to utilize certain administrative, technological and secretarial services, as well as certain limited office space provided by FTN Midwest Securities Corp. until the consummation of a Business Combination by the Company. The Company has agreed to pay $1 per year for such services commencing on the effective date of the Public Offering and continuing monthly thereafter.

Our initial stockholders are entitled to demand that we register the resale of their shares of common stock at any time six months following the consummation of the acquisition, pursuant to the terms of their respective lock-up agreements.

The Company has agreed to reimburse our initial stockholders for (a) any income tax liability incurred by our initial stockholders as a result of the award of their shares and/or the vesting of such shares (other than tax liability due as a result of their sale of such shares) and (b) all reasonable out-of-pocket expenses incurred by the initial stockholders in connection with their activities on the Company s behalf.

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HAPC, INC.

(formerly HEALTHCARE ACQUISITION PARTNERS CORP.)

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NOTES TO FINANCIAL STATEMENTS

7. Common and Preferred Stock

Effective December 30, 2005, Healthcare Acquisition Partners Holdings, LLC sold the 4,166,667 common shares that it had received upon formation of the Company back to the Company. The shares were purchased for a $25,000 note payable. Simultaneously, the Company transferred 1,750,001 of these common shares to certain members of its management team resulting in compensation of $8,435,005 to them, computed at $4.82 per share. Of this amount, $24,407 and $4,381,517 was charged to expense for the periods ended December 31, 2005 and June 30, 2006, respectively. The Company will recognize the remaining $6,213,982 of compensation as an expense ratably over the forfeiture period of the shares. Each individual receiving shares has agreed to forfeit a portion of their shares if they cease to be an officer or director prior to the following dates (other than as a result of (i) disability, (ii) death, (iii) removal by the Company without cause, or (iv) resignation for Good Reason, the portion of the shares to be forfeited is as follows:

Termination of Services Prior To:	Shares Forfeited
June 30, 2006	100%
December 31, 2006	75%
June 30, 2007	50%
December 31, 2007	25%

The 2,416,666 shares of our common stock transferred back to us and not transferred to members of the Company s management team on December 30, 2005 are being held as treasury shares and reserved for transfer by the Company s board of directors to present or future officers, directors or employees.

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.

8. Subsequent Events

On July 24, 2006, the Company reserved for grant to two of its Directors 2,416,666 shares of its common stock. These shares were originally held as treasury shares and reserved for transfer to present or future officers, directors or employees.

The grants may not be transferred prior to the date that is the later of six months after the completion of a business combination or April 11, 2007 (being the first anniversary of the Company s initial Public Offering).

As a result of the above, the Company will take a charge of $13,049,996 in its quarter ended September 30, 2006 which is based upon the number of shares reserved (2,416,666) at the July 24, 2006 closing stock price of $5.40 per share.

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

Forward-Looking Statements

This Quarterly Report on Form 10-Q/A 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 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. The following discussion should be read in conjunction with our Financial Statements and related Notes thereto included elsewhere in this report.

Critical Accounting Policies

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 at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

Management believes the following critical accounting policy affects its more significant judgments and estimates used in the preparation of the financial statements.

Share-Based Payment

Management uses certain assumptions relating to determining the value of share-based payments based on fair value. These can include, as appropriate, relevant modeling techniques such as the Black-Scholes model and analyses of the valuation of various derivative securities of other comparable publicly traded companies.

Overview

We were organized as a Delaware corporation on August 15, 2005, to serve as a vehicle to acquire, through a merger, capital stock exchange, asset acquisition or other similar business combination, one or more operating businesses primarily in the healthcare sector. Our initial business combination must be with a target business or businesses whose fair market value is at least equal to 80% of net assets at the time of such acquisition. We intend to utilize cash derived from the proceeds of our initial public offering, our capital stock, debt or a combination of cash, capital stock and debt, in effecting a business combination.

Results of Operations for the Quarter Ending June 30, 2006

During the quarter ended June 30, 2006, we completed our Public Offering. Additional formation and operating costs of $2,362,781 were somewhat offset by interest income totaling $857,032, earned on proceeds from the Public Offering, resulting in a net loss for the six and three months ending June 30, 2006 of $3,895,242 and $1,697,121, respectively.

Liquidity and Capital Resources

On April 18, 2006, we consummated our Public Offering of 16,666,667 units sold to the public at a price of $6.00 per unit. Each Unit consists of one share of the Company s common stock, $.0001 par value, and two Redeemable Common Stock Purchase Warrants (Warrants). Each Warrant will entitle the holder to purchase from the Company one share of common stock at an exercise price of $5.00 commencing on the later of the completion of a Business Combination or one year from the effective date of the Offering and expiring five years from the effective date of the Offering. The Company may call the Warrants for redemption in whole, but not in part, at a price of $.01 per Warrant at any time after the

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Warrants become exercisable. They cannot be redeemed unless the Warrant holders receive written notice not less than 30 days prior to the redemption; and if, and only if, the reported last sale price of the common stock equals or exceeds $8.50 per share for any 20 trading days within a 30 trading day period ending on the third business day prior to the notice of redemption to Warrant holders.

On May 18, 2006, we sold an additional 208,584 units (the Overallotment) pursuant to a partial exercise by FTN Midwest Securities Corp. of its overallotment option.

Net proceeds (including the Overallotment) after underwriting, legal, accounting, and printing costs amounted to approximately $97,859,000 which includes a contingent underwriting fee of $5,468,000. $96,877,683 is being held in a Trust account. We will use substantially all of the net proceeds of the Public Offering to acquire a target business, including identifying and evaluating prospective acquisition candidates, selecting the target business, and structuring, negotiating and consummating the business combination.

Commencing on April 18, 2005 and ending upon the acquisition of a target business, we will incur a fee of $1 per year for office space and certain other additional general and administrative services from FTN Midwest Securities Inc.

We granted a purchase option to the representative of the underwriter at the closing of the Public Offering on April 18, 2006 to acquire 833,333 units for $100. The units issuable upon exercise of this option are identical to those offered in the Public Offering, except that each of the warrants underlying this option entitles the holder to purchase one share of our common stock at a price of $6.25. This option is exercisable at $7.50 per unit commencing on the later of the consummation of a Business Combination and one year from the date of the prospectus and expiring five years from the date of the prospectus. The option may only be exercised or converted by the option holder.

The sale of the option was accounted for as an equity transaction. Accordingly, there was no net impact on the Company s financial position or results of operations, except for the recording of the $100 proceeds from the sale. The Company has determined that the fair value of the option on the date of sale was $2.36 per unit, or approximately $1,966,666 total, using an expected life of five years, volatility of 47% and a risk-free interest rate of 3.98%. Accordingly, this amount was recorded as an expense of the offering resulting in a charge directly to the stockholders equity.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

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Item 4. Controls and Procedures.

On November 13, 2006, our management, after discussion with the Audit Committee, determined that it was necessary for us to restate (i) our audited balance sheet as of April 18, 2006 and related statements of operations, stockholders equity (deficit) and cash flows for the periods from January 1, 2006 to April 18, 2006, and from August 15, 2005 (inception) to April 18, 2006 filed with our Current Report on Form 8-K on April 26, 2006 and (ii) our unaudited interim financial statements for the six months ended June 30, 2006 filed with our Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.

Background to the restatement

The most significant of the changes made to the aforementioned financial statements include the following revisions to the Company s balance sheets as of April 18, 2006 and June 30, 2006:

(i) the inclusion, as mezzanine equity, of the conversion rights exercisable by 19.99% of the holders of our common stock issued in our initial public offering (the IPO) who may vote against a proposed business combination to be consummated by the Company and elect to exchange their shares of common stock for cash equal to a pro rata portion of the proceeds held in the trust account, including interest, in which a substantial portion of the net proceeds of the IPO have been deposited; and

(ii) the inclusion of an additional line item to delineate the cash held in the trust account which is reserved for distribution to our stockholders and the cash held outside of the trust account which we may use for its general working capital purposes.

As a result of these changes, our previously issued audited balance sheet as of April 18, 2006 and related statements of operations, stockholders equity (deficit) and cash flows for the periods from January 1, 2006 to April 18, 2006, and from August 15, 2005 (inception) to April 18, 2006 and our unaudited interim financial statements for the six months ended June 30, 2006 should no longer be relied upon.

The determination to restate our financial statements for the aforementioned periods was reached by our management, in consultation with the Audit Committee, during the preparation and review of the financial statements and information for the fiscal quarter ended September 30, 2006.

Evaluation of Disclosure Controls and Procedures

In connection with the restatement effected by this Form 10-Q/A, under the direction of our chief executive officer (our principal executive officer) and chief financial officer (our principal financial and accounting officer), we reevaluated our disclosure controls and procedures as of June 30, 2006. In light of the need for the restatement effected in this Form 10-Q/A, management has identified material weaknesses in our internal control over financial reporting. Solely as a result of these material weaknesses, our chief executive officer (our principal executive officer) and chief financial officer (our principal financial and accounting officer) have concluded that our disclosure controls and procedures were not effective as of the period covered by this report.

Remediation of Material Weakness in Internal Control

We are in the process of implementing improved procedures and controls designed to increase our ability to identify appropriate accounting principles. These include a review of the resources and personnel dedicated to the preparation of our financial statements. As previously reported, there had been no significant change in our internal control over financial reporting in connection with the evaluation required by Rule 13a-15(d) under the Exchange Act that occurred during the quarter ended June 30, 2006, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. However, subsequently we have begun to take the remedial actions described above. It is expected that these remedial actions will be completed by the end of our 2006 fiscal year.

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PART II-OTHER INFORMATION

Item 6. Exhibits.

Exhibits

31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act, as amended.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act, as amended.
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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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.

	HAPC, INC.
Date: November 14, 2006	By: /s/ Erin S. Enright Erin S. Enright Chief Financial Officer