

Capitol Acquisition Corp
Form 10-Q
May 11, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

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

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 001-33769

CAPITOL ACQUISITION CORP.

(Exact Name of Registrant as Specified in Its Charter)

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Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

26-0435458
(I.R.S. Employer
Identification No.)

509 7TH Street, N.W., Washington, D.C., 20004
(Address of Principal Executive Offices) (Zip Code)
(202) 654-7060

(Registrant's Telephone Number, Including Area Code)

N/A

Former Name, Former Address and Former Fiscal year, if Changed Since Last Report

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

Indicate by check mark whether the registrant 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 No

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 Accelerated filer

Non-accelerated filer (Do not check if smaller reporting company) Smaller reporting company

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

As of May 8, 2009 there were 32,811,257 shares of common stock, par value \$.0001 per share, issued and outstanding.

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CAPITOL ACQUISITION CORP.

FORM 10-Q

FOR THE QUARTER ENDED MARCH 31, 2009

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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, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Our forward-looking statements include, but are not limited to, statements regarding our or our management's 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, intends, may, might, plan, possible, potential, predicts, 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 our initial business combination;

Success in retaining or recruiting, or changes required in, our officers, key employees or directors following our initial business combination;

Officers and directors allocating their time to other businesses and potentially having conflicts of interest with our business or in approving our initial business combination, as a result of which they would then receive expense reimbursements;

Potential ability to obtain additional financing to complete our initial business combination;

Limited pool of prospective target businesses;

The ability of our officers and directors to generate a number of potential investment opportunities;

Potential change in control if we acquire one or more target businesses for stock;

Our public securities' potential liquidity and trading;

The delisting of our securities from the NYSE Amex or the ability to have our securities listed on the NYSE Amex following our initial business combination;

Use of proceeds not held in the trust account or available to us from interest and dividend 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 the heading Risk Factors (refer to Part II, Item 1A of the Company's December 31, 2008 Form 10-K). Should

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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 refers to Capitol Acquisition Corp. References to public stockholders refer to purchasers of our securities by persons other than our founders in, or subsequent to, our initial public offering.

Table of Contents**PART I FINANCIAL INFORMATION****CAPITOL ACQUISITION CORP.****(a development stage company)****CONDENSED BALANCE SHEETS**

	March 31, 2009 (Unaudited)	December 31, 2008
ASSETS		
Current assets		
Cash	\$ 2,572,203	\$ 2,778,143
Cash held in Trust Account, interest and dividend income available for taxes	37,443	134,385
Other assets	19,472	50,290
Total current assets	2,629,118	2,962,818
Trust Account, restricted		
Cash held in Trust Account, restricted	259,094,847	259,084,043
Prepaid income taxes	140,256	48,269
	259,235,103	259,132,312
Total assets	\$ 261,864,221	\$ 262,095,130
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable and accrued expenses	\$ 142,814	\$ 193,555
Total liabilities	142,814	193,555
Common stock, subject to possible conversion, 7,874,699 shares at conversion value	77,770,521	77,739,684
Commitments and contingencies		
Stockholders' equity		
Preferred stock, \$0.0001 par value, authorized 1,000,000 shares; none issued or outstanding		
Common stock, \$0.0001 par value; authorized 75,000,000 shares; issued and outstanding 32,811,257 (less 7,874,699 subject to possible conversion)	2,494	2,494
Additional paid-in capital	181,119,454	181,150,291
Income accumulated during development stage	2,828,938	3,009,106
Total stockholders' equity	183,950,886	184,161,891
Total liabilities and stockholders' equity	\$ 261,864,221	\$ 262,095,130

The accompanying notes are an integral part of these condensed financial statements.

Table of Contents**CAPITOL ACQUISITION CORP.****(a development stage company)****CONDENSED STATEMENTS OF OPERATIONS****(UNAUDITED)**

	For the three months ended March 31, 2009	For the three months ended March 31, 2008	For the period from June 26, 2007 (inception) through March 31, 2009
Revenue	\$	\$	\$
General and administrative expenses	320,402	284,012	1,521,007
Loss from operations	(320,402)	(284,012)	(1,521,007)
Interest and dividend income	48,247	2,234,809	5,964,689
(Loss) income before benefit from (provision for) income taxes	(272,155)	1,950,797	4,443,682
Benefit from (provision for) income taxes	91,987	(663,271)	(1,614,744)
Net (loss) income	(180,168)	1,287,526	2,828,938
Accretion of Trust Account income relating to common stock subject to possible conversion	(30,837)		(266,543)
Net (loss) income attributable to other common stockholders	\$ (211,005)	\$ 1,287,526	\$ 2,562,395
Weighted average number of common shares outstanding, excluding shares subject to possible conversion- basic and diluted	24,936,558	24,936,558	
Basic and diluted net (loss) income per share attributable to other common stockholders	\$ (.01)	\$.05	

The accompanying notes are an integral part of these condensed financial statements.

Table of Contents**CAPITOL ACQUISITION CORP.****(a development stage company)**

CONDENSED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY
FOR THE PERIOD JUNE 26, 2007 (INCEPTION) THROUGH MARCH 31, 2009
(UNAUDITED)

	Common Stock		Additional	Income	Total
	Shares	Amount	paid-in	accumulated	stockholders
			capital	during	equity
				development	
				stage	
Balance, June 26, 2007 (inception)		\$	\$		\$
Common shares issued at inception at \$0.003 per share	7,187,500	719	24,281		25,000
Sale of 25,000,000 units, net of Underwriters discount and offering expenses (includes 7,499,999 shares subject to possible conversion)	25,000,000	2,500	239,843,344		239,845,844
Exercise of Underwriters over-allotment, net of Underwriters discount and offering expenses (includes 374,700 shares subject to possible conversion)	1,249,000	125	12,021,500		12,021,625
Forfeiture of initial stockholders shares pursuant to partial exercise of underwriters over-allotment	(625,243)	(62)	62		
Proceeds subject to possible conversion of 7,874,699 shares		(788)	(77,503,190)		(77,503,978)
Proceeds from issuance of sponsors warrants, at \$1 per warrant			7,000,000		7,000,000
Net income for the period from June 26, 2007 (inception) through December 31, 2007				714,573	714,573
Balance, December 31, 2007	32,811,257	2,494	181,385,997	714,573	182,103,064
Accretion of Trust Account income relating to common stock subject to possible conversion			(235,706)		(235,706)
Net income for the year ended December 31, 2008				2,294,533	2,294,533
Balance, December 31, 2008	32,811,257	2,494	181,150,291	3,009,106	184,161,891
Accretion of Trust Account income relating to common stock subject to possible conversion			(30,837)		(30,837)
Net loss for the three months ended March 31, 2009				(180,168)	(180,168)
Balance, March 31, 2009 (Unaudited)	32,811,257	\$ 2,494	\$ 181,119,454	\$ 2,828,938	\$ 183,950,886

The accompanying notes are an integral part of these condensed financial statements.

Table of Contents**CAPITOL ACQUISITION CORP.****(a development stage company)****CONDENSED STATEMENTS OF CASH FLOWS****(UNAUDITED)**

	For the three months ended March 31, 2009	For the three months ended March 31, 2008	For the period from June 26, 2007 (inception) through March 31, 2009
Cash Flows from Operating Activities			
Net (loss) income	\$ (180,168)	\$ 1,287,526	\$ 2,828,938
Adjustments to reconcile net income to net cash provided by operating activities:			
Changes in operating assets and liabilities:			
Decrease (increase) in other assets	30,818	(104,761)	(19,472)
Increase in income taxes payable		43,271	
(Decrease) increase in accounts payable and accrued expenses	(50,741)	57,506	142,814
Net cash (used in) provided by operating activities	(200,091)	1,283,542	2,952,280
Cash Flows from Investing Activities			
Cash held in Trust Account, restricted	(102,791)		(259,235,103)
Cash held in Trust Account, interest and dividend income available for working capital and taxes	96,942	(396,060)	(37,443)
Net cash used in investing activities	(5,849)	(396,060)	(259,272,546)
Cash Flows from Financing Activities			
Gross proceeds from initial public offering			250,000,000
Gross proceeds from exercise of underwriters' over-allotment			12,490,000
Proceeds from notes payable, stockholders			95,000
Repayment of notes payable, stockholders			(95,000)
Proceeds from issuance of stock to initial stockholders			25,000
Proceeds from issuance of sponsors' warrants			7,000,000
Payment of underwriting discount and offering expenses			(10,622,531)
Net cash provided by financing activities			258,892,469
Net (decrease) increase in cash	(205,940)	887,482	2,572,203
Cash at beginning of the period	2,778,143	461,475	
Cash at end of the period	\$ 2,572,203	\$ 1,348,957	\$ 2,572,203
Supplemental Disclosure of cash flow information:			
Cash paid for income taxes	\$	\$ 620,000	\$ 1,755,000

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Supplemental Disclosure of Non-cash transactions:

Accrual for offering costs charged to additional paid in capital	\$		\$		\$	511
Accretion of trust account income relating to common stock subject to possible conversion	\$	30,837	\$		\$	266,543

The accompanying notes are an integral part of these condensed financial statements.

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CAPITOL ACQUISITION CORP.

(a development stage company)

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION, BUSINESS OPERATIONS, SIGNIFICANT ACCOUNTING POLICIES AND GOING CONCERN CONSIDERATION

These unaudited, condensed interim financial statements of Capitol Acquisition Corp. (the Company) (a development stage company) as of March 31, 2009, and for the three months ended March 31, 2009 and 2008, and for the periods from June 26, 2007 (inception) through March 31, 2009, have been prepared in accordance with accounting principles generally accepted in the United States of America, for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the interim periods presented are not necessarily indicative of the results to be expected for any other interim period or for the full year.

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements and notes thereto as of December 31, 2008, and for the period ended December 31, 2008 included in the Company s Form 10-K filed on March 16, 2009. The accounting policies used in preparing these unaudited condensed interim financial statements are consistent with those described in the December 31, 2008 financial statements.

The Company was incorporated in Delaware on June 26, 2007 as a blank check company formed for the purpose of acquiring, through a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination, one or more operating businesses or assets (a Business Combination).

The Company has selected December 31 as its fiscal year end.

On October 12, 2007, the Company declared a stock dividend of 0.25 shares of common stock for each share of outstanding common stock. All references in the accompanying financial statements to the common shares and per share amounts have been retroactively restated to reflect the stock dividend. There was no net effect on stockholders equity.

All of the Company s activity from June 26, 2007 (inception) through November 14, 2007 relates to the Company s formation and its public offering (Offering). All activity from November 14, 2007 through March 31, 2009 relates to the Company s search for an acquisition target.

Going Concern and Management s Plan and Intentions:

The only funds the Company can use in its search for an acquisition candidate are the net proceeds from the Offering that were not required to be deposited in the Trust Account (\$520,844) and the interest and dividends it has withdrawn from the Trust Account. Pursuant to its Certificate of Incorporation, if the Company is unable to consummate a timely Business Combination, the Company would have to liquidate and return the funds held in the Trust Account to the holders of shares issued in the Offering as previously described. There can be no assurance that the Company will enter into a Business Combination prior to November 8, 2009. These factors raise substantial doubt about the Company s ability to continue as a going concern. The unaudited condensed interim financial statements do not include any adjustment that might result from the outcome of these uncertainties.

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CAPITOL ACQUISITION CORP.

(a development stage company)

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION, BUSINESS OPERATIONS, SIGNIFICANT ACCOUNTING POLICIES AND GOING CONCERN CONSIDERATION (Continued)

Reclassifications:

Certain amounts in the prior quarters condensed financial statements have been reclassified to conform with the presentation in the current year condensed financial statements. These reclassifications have no effect on previously reported income.

Accretion of Trust Account relating to common stock subject to possible conversion:

The Company records accretion of the income earned in the Trust Account relating to the common stock subject to possible conversion based on the excess of the earnings for the period over the amount which is available to be used for working capital and taxes. Since 30% (less one share) of the shares issued in the Offering are subject to possible conversion, the portion of the excess earnings related to those shares are reflected on the balance sheet as part of Common stock subject to possible conversion and is deducted from Additional paid-in capital. This portion of the excess earnings is also presented as a deduction from the net income on the Statements of Operations to appropriately reflect the amount of net income which would remain available to the common stockholders who did not elect to convert their shares to cash.

Earnings (Loss) Per Share:

The Company follows the provisions of Statement of Financial Accounting Standards (SFAS) No. 128, Earnings per Share. In accordance with SFAS No. 128, earnings (loss) per common share (Basic EPS) is computed by dividing earnings (loss) by the weighted average number of common shares outstanding for the period.

Common shares subject to possible conversion of 7,874,699 have been excluded from the calculation of basic and diluted earnings per share since such shares, if converted, only participate in their pro rata shares of the trust earnings.

Earnings (loss) per common share amounts, assuming dilution (Diluted EPS), gives effect to dilutive options, warrants, and other potential common stock outstanding during the period. SFAS No. 128 requires the presentation of both Basic EPS and Diluted EPS on the face of the statements of operations. In accordance with SFAS No. 128, the Company has not considered the effect of its outstanding Warrants in the calculation of diluted earnings per share since the exercise of the Warrants is contingent upon the occurrence of future events.

Concentration of Credit Risk:

SFAS No. 105, Disclosure of Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentration of Credit Risk , requires disclosure of significant concentrations of credit risk regardless of the degree of risk. At March 31, 2009, financial instruments that potentially expose the Company to credit risk consist of cash and cash equivalents held in the trust account. The Company maintains its Trust Account cash balances in a US Treasury only money market fund at one financial institution and its working capital cash balances at another financial institution. As of March 31, 2009, the Federal Deposit Insurance Corporation insured balances in bank accounts up to \$250,000 and the Securities Investor Protection Corporation insured balances up to \$500,000 in brokerage accounts.

Recently Issued And Adopted Pronouncements:

In April 2009, the Financial Accounting Standards Board (FASB) issued FASB Staff Position No. 107-1 (FSP FAS 107-1) and APB 28-1 (APB 28-1), which amends FASB Statement No. 107, Disclosures about Fair

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(a development stage company)

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

NOTE 1 ORGANIZATION, BUSINESS OPERATIONS, SIGNIFICANT ACCOUNTING POLICIES AND GOING CONCERN CONSIDERATION (Continued)

Recently Issued And Adopted Pronouncements (continued):

Value of Financial Instruments and APB Opinion No. 28, Interim Financial Reporting, to require disclosures about the fair value of financial instruments for interim reporting periods. FSP FAS 107-1 and APB 28-1 will be effective for interim reporting periods ending after June 15, 2009. The adoption of this staff position will not have a material impact on the Company's financial position or results of operation.

In April 2009, the FASB issued FASB Staff Position No. 157-4 (FSP FAS 157-4), which provides additional guidance in accordance with FASB No. 157, Fair Value Measurements, when the volume and level of activity for the asset or liability has significantly decreased. FSP FAS 157-4 shall be effective for interim and annual reporting periods ending after June 15, 2009. The Company has not determined the impact of the adoption of this staff position.

In April 2009, the FASB issued FASB Staff Position No. 115-2 (FSP FAS 115-2) and FASB Staff Position No. 124-2 (FSP FAS 124-2), which amends the other-than-temporary impairment guidance for debt and equity securities. FSP FAS 115-2 and FSP FAS 124-2 shall be effective for interim and annual reporting periods ending after June 15, 2009. The Company has not determined the impact of the adoption of this staff position.

In April 2009, the FASB issued FASB Staff Position No. 141(R)-1 (FSP FAS 141(R)-1) which provides additional clarification on the initial recognition and measurement of assets acquired and liabilities assumed in a business combination that arise from contingencies. FSP FAS 141(R)-1 is effective for all fiscal years beginning on or after December 15, 2008. FSP FAS 141(R)-1 will have an impact on the accounting for any business acquired in the future.

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

NOTE 2 COMMITMENTS AND CONTINGENCIES

The Company entered into an agreement with the underwriters of the Offering (the Underwriting Agreement). The Underwriting Agreement required the Company to pay 3.75% of the gross proceeds of the Offering as an underwriting discount upon consummation of the Offering plus an additional 3.25% of the gross proceeds only upon consummation of a Business Combination. The Company paid an underwriting discount of 3.75% of the gross proceeds (\$9,843,375) in connection with the consummation of the Offering and has placed 3.25% of the gross proceeds (\$8,530,925) in the Trust Account. The underwriters have waived their right to receive payment of the 3.25% of the gross proceeds upon the Company's liquidation if it is unable to complete a Business Combination.

On February 7, 2008, the Company entered into two full-time consulting arrangements for services to help identify and introduce the Company to potential targets and provide assistance with due diligence, transaction structuring, and documentation for a Business Combination. The agreements provide for maximum aggregate fees of \$350,000 per year and success fees upon the closing of a Business Combination (the Closing Date) of \$400,000, plus the issuance of 5-year options to purchase a total of 75,000 shares of the Company's common stock at an exercise price equal to the closing price of the stock on the Closing Date, in all cases subject to adjustment in the event the agreements are terminated pursuant to their terms. Effective March 1, 2009, these consulting arrangements were amended to provide for aggregate monthly fees of \$43,750 (\$361,667 in total if the consulting fees are paid up to the Company's termination date of November 8, 2009).

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CAPITOL ACQUISITION CORP.

(a development stage company)

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS (Continued)

NOTE 2 COMMITMENTS AND CONTINGENCIES (Continued)

On March 9, 2009, the Company entered into a full-time consulting arrangement for services to help identify and introduce the Company to potential targets and provide assistance with due diligence, transaction structuring and documentation for a Business Combination. The agreement provides for monthly fees of \$25,000 (\$200,215 in total if the consulting fee is paid up to the Company's termination date of November 8, 2009) and a success fee upon the Closing Date of \$250,000 plus the issuance of 5-year options to purchase 50,000 shares of the Company's common stock at an exercise price equal to the closing price of the stock on the Closing Date, subject to adjustment in the event the agreement is terminated pursuant to its terms.

NOTE 3 SUBSEQUENT EVENTS

On April 2, 2009, the Company entered into an agreement to utilize certain administrative, technological and secretarial services, as well as certain limited office space as needed, and if available, in New York City for the period from April 6, 2009 through November 30, 2009. The agreement calls for monthly service fees of \$3,250 as well as a service retainer fee of \$6,500.

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

The following discussion should be read in conjunction with our unaudited Condensed Interim Financial Statements and footnotes thereto contained in this report.

Forward Looking Statements

All statements other than statements of historical fact included in this Form 10-Q including, without limitation, statements under Management's Discussion and Analysis of Financial Condition and Results of Operations regarding our financial position, business strategy and the plans and objectives of management for future operations, are forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. When used in this Form 10-Q, words such as anticipate, believe, estimate, expect, intend and similar expressions, as they relate to us or our management, identify forward looking statements. Such forward looking statements are based on the beliefs of management, as well as assumptions made by, and information currently available to, our management. Actual results could differ materially from those contemplated by the forward looking statements as a result of certain factors detailed in our filings with the Securities and Exchange Commission. All subsequent written or oral forward looking statements attributable to us or persons acting on our behalf are qualified in their entirety by this paragraph.

Overview

We are a blank check company formed under the laws of the State of Delaware on June 26, 2007 to effect a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses or assets. We intend to effect an initial Business Combination using cash from the proceeds of our completed initial public offering, including the exercise of the underwriters over-allotment option, and the private placements of the Sponsors' Warrants, our capital stock, debt or a combination of cash, stock and debt. On November 14, 2007, we completed our initial public offering of 25,000,000 units at a price of \$10.00 per unit. We received net proceeds of approximately \$239.8 million from our initial public offering. Each unit consists of one share of the Company's common stock 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 or November 8, 2008 and expiring November 8, 2012. The Company may redeem the Warrants, 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 day prior to the date on which the notice of redemption is given. In accordance with the warrant agreement relating to the Warrants sold and issued in the initial public offering, the Company is only required to use its best efforts to maintain the effectiveness of the registration statement covering the Warrants. The Company will not be obligated to deliver securities, and there are no contractual penalties for failure to deliver securities, if a registration statement is not effective at the time of exercise. Additionally, in the event that a registration is not effective at the time of exercise, the holder of such Warrant shall not be entitled to exercise such Warrant and in no event (whether in the case of a registration statement not being effective or otherwise) will the Company be required to net cash settle the warrant exercise. Consequently, the Warrants may expire unexercised and unredeemed.

We received proceeds of \$12,021,625, net of underwriting discounts of \$468,375, on December 12, 2007, as a result of the underwriters exercising their over-allotment option of 1,249,000 units.

Pursuant to subscription agreements dated October 12, 2007, certain of the Company's officers, directors and special advisors purchased from the Company, in the aggregate, 7,000,000 Sponsors' Warrants for \$7,000,000. The purchase and issuance of the Sponsors' Warrants occurred simultaneously with consummation of the initial public offering on a private placement basis. All of the proceeds we received from these purchases were placed in the Trust Account.

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Results of Operations and Known Trends or Future Events

For the three months ended March 31, 2009 and 2008, we had net (loss) income of \$(180,168) and \$1,287,526 after a benefit (provision) for income taxes of \$91,987 and \$(663,271), and for the period from June 26, 2007 (inception) through March 31, 2009, we had net income of \$2,828,938 after a provision for income taxes of \$1,614,744. We incurred operating expenses for the three months ended March 31, 2009 and 2008, and the period from June 26, 2007 (inception) through March 31, 2009, of \$320,402, \$284,012 and \$1,521,007, respectively. These costs consisted primarily of professional and consulting fees, insurance, and Delaware franchise taxes.

Our activity from June 26, 2007 (inception) through November 14, 2007 was to prepare for our initial public offering. Since November 15, 2007 our efforts have been devoted to identifying an acquisition candidate. We believe that we have sufficient funds available to complete our efforts to affect a business combination with an operating business by November 8, 2009. We are allowed to have released to us up to \$3,250,000 of the interest earned in the Trust Account (net of applicable taxes, if any) for working capital purposes during our search for an initial Business Combination. However, there is no assurance that we will be able to successfully effect a business combination. As of March 31, 2009, the entire \$3,250,000 for working capital purposes has been released to the Company.

Liquidity and Capital Resources

As of March 31, 2009, we have cash in our operating account of \$2,572,203 and an additional \$259,132,290 in our Trust Account of which \$37,443 is available for us to use for taxes. Our initial public offering and sale of Sponsors' Warrants generated net proceeds of \$258,867,469. As of March 31, 2009, \$259,094,847 are held in trust and may only be used in connection with an acquisition, or full or partial conversion of the shares issued pursuant to the offering. Since our initial public offering, our only source of income has been from interest and dividends earned on our cash accounts. Upon consummation of our initial public offering through March 27, 2008, the proceeds were invested in the Merrill Lynch Government Fund, an institutional money market mutual fund that invests all its assets in U.S. government securities, U.S. government agency securities and securities issued by U.S. government sponsored enterprises and repurchase agreements involving such securities. Since March 28, 2008, such proceeds have been invested in the Merrill Lynch Treasury Fund (Symbol: MLTXX), an institutional money market mutual fund that invests all its assets in direct obligations of the U.S. Treasury. As of March 31, 2009 the funds placed in trust are earning interest at the rate of approximately .04%. We incurred offering expenses of \$10,622,531 with regard to the offering which were charged to additional paid in capital on the balance sheet at the time of the closing of the offering. The remaining net proceeds of \$520,844 not placed in trust were available to be used to provide for due diligence on prospective business combinations and continuing general and administrative expenses. We intend to use substantially all of the net proceeds of the 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. To the extent that our capital stock is used in whole or in part as consideration to effect a Business Combination, the resulting proceeds held in the trust account as well as any other net proceeds not expended will be used to finance the operations of the target business. We believe we will have sufficient available funds outside of the trust account to operate through November 8, 2009, assuming that a business combination is not consummated during that time. We do not believe we will need to raise additional funds following this offering in order to meet the expenditures required for operating our business. However, we may need to raise additional funds through a private offering of debt or equity securities if such funds are required to consummate a business combination that is presented to us. We would only consummate such a financing simultaneously with the consummation of a business combination.

Going Concern and Management's Plan and Intentions

The only funds we can use in our search for an acquisition candidate are the net proceeds from the Offering that were not required to be deposited in the Trust Account (\$520,844) and interest and dividends we have withdrawn from the Trust Account. Pursuant to our certificate of incorporation, if we are unable to consummate a timely business combination, we would have to liquidate and return the funds held in the Trust Account to the holders of shares issued in the initial public offering as previously described. In addition, there can be no assurance that we will enter into a business combination prior to November 8, 2009. These factors raise substantial doubt about our ability to continue as a going concern. The accompanying interim financial statements do not include any adjustment that might result from the outcome of the uncertainties.

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Off-Balance Sheet Financing Arrangements

We have no obligations, assets or liabilities which would be considered off-balance sheet arrangements. We do not participate in transactions that create relationships with unconsolidated entities or financial partnerships, often referred to as variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements.

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

Contractual Obligations

We do not have any long-term debt, capital lease obligations, operating lease obligations or long-term liabilities.

Critical Accounting Policies

Our significant accounting policies are more fully described in Note 1 to the unaudited condensed interim financial statements. However certain accounting policies are particularly important to the portrayal of financial position and results of operations and require the application of significant judgments by management. As a result, the unaudited condensed interim financial statements are subject to an inherent degree of uncertainty. In applying those policies, management used its judgment to determine the appropriate assumptions to be used in determination of certain estimates. Our accounting policy will be to use estimates based on our historical experience, terms of existing contracts, observance of trends in the industry and information available from outside sources, as appropriate.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk.

As of March 31, 2009, our efforts were limited to organizational activities, activities relating to our initial public offering and the search for an acquisition candidate; we had neither engaged in any operations nor generated any revenues.

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. The proceeds held in trust are invested in the Merrill Lynch Treasury Fund (Symbol: MLTXX), an institutional money market mutual fund that invests all its assets in direct obligations of the U.S. Treasury. Thus, we are currently subject to market risk primarily through the effect of changes in interest rates on such fund and its underlying investments. At March 31, 2009, the effective annualized interest rate payable on our investment was approximately 0.04%. We do not believe that the effect of a decrease in interest rates or other changes, such as foreign exchange rates, commodity prices and/or equity prices currently pose significant market risk for us.

ITEM 4. Controls and Procedures.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in Company reports filed or submitted under the Securities Exchange Act of 1934 (the Exchange Act) is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in Company reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our chief executive officer, as appropriate to allow timely decisions regarding required disclosure.

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As required by Rules 13a-15 and 15d-15 under the Exchange Act, our chief executive officer (our principal executive and principal financial and accounting officer) carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2009. Based upon his evaluation, he concluded that our disclosure controls and procedures (as defined in Rules 13a-15 (e) and 15d-15 (e) under The Exchange Act) were effective.

Our internal control over financial reporting is a process designed by, or under the supervision of, our chief executive officer and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with generally accepted accounting principles (United States). Internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of our financial statements in accordance with generally accepted accounting principles (United States), and that our receipts and expenditures are being made only in accordance with the authorization of our board of directors and management; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

During the most recently completed fiscal quarter, there has been no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II OTHER INFORMATION

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

Use of Proceeds from the Initial Public Offering

On November 14, 2007, we closed our initial public offering of 25,000,000 Units, with each unit consisting of one share of our common stock and one warrant, each to purchase one share of our common stock at an exercise of \$7.50 per share. The Units from the public offering were sold at an offering price of \$10.00 per unit, generating total gross proceeds of \$250,000,000. Citigroup Global Markets Inc., acted as sole book-running manager and representative of the underwriters (together, the Underwriters). The securities sold in the Offering were registered under the Securities Act of 1933 on a registration statement on Form S-1 (No. 333-144834). The Securities and Exchange Commission declared the registration statement effective on November 8, 2007.

On December 7, 2007, the Underwriters exercised their over-allotment option and on December 12, 2007 we issued 1,249,000 Units at \$10 per share, grossing proceeds of \$12,490,000.

We paid a total of \$9,843,375 in underwriting discounts and \$779,156, for other costs and expenses related to the Offering and the over-allotment option.

We also consummated the simultaneous private sale of 7,000,000 Warrants at a price of \$1.00 per warrant (for an aggregate purchase price of \$7,000,000). The Warrants were purchased by Mark D. Ein, our Chief Executive Officer, Amanda Eilian, our Vice President, Raul J. Fernandez, Piyush Sodha, Richard C. Donaldson, Lawrence Calcano, each members of our board of directors and Brooke B. Coburn, Arno Penzias, Hugh Panero, Thomas E. Wheeler, Ted Leonsis, Jeong H. Kim and ZG Ventures LLC, each a special advisor to our company. These issuances were made pursuant to the exemption from registration contained in Section 4(2) of the Securities Act.

After deducting the underwriting discounts and offering expenses, proceeds from the Offering of \$258,346,625 (or approximately \$9.84 per unit sold in the initial public offering) were placed in trust.

ITEM 6. Exhibits.

(a) Exhibits:

31 Section 302 Certification by Principal Executive Officer and Principal Financial and Accounting Officer

32 Section 906 Certification by Principal Executive Officer and Principal Financial and Accounting Officer

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

CAPITOL ACQUISITION CORP.

Dated: May 11, 2009

By: /s/ Mark D. Ein
Mark D. Ein
Chief Executive Officer

(Principal Executive Officer and

Principal Financial and Accounting Officer)

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EXHIBIT INDEX

EXHIBIT NO.

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| 31 | Certification of Principal Executive Officer and Principal Financial Officer, pursuant to Rule 13a-14 and 15d-14 of the Securities Exchange Act of 1934. |
| 32 | Certification of Principal Executive Officer and Principal Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |