HD Partners Acquisition CORP
Form 10-Q
August 09, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2007

or

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

Commission file number: 001-32890

HD PARTNERS ACQUISITION CORPORATION

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**20-3893077** (I.R.S. Employer Identification No.)
2601 Ocean Park Blvd. Suite 320 **Santa Monica, California** (Address of principal executive offices)	**90405** (Zip Code)

(310) 209-8308
Registrant's telephone number, including area code

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the 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 o

Indicate by check mark whether the registrant is 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 o Accelerated filer x Non-accelerated filer o

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes x No o

As of June 30, 2007, 23,437,500 shares of the registrant’s common stock, par value $0.001 per share, were outstanding.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements can be identified by the use of forward-looking terminology, including the words "believes," "estimates," "anticipates," "expects," "intends," "plans," "may," "will," "potential," "projects," "predicts," "continue," or "should," or, in each case, their negative or other variations or comparable terminology. Such statements include, but are not limited to, any statements relating to our ability to consummate any acquisition or other business combination and any other statements that are not statements of current or historical facts. These statements are based on management's current expectations, but actual results may differ materially due to various factors, including, but not limited to, our:

- *being a development stage company with no operating history;*
- *dependence on key personnel, some of whom may join us following an initial transaction;*
- *personnel allocating their time to other businesses and potentially having conflicts of interest with our business;*
- *potentially being unable to obtain additional financing to complete an initial transaction;*
- *limited pool of prospective target businesses;*
- *securities' ownership being concentrated;*
- *potential change in control if we acquire one or more target businesses for stock;*
- *risk associated with operating in the media, entertainment or telecommunications industries;*
- *delisting of our securities from the American Stock Exchange or our inability to have our securities listed on the American Stock Exchange following a business combination;*
- *financial performance following an initial transaction; or*
- *those other risks and uncertainties detailed in the Registrant's filings with the Securities and Exchange Commission.*

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and developments in the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this Quarterly Report on Form 10-Q. In addition, even if our results or operations, financial condition and liquidity, and developments in the industry in which we operate are consistent with the forward-looking statements contained in this Quarterly Report on Form 10-Q, those results or developments may not be indicative of results or developments in subsequent periods.

These forward-looking statements are subject to numerous risks, uncertainties and assumptions about us described in our filings with the Securities and Exchange Commission. The forward-looking events we discuss in this Quarterly Report on Form 10-Q speak only as of the date of such statement and might not occur in light of these risks, uncertainties and assumptions. Except as required by applicable law, we undertake no obligation and disclaim any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Unless otherwise provided in this Quarterly Report on Form 10-Q, references to "the Company," "the Registrant," "we," "us" and "our" refer to HD Partners Acquisition Corporation.

HD PARTNERS ACQUISITION CORPORATION
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Item 1. Financial Statements

HD Partners Acquisition Corporation
(A Development Stage Company)

Condensed Balance Sheet

	June 30, 2007 (unaudited)	December 31, 2006
Assets		
Current assets:		
Cash	$ 344,091	$ 1,228,722
Investments Held in Trust	147,004,394	145,536,328
Prepaid Expenses	40,966	63,996
Prepaid income taxes	75,531	—
Total Current Assets	147,464,982	146,829,046
Deferred Tax Asset	475,971	256,314
Deferred aquisition costs	1,577,411	196,880
Total Assets	$ 149,518,364	$ 147,282,240
Liabilities And Stockholders' Equity		
Current Liabilities		
Accrued Costs	$ 656,149	$ 76,978
Income and Capital Taxes Payable	—	512,763
Accounts Payable and Accrued Expenses	28,521	64,558
Deferred Interest	910,898	485,916
Deferred Underwriter Fees	3,000,000	3,000,000
Total Liabilities	4,595,568	4,140,215
Common Stock Subject to Possible Conversion, 3,748,125 Shares At Conversion Value	27,901,042	27,901,042
Commitments		
Stockholders' Equity		
Preferred Stock, $.001 par value, 1,000,000 shares authorized; None issued or outstanding	—	—
Common Stock, $.001 par value, 60,000,000 shares authorized; 23,437,500 Shares (which Includes 3,748,125 Subject to Possible Conversion) and 4,687,500 Shares Issued and Outstanding, respectively	23,437	23,437
Additional Paid in Capital	113,190,621	113,190,621
Earnings Accumulated during the Development Stage	3,807,696	2,026,925
Total Stockholders' Equity	117,021,754	115,240,983
Total Liabilities and Stockholders' Equity	$ 149,518,364	$ 147,282,240

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

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HD Partners Acquisition Corporation
(A Development Stage Company)

Condensed Statement of Operations
Unaudited

	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006	For the period From December 6, 2005 (Inception) to June 30, 2007
Revenue	$ —	$ —	$ —	$ —	$ —
Interest Income	1,609,633	376,366	3,134,601	376,366	6,727,513
Operating Expenses					
General & Administrative	73,544	36,035	173,781	36,035	393,319
Net Income before Provision for Income Taxes	$ 1,536,089	$ 340,33140	$ 2,960,820	$ 340,331	$ 6,334,194
Provision for Income Taxes	612,510	135,492	1,180,049	135,492	2,526,498
Net Income	$ 923,579	$ 204,839	$ 1,780,771	$ 204,839	$ 3,807,696
Weighted Average Number of Common Shares Outstanding — Basic and diluted	23,437,500	9,637,500	23,437,500	7,795,235	17,625,000
Net Income Per Share - Basic and diluted	$ 0.04	$ 0.02.03	$ 0.08	$ 0.03	$ 0.22

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

HD Partners Acquisition Corporation
(A Development Stage Company)

Condensed Statement of Stockholders' Equity

Cumulative Amounts from Inception (December 6, 2005) to March 31, 2007

	Common Stock Shares		Amount		Additional Paid-in-Capital		Earnings/(Deficit) Accumulated During the Development Stage		Total
Contributions from founding stockholders - December 13, 2005 at $.005 per share	4,687,500	$	4,687	$	20,313	$	—$		25,000
Net Loss	—		—		—		(2,013)		(2,013)
Balance - December 31, 2005	4,687,500	$	4,687	$	20,313	$	(2,013)	$	22,987
Sale of Founding Director Warrants	—		—		2,250,000		—		2,250,000
Sale of 18,750,000 Units Net of Underwriter's Discount and Offering expenses (Includes 3,748,125 Shares Subject to Possible Conversion)	18,750,000		18,750		138,821,250		—		138,840,000
Proceeds Subject to Possible Conversion of 3,748,125 Shares	—		—		(27,901,042)		—		(27,901,042)
Sale of Underwriter Option	—		—		100		—		100
Net Income	—		—		—		2,028,938		2,038,938
Balance - December 31, 2006	23,437,500	$	23,437	$	113,190,621	$	2,026,925	$	115,240,983
Unaudited:									
Net Income	—		—		—		1,780,771		1,780,771
Balance - June 30, 2007	23,437,500	$	23,437	$	113,190,621	$	3,807,696	$	117,021,754

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

HD Partners Acquisition Corporation
(A Development Stage Company)

Condensed Statement of Cash Flows

Unaudited

	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006	For the period from December 6, 2005 (inception) to June 30, 2007 (cumulative)
Cash Flows From Operating Activities:			
Net Income	$ 1,780,771	$ 204,839	$ 3,807,696
Adjustments to reconcile net income to net cash used in operating activities:			
Increase in Value of Investments Held in Trust	(3,543,283)	(423,977)	(7,594,612)
Increase in Deferred Income Tax Benefit	(219,657)	(28,086)	(475,971)
Increase in Deferred Interest	424,982	50,852	910,898
Changes in Operating Assets and Liabilities:			
Increase/Decrease in Accounts Payable and Accrued Expenses	(36,037)	21,799	28,521
Increase/Decrease in Income and Capital Taxes Payable	(588,294)	163,578	(75,531)
Increase/Decrease in Prepaid Expenses	23,030	(110,571)	(40,966)
Net Cash Used in Operating Activities	(2,158,488)	(121,566)	(3,439,965)
Cash Flow from Investing Activities			
Increase/ Decrease in Other Assets	(801,360)	—	(921,261)
Investments Placed in Trust	—	(142,575,000)	(142,575,000)
Tax Payments from Trust	2,075,217	—	3,165,217
Net Cash Provided by (Used in) Investing Activities	1,273,857	(142,575,000)	(140,331,044)
Cash Flow from Financing Activities:			
Proceeds from Public Offering	—	150,000,000	150,000,000
Proceeds from Founding Director Warrant Purchase	—	2,250,000	2,250,000
Proceeds from Issuance of Underwriter Option	—	100	100
Proceeds from Sale of Common Stock	—	—	25,000
Proceeds from Notes Payable, Stockholders	—	—	225,000
Payment of Notes Payable, Stockholders	—	(225,000)	(225,000)
Payment of Offering Costs	—	(8,018,464)	(8,160,000)
Net Cash Provided by (Used in) Financing Activities	—	144,006,636	144,115,100
Net Increase/(Decrease) in Cash	(884,631)	1,310,070	344,091

				154,239		
Cash at Beginning of Period		1,228,722		—		—
Cash at end of period	$	344,091	$	1,464,309	$	344,091
Supplemental schedule of non-cash financing activities:						
Accrual of Deferred Underwriting Fees	$	—	$	3,000,000	$	3,000,000
Accrual of Other Assets	$	615,773	$	—	$	656,149
Accrual of Public Offering Costs		—	$	45,775	$	—

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

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HD Partners Acquisition Corporation
(A Development Stage Company)

Notes to Condensed Financial Statements

June 30, 2007

1. Basis of Presentation

The financial statements at June 30, 2007 and for the periods ended June 30, 2007 are unaudited. The condensed financial statements include the accounts of HD Partners Acquisition Corporation (the "Company"). In the opinion of management, all adjustments (consisting of normal accruals) have been made that are necessary to present fairly the financial position of the Company as of June 30, 2007 and the results of its operations and its cash flows for the six months ended June 30, 2007 and June 30, 2006 and for the period from December 6, 2005 (inception) through June 30, 2007 and its operations for the three months ended June 30, 2007 and 2006. Operating results for the interim period presented are not necessarily indicative of the results to be expected for a full year. The December 31, 2006 balance sheet has been derived from the audited financial statements included in the Company's 10K filed on April 2, 2007.

The statements and related notes have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations.

2. Organization, Business Operations and Significant Accounting Policies

The Company was incorporated in Delaware on December 6, 2005 as a blank check company whose objective is to acquire through a merger, capital stock exchange, asset acquisition or other similar business combination with one or more operating businesses in the media, entertainment or telecommunications industries.

On May 30, 2007, the Company issued a press release and filed an 8K with the Securities and Exchange Commission that the Company has entered into an asset purchase agreement (the "Agreement") with the National Hot Rod Association (the "NHRA") in connection with the purchase of certain professional drag racing assets of the NHRA, including the NHRA POWERade Drag Racing series, together with a broad set of rights to commercialize the NHRA brand. The agreement contemplates that the Registrant and the NHRA will enter into a series of related agreements to commercialize the NHRA brand following completion of the acquisition. Upon consummation of the transaction, assuming that the Registrant's stockholders approve the Agreement and the transactions contemplated thereunder, the acquired assets will be held in a wholly-owned subsidiary of the Registrant to be named NHRA Pro Racing. The NHRA, which will remain a non-profit 501(c)(6) corporation, will retain all its non-professional racing, safety and educational activities and continue to be the sanctioning body for all NHRA racing activities, including the NHRA POWERade Drag Racing Series.

Upon closing of the transaction, Eddy Hartenstein will serve as Chairman of NHRA Pro Racing, and Tom Compton (currently an officer of the NHRA) will assume the role of President and CEO. Robert Meyers, the Registrants' current Chief Financial Officer, will become the Chief Financial Officer of NHRA Pro Racing. Peter Clifford, currently Executive Vice President and General Manager of the NHRA, will become executive director of the NHRA, as well as a consultant to NHRA Pro Racing.

Under the terms of the Agreement, the Company will acquire:

- The NHRA POWERade Drag Racing Series and all professional NHRA drag racing assets and opportunities, including NHRA’s existing television broadcast agreement with ESPN;

- An exclusive, worldwide, perpetual license to the NHRA brand for professional drag racing activities;

- Rights to commercialize the NHRA brand, including:

· Exclusive professional racing and “Official NHRA” sponsorship and licensing rights;

· Exclusive media exploitation rights in broadcast television, home entertainment and new media;

· Exclusive merchandising rights relating to both professional racing and the stand-alone NHRA brand;

· Four NHRA-owned race tracks, an additional long-term track lease in Pomona, California and the NHRA headquarters building in Glendora, California; and

· A video and photo archive chronicling the history of drag racing, consisting of more than 20,000 hours of video and film and a photo archive.

Pursuant to Agreement, the Registrant has agreed to pay the NHRA an aggregate purchase price of between approximately $121,000,000 and $123,400,000 (including $100,000,000 in cash, assumption of certain liabilities in the amount of $11,500,000 and shares of common stock of the Registrant with a value of $9,500,000). The $100,000,000 in cash to be paid as a portion of the acquisition consideration will only be subject to adjustment in certain circumstances described in the Agreement. In addition, the $100,000,000 will be increased by the amount of capital expenditures incurred by the NHRA for the Gainesville race track (which it is also purchasing) up to a maximum of $2,400,000.

Upon completion of the Acquisition pursuant to the terms of our amended and restated certificate of incorporation, our shareholders will continue to own their shares of our common stock, warrants and units.

The closing of the asset purchase and related transactions are subject to stockholder approval, regulatory clearances and other customary closing conditions.

The Company is considered to be in the development stage and is subject to the risks associated with activities of development stage companies.

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

The Company’s ability to commence operation was contingent upon obtaining adequate financial resources through a proposed public offering (“Offering”) which was declared effective June 1, 2006 and is discussed in Note 3. The Company consummated the Offering on June 7, 2006, and preceding the consummation of the Offering on June 1, 2006 certain officers, directors, and Initial Stockholders (as defined below) of the Company purchased an aggregate of 2,250,000 warrants at $1.00 per warrant from the Company in a private placement (the “Private Placement”). The warrants sold in the Private Placement were identical to the warrants sold in the Offering, but the purchasers in the Private Placement have waived their rights to receive any distribution on liquidation in the event the Company does not complete a Business Combination (as described below). The Company received net proceeds from the Private Placement and the Offering of approximately $141,090,000 (Note 3).

There is no assurance that the Company will be able to effect the proposed Business Combination with the NHRA or any other Business Combination. Upon the closing of the Offering, $142,575,000 (including $3,000,000 of deferred underwriter fees) was placed in a trust account ("Trust Account") and commencing June 7, 2006, was invested in government securities until the earlier of: (i) the consummation of its first Business Combination or (ii) the distribution of the Trust Account as described below. The placing of funds in the Trust Account may not protect those funds from third party claims against the Company. Although the Company has sought, and will continue to seek, to have all vendors, prospective target businesses or other entities it engages, execute agreements with the Company waiving any right, title, interest or claim of any kind in or to any monies held in the Trust Account, there is no guarantee that they will execute such agreements. All of the Company's executive officers have severally agreed that they will be personally liable under certain circumstances to ensure that the proceeds in the Trust Account are not reduced by the claims of target businesses or vendors or other entities that are owed money by the Company for services rendered, contracted for or products sold to the Company. However, there can be no assurance that the executive officers will be able to satisfy those obligations. The remaining proceeds (not held in the Trust Account) may be used to pay for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses. The Company's first business combination must be with a business with a fair market value of at least 80% of the Company's net asset value at the time of the acquisition. 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 issued in the Offering vote against the Business Combination and exercise their conversion rights described below, the Business Combination will not be consummated. All of the Company's stockholders prior to the Offering, including all of the officers and directors of the Company ("Initial Stockholders"), have agreed to vote their 4,687,500 founding 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. Further, the Initial Stockholders have agreed to vote any shares of common stock acquired by them in connection with or following the Offering in favor of any Business Combination. After consummation of a Business Combination, these voting safeguards will no longer be applicable.

With respect to a Business Combination which is approved and consummated, any Public Stockholder who voted against the Business Combination may demand that the Company convert his or her shares. The per share conversion price will equal the amount in the Trust Account, less applicable state and federal taxes payable, and less cash held in trust for the underwriter, calculated as of two business days prior to the consummation of the proposed Business Combination, divided by the number of shares of common stock sold in the Offering. Accordingly, Public Stockholders holding 19.99% of the aggregate number of shares owned by all Public Stockholders 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 held by Initial Stockholders. Accordingly, a portion of the net proceeds from the Public Offering (19.99% of the amount held in the Trust Fund, excluding cash held in trust from the underwriter), has been classified as common stock subject to possible conversion on the accompanying balance sheet and 19.99% of the investment income on the Trust Account (net of applicable state and federal taxes) has been recorded as deferred interest on the accompanying June 30, 2007 balance sheet. In addition, such stockholders would also be entitled to a portion of the deferred portion of the underwriter's discount (see Note 4).

The Company's Amended and Restated Certificate of Incorporation provides for 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 Offering (December 7, 2007), or 24 months from the consummation of the Offering if certain extension criteria have been satisfied. This factor raises substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements are prepared assuming the Company will continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. 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 Offering price per share in the Offering (assuming no value is attributed to the Warrants contained in the Units sold in the Offering discussed in Note 3).

On December 29, 2006, the Company entered into a Warrant Clarification Agreement to clarify the terms of the Warrant Agreement dated as of June 7, 2006 by and between the Company and American Stock Transfer & Trust Company, as Warrant Agent.

Net Income Per Common Share
Basic earnings per share is computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share gives effect to dilutive options, warrants, and other potential common stock outstanding during the period. The effect of the 21,000,000 outstanding warrants (including 2,250,000 founding director warrants), issued in connection with the Offering described in Note 3 has not been considered in the diluted net income per share since the warrants are contingently exercisable. The effect of the 1,875,000 Units included in the underwriters purchase option, described in Note 3, along with the warrants underlying such Units, has not been considered in the diluted earnings per share calculation, since the market price of the stock was less than the exercise price during the period.

Recent Accounting Pronouncements
In July 2006, the Financial Accounting Standards Board ("FASB") issued 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 positions. 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. It also provides guidance on the recognition, measurement and classification of income tax uncertainties, along with any related interest and penalties. Previously recorded income tax benefits that no longer meet this standard are required to be charged to earnings in the period that such determination is made. FIN 48 also requires significant additional disclosures. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006. The adoption of FIN 48 did not have a material effect on the Company's financial condition or results of operations. The tax years 2005 and 2006 remain open to examination by the major taxing jurisdictions to which we are subject.

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.

3. Initial Public Offering

On June 7, 2006, the Company sold 18,750,000 units ("Units") in the Offering at a price of $8.00 per Unit. Each Unit consists of one share of the Company's common stock, $.001 par value, and one Redeemable Common Stock Purchase Warrant ("Warrants"). Each Warrant entitles the holder to purchase from the Company one share of common stock at an exercise price of $5.50 commencing the later of the completion of a Business Combination or one year from June 1, 2006, the effective date of the Offering and expiring June 1, 2010, four years from the effective date of the Offering. The Company may redeem the Warrants at a price of $.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 11.50 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 was informed by Morgan Joseph & Co. Inc., the representative of the underwriters of the Offering, that holders of the Company's units would be able to separately trade the common stock and warrants included in such units commencing August 1, 2006 and that trading in the units would continue under the symbol HDP.U. The common stock and warrants are quoted on the American Stock Exchange under the symbols HDP and HDP.WS, respectively.

In addition, the Company granted the Underwriters of the Offering an option exercisable not later than 45 days after the sale of the Units, to purchase up to 2,812,500 additional Units to cover over-allotments. Such option was not exercised and has expired.

In connection with the Offering, the Company agreed to pay the underwriters an underwriting discount of 7.0% of the gross proceeds of the Offering ($10,500,000). The underwriters have agreed to defer payment of two percent (2%) of the gross proceeds ($3,000,000) until completion of a Business Combination. Until a Business Combination is complete, these funds will be held in the Trust Account. If the Company does not complete a Business Combination then the 2% deferred fee will become part of the funds returned to the Company's Public Stockholders from the Trust Account upon its liquidation as part of any plan of dissolution and distribution approved by the Company's stockholders.

Preceding the consummation of the Offering on June 7, 2006, certain of the Initial Stockholders purchased 2,250,000 warrants at a purchase price of $1.00 per warrant in a Private Placement. The proceeds of $2,250,000 were deposited into the Trust Account, and such stockholders will not have any claim on this amount if the Trust Account is liquidated.

The Initial Stockholders are entitled to registration rights with respect to their founding shares pursuant to an agreement signed on June 7, 2006. The holders of the majority of these shares are entitled to make up to two demands that the Company register these shares. The holders of the majority of these shares can elect to exercise these registration rights at any time after the date on which these shares of common stock are released from escrow. The holders of the founding director warrants are also entitled to require us to register the resale of the shares of common stock underlying the founding director warrants when such warrants become exercisable by their terms. In addition, these stockholders have certain "piggy-back" registration rights on registration statements filed subsequent to the date on which these shares of common stock are released from escrow.

In connection with the Offering, the Company issued an option, for $100, to Morgan Joseph & Co. Inc., the representative of the underwriters, to purchase 1,875,000 Units at an exercise price of $10.00 per Unit. The Units issuable upon exercise of this option are identical to those offered by the Company in the Offering, except that the warrants included in the option have an exercise price of $6.875 (125% of the exercise price of the warrants included in the Units sold in the Offering). In lieu of paying the exercise price of $10.00 per unit, the option may be converted into Units (i.e., a cashless exercise) to the extent that the market value of the Units at the time of conversion exceeds the exercise price of the option. The option may be exercised or converted by the option holder. The purchase option and the underlying securities have been registered under the registration statement covering the Offering. On December 28, 2006, the Company and Morgan Joseph & Co. Inc. entered into an amendment to this purchase option.

The sale of the option has been accounted for as an equity transaction. Accordingly, there is no net impact on the Company's financial position or results of operations, except for recording the $100 proceeds from the sale. The Company determined, based on a Black-Scholes model, that the fair value of the option on the date of sale was approximately $9,881,250, using an expected life of five years, volatility of 84.6% and a risk free interest rate of 4.83%.

The volatility calculation of 84.6% was based on the average of the 25 smallest media/communications companies in the Russell 2000 Index during the period from April 5, 2001 through April 4, 2006. Because the Company did not have a trading history, the Company needed to estimate the potential volatility of its unit price, which depended on a number of factors which could not be ascertained at that time. The Company used the 25 smallest media/communications companies in the Russell 2000 Index because its management believed that the volatility of these companies was a reasonable benchmark to use in estimating the expected volatility for the Company's Units. Although an expected life of five years was taken into account for the purposes of assigning a fair value to the option, if the Company does not consummate a Business Combination within the prescribed time period and liquidate the Trust Account as part of any plan of dissolution and liquidation approved by the Company's stockholders, the option will become worthless.

Although the purchase option and its underlying securities have been registered under the registration statement, the purchase option grants to holders demand and "piggyback" rights for periods of five and seven years, respectively, from June 7, 2006 with respect to the registration under the Securities Act of 1933 of the securities directly and indirectly issuable upon exercise of the purchase option. The Company will bear all fees and expenses attendant to registering the securities, other than underwriting commissions which will be paid for by the holders themselves. The exercise price and number of units issuable upon exercise of the purchase option may be adjusted in certain circumstances including in the event of a stock dividend, or our recapitalization, merger or consolidation. However, the purchase option will not be adjusted for issuance of common stock at a price below its exercise price.

5. Commitments and Related Party Transactions

The Company utilizes certain limited administrative, technology and secretarial services, as well as certain limited office space provided by an affiliate of one of the Initial Stockholders. Such affiliate has agreed that, until the acquisition of a target business by the Company, it will make such services available to the Company, as may be required by the Company from time to time. The Company has agreed to pay such affiliate up to $7,500 per month for such services commencing on June 1, 2006, the effective date of the Offering. At this time, we are paying such affiliate $1,000 per month for such services. The Statement of Operations includes $3,000 and $6,000 for the three and six months ended June 30, 2007, respectively, $1,000 for the three and six months ended June 30, 2006 and $13,000 for the period from Inception (December 6, 2005) to June 30, 2007.

In addition, the Company agreed to pay to Morgan Joseph & Co., Inc. serving as the underwriting syndicate's representative, seven percent (7%) of the gross proceeds of the Offering (the "Underwriters' Discount"). Five percent (5%) of the gross proceeds ($7,500,000) was paid upon the closing of the Company's Offering. Morgan Joseph & Co., Inc. has agreed to defer payment of the remaining two percent (2%) of the gross proceeds ($3,000,000) until completion of a Business Combination. Until a Business Combination is complete, these funds will be held in the Trust Account. If the Company does not complete a Business Combination, then the 2% deferred fee will become part of the funds returned to the Company's Public Stockholders from the Trust Account upon its liquidation as part of any plan of dissolution and distribution approved by the Company's stockholders.

6. Preferred Stock

The Company is authorized to issue 1,000,000 shares of preferred stock with such designations, voting and other rights and preferences as may be determined from time to time by the Board of Directors.

7. Common Stock

In April 2006, the Company effected a .25 for 1 stock split in the form of a dividend. In May 2006, the Company effected a .5 for 1 stock split in the form of a dividend. All share numbers herein reflect these adjustments.

In addition, in April 2006 the Company approved an amendment and restatement of its Certificate of Incorporation whereby the number of authorized shares of common stock was decreased from 100,000,000 to 40,000,000. An additional amendment and restatement of the Company's Certificate of Incorporation was approved in May 2006 whereby the number of authorized shares of common stock was increased from 40,000,000 to 60,000,000. All share numbers herein reflect these changes.

8. Line of Credit

In connection with the Offering, in May 2006 the Company entered into a limited recourse revolving line of credit with Messrs. Hartenstein, Meyers, Lederman, Chapman and Cox, under which it may have up to $750,000 outstanding borrowings at any time. The revolving line of credit will terminate upon the earlier of the completion of a Business Combination, or the completion of any plan of dissolution and distribution of the Company approved by the Company's stockholders, which would include the liquidation of the Trust Account. The revolving line of credit will bear no interest and will have no recourse against the funds in the Trust Account, which funds will be distributed to the Public Stockholders if the Company does not consummate a Business Combination within the requisite time periods. It is likely that the Company will use a portion or all of the borrowings under the limited recourse revolving line of credit to fund expenses related to closing the proposed transaction described in Note 2 , such as, legal, accounting or regulatory fees. In the event the Company were ultimately required to forfeit any remaining funds (whether as a result of our breach of the agreement relating to such payment or otherwise), it may not have a sufficient amount of working capital available to pay the expenses related to closing the Business Combination described in Note 2 without securing additional financing. If it were unable to secure additional financing, it would most likely fail to consummate a Business Combination in the allotted time and would be forced to liquidate the Trust Account as part of any plan of dissolution and distribution approved by the Company's stockholders. There is no amount of the line of credit outstanding at June 30, 2007.

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our financial statements and the related notes and schedules thereto contained in this Quarterly Report on Form 10-Q, the Company's audited financial statements and notes thereto included in our Final Prospectus filed with the SEC on June 2, 2006, our Form 8-K filed with the SEC on June 7, 2006 and our audited financial statements and notes thereto included in our Form 10K filed with the SEC on April 2, 2007.

We were formed on December 6, 2005, for the purpose of acquiring, through a merger, capital stock exchange, asset acquisition or other similar Business Combination, an operating business in the media, entertainment or telecommunications industries. Our initial Business Combination must be with a target business whose fair market value is at least equal to 80% of our net assets (excluding the deferred non-accountable expense allowance of the underwriters held in the Trust Account) at the time of such acquisition. We intend to use cash derived from the proceeds of our Offering and concurrent Private Placement, our capital stock, debt or a combination of cash, capital stock and debt, to effect such Business Combination.

Since our Offering and up until the Agreement with the NHRA, we have been actively searching for a suitable Business Combination candidate. We have met with service professionals and other intermediaries to discuss our company, the background of our management and our combination preferences. In the course of these discussions, we have also spent time explaining the capital structure of the Offering, the combination approval process and the timeline within which we must either enter into a letter of intent or definitive agreement for a Business Combination, or return the proceeds of the Offering held in the Trust Account to investors. Consistent with the disclosures in our prospectus, we have focused our search on companies in the media/ entertainment and telecommunications industries, which include but are not limited content distribution (satellite, wireless and terrestrial), media portability products and services, services related to motion picture exhibition, live event entertainment and venue management, interactive television products and services, customer-premise equipment manufacturers, advertising products and services, content production and aggregation services, internet service providers, broadband network operators, internet related equipment, software and services, in-home equipment installation and repair services and direct marketing and call centers services.

On May 30, 2007, the Company issued a press release and filed a Current Report on Form 8-K with the Securities and Exchange Commission that the Company has entered into an asset purchase agreement (the "Agreement") with the National Hot Rod Association (the "NHRA") in connection with the purchase of certain professional drag racing assets of the NHRA, including the NHRA POWERade Drag Racing series, together with a broad set of rights to commercialize the NHRA brand. The agreement contemplates that the Registrant and the NHRA will enter into a series of related agreements to commercialize the NHRA brand following completion of the acquisition. Upon consummation of the transaction, assuming that the Registrant's stockholders approve the Agreement and the transactions contemplated thereunder, the acquired assets will be held in a wholly-owned subsidiary of the Registrant to be named NHRA Pro Racing. The NHRA, which will remain a non-profit 501(c)(6) corporation, will retain all its non-professional racing, safety and educational activities and continue to be the sanctioning body for all NHRA racing activities, including the NHRA POWERade Drag Racing Series.

Upon closing of the transaction, Eddy Hartenstein will serve as Chairman of NHRA Pro Racing, and Tom Compton (currently an officer of the NHRA) will assume the role of President and CEO. Robert Meyers, the Registrants' current Chief Financial Officer, will become the Chief Financial Officer of NHRA Pro Racing. Peter Clifford, currently Executive Vice President and General Manager of the NHRA, will become executive director of the NHRA, as well as a consultant to NHRA Pro Racing.

Under the terms of the Agreement, the Company will acquire:

- The NHRA POWERade Drag Racing Series and all professional NHRA drag racing assets and opportunities, including NHRA's existing television broadcast agreement with ESPN;

- An exclusive, worldwide, perpetual license to the NHRA brand for professional drag racing activities;

- Rights to commercialize the NHRA brand, including:

· Exclusive professional racing and "Official NHRA" sponsorship and licensing rights;

· Exclusive media exploitation rights in broadcast television, home entertainment and new media;

· Exclusive merchandising rights relating to both professional racing and the stand-alone NHRA brand;

· Four NHRA-owned race tracks, an additional long-term track lease in Pomona, California and the NHRA headquarters building in Glendora, California; and

· A video and photo archive chronicling the history of drag racing, consisting of more than 20,000 hours of video and film and a photo archive.

The NHRA will receive aggregate consideration of between approximately $121,000,000 and $123,400,000 consisting of the following:

(i) an aggregate of 1,256,447 shares of the Registrant's common stock;

(ii) approximately $100,000,000 in cash, increased by the amount of approved capital expenditures (the "Capital Expenditure Balance") incurred by the NHRA for the Gainesville race track (which HDP is also purchasing) up to a maximum of $2,400,000; and

(iii) the assumption of approximately $11,500,000 of existing NHRA loans (the "Seller Loan Balance").

The $100,000,000 in cash to be paid as a portion of the acquisition consideration will be subject to adjustment (A) to the extent that the Seller Loan Balance is greater than $11,500,000 (in which case the cash paid will decrease) or is less than $11,500,000 (in which case the cash paid will increase) and (B) by the amount of the Capital Expenditure Balance.

Upon completion of the Acquisition pursuant to the terms of our amended and restated certificate of incorporation, our shareholders will continue to own their shares of our common stock, warrants and units.

The closing of the asset purchase and related transactions are subject to stockholder approval, regulatory clearances and other customary closing conditions.

For a more complete discussion of NHRA and our proposed business combination with NHRA, including the risks applicable to the proposed merger, see our Current Reports on Form 8-K dated May 30, 2007 and June 5, 2007 and our Preliminary Proxy Statement filed with the SEC on July 17, 2007.

We expect that the merger will be consummated by December 31, 2007, after the required approval by our stockholders. However, as previously described, if we do not complete a business combination by June 6, 2008, we will be forced to dissolve and liquidate.

Due to regulatory and shareholder approvals as well as the closing conditions associated with the transaction, we cannot assure investors that we will consummate the Business Combination in the allotted time.

While we have entered into an asset purchase agreement, we are not presently engaged in, and will not engage in, any substantive commercial business until we consummate the transaction. We intend to utilize cash derived from the proceeds of our Offering in effecting the transaction.

RESULTS OF OPERATIONS

Until the announcement on May 30, 2007, that the Company had entered into an asset purchase agreement with the National Hot Rod Association, our efforts had been primarily organizational activities, activities relating to our Offering and active searching for and negotiating with a target company to do a business combination. As of June 30, 2007, we have neither engaged in any operations nor generated any revenues to date. Beginning June 7, 2006 (the date of the consummation of our Offering) until our consummation of a Business Combination, we expect interest earned on the Offering proceeds held in our Trust Account to be our primary source of income.

Net income for the three months ended June 30, 2007 was $923,579 which consisted of $1,609,633 in interest income partially offset by $612,510 in income taxes and $73,544 in expenses consisting of $18,060 for D&O and other insurance, $4,125 for AMEX recurring listing fees, $11,147 for legal fees, $24,000 for Delaware franchise taxes, $3,000 paid to Value Investments LLC, an affiliate of Bruce Lederman, our Executive Vice President and Secretary, for our office space and other general and administrative services, $3,000 for Trust Account administration, $4,188 for audit, $625 for accounting support, $2,070 for printing and SEC filings, $2,105 for telephone and $1,224 for other expenses. Funds from the Trust Account are used pay any taxes resulting from interest accrued on the funds held in the Trust Account. $1,500,912 of estimated Delaware Franchise tax and federal and state taxes were paid from Trust Account funds in the quarter.

Net income for the six months ended June 30, 2007 was $1,780,771 which consisted of $3,134,600 in interest income partially offset by $1,180,049 in income taxes and $173,780 in expenses consisting of $35,280 for D&O and other insurance, $12,250 for AMEX recurring listing fees, $29,897 for legal fees, $182 for travel expenditures, $48,000 for Delaware franchise taxes, $6,000 paid to Value Investments LLC, an affiliate of Bruce Lederman, our Executive Vice President and Secretary, for our office space and other general and administrative services, $6,000 for Trust Account administration, $21,188 for audit, $1,505 for accounting support, $9,335 for printing and SEC filings, $3,364 for telephone and $779 for other expenses. Funds from the Trust Account are used pay any taxes resulting from interest accrued on the funds held in the Trust Account. $2,075,217 of estimated Delaware Franchise tax and federal and state taxes were paid from Trust Account funds during the period January 1, 2007 to June 30, 2007.

Net income for the cumulative period from inception (December 6, 2005) to June 30, 2007 was $3,807,696 which consisted of $6,727,513 in interest income partially offset by $2,526,498 in income taxes and $393,319 in expenses consisting of $76,284 for D&O and other insurance, $1,000 for organization expenses, $26,583 for AMEX recurring listing fees, $72,084 for legal fees, $9,507 for travel expenditures, $110,527 for Delaware franchise taxes, $13,000 paid to Value Investments LLC, an affiliate of Bruce Lederman, our Executive Vice President and Secretary, for our office space and other general and administrative services, $13,000 for Trust Account administration, $33,746 for audit and tax preparation, $9,565 for accounting support, $14,965 for printing and SEC filings, $6,979 for telephone and $6,079 for other expenses. Funds from the Trust Account are used pay any taxes resulting from interest accrued on the funds held in the Trust Account. $3,165,217 of estimated federal and state taxes have been paid from Trust Account funds from inception to June 30, 2007.

The net proceeds to us from the sale of our Units, after deducting offering expenses of approximately $660,000 and underwriting discounts of approximately $10,500,000 (including $3,000,000 placed in the Trust Account representing a deferred underwriters' discount) was $141,090,000. Including the underwriter's discount of $3,000,000 held in the Trust Account, there was a total of $142,575,000 placed in the Trust Account upon closing of the Offering. The remaining proceeds of approximately $1,515,000 became available to be used to provide for business, legal and accounting due diligence on prospective transactions and continuing general and administrative expenses. To the extent that our capital stock is used in whole or in part as consideration to effect an initial transaction, the proceeds held in the Trust Account (excluding the amount held in the Trust Account representing a portion of the underwriters' discount) as well as any other net proceeds not expended will be used to finance the operations of the target. At June 30, 2007, we had cash outside of the Trust Account of $344,091, investments held in the Trust Account of $147,004,394, prepaid expenses of $40,966, other assets of $2,053,382 and total liabilities of $4,520,037. We believe that the funds available to us outside of the Trust Account plus the limited recourse revolving line of credit with certain of our officers and directors will be sufficient to allow us to operate until May 31, 2008, assuming that an initial transaction is not consummated during that time. Of the funds held outside of the Trust Account totaling $344,091 as of June 30, 2007, we anticipate using these funds to cover legal and accounting fees, other expenses attendant to the due diligence investigations, structuring and negotiating of an initial transaction, and administrative expenses incurred prior to completing an initial transaction. In addition, in connection with the Offering, in May 2006 the Company entered into a limited recourse revolving line of credit with Messrs. Hartenstein, Meyers, Lederman, Chapman and Cox, under which it may have up to $750,000 outstanding borrowings at any time. The revolving line of credit will terminate upon the earlier of the completion of a Business Combination, or the completion of any plan of dissolution and distribution of the Company approved by the Company's stockholders, which would include the liquidation of the Trust Account. The revolving line of credit will bear no interest and will have no recourse against the funds in the Trust Account, which funds will be distributed to the Public Stockholders if the Company does not consummate a Business Combination within the requisite time periods. It is anticipated that additional costs related to closing the transaction described in Note 2 not covered by the funds held outside of trust will be covered by borrowings against the line of credit. In the event the Company were ultimately required to forfeit any remaining funds (whether as a result of our breach of the agreement relating to such payment or otherwise), it may not have a sufficient amount of working capital available outside of the Trust Account to pay expenses related to closing the Business Combination referred to in Note 2 without securing additional financing. If it were unable to secure additional financing, it would most likely fail to consummate a Business Combination in the allotted time and would be forced to liquidate the Trust Account as part of any plan of dissolution and distribution approved by the Company's stockholders.

In addition, we may need to raise additional funds through a private offering of debt or equity securities if such funds are required to consummate an initial transaction that is presented to us. Subject to compliance with applicable securities laws, we would only consummate such a fund-raising simultaneously with the consummation of an initial transaction.

We currently pay Value Investments LLC, an entity affiliated with Bruce Lederman, our Executive Vice President and Secretary, an aggregate fee of $1,000 per month which includes the cost of the office space and the cost of other general and administrative services provided to us by Value Investments LLC.

CHANGES IN FINANCIAL CONDITION

Liquidity and Capital Resources

On June 1, 2006 we entered into an agreement with certain of our Initial Stockholders for the sale of 2,250,000 warrants in Private Placement. Each warrant entitles the holder to purchase from us one share of our common stock at an exercise price of $5.50. The warrants were sold at a price of $1.00 per warrant, generating net proceeds of $2,250,000.

On June 7, 2006 we consummated our Offering of 18,750,000 Units. Each unit consists of one share of common stock and one warrant. Each warrant entitles the holder to purchase from us one share of our common stock at an exercise price of $5.50. The net proceeds we received from the Private Placement and the sale of our Units, after deducting certain offering expenses of approximately $660,000 and undeferred underwriting discounts of $7,500,000, were approximately $144,090,000 of which $142,575,000 is being held in a Trust Account at JP Morgan Chase Bank, N.A. maintained by American Stock Transfer & Trust Company, as trustee. Included in the $142,575,000 held in trust is $3,000,000 of deferred underwriter discounts, which the underwriters have agreed to defer until the consummation of a Business Combination and to forfeit if we do not consummate a Business Combination.

We had available to the Company, at closing, approximately $1,515,000 of funds not held in trust from the Offering after paying certain offering expenses and underwriter discounts. In addition, the Company has available a $750,000 limited recourse revolving line of credit with certain of our officers and directors. We do not believe we will need to raise additional funds in order to meet the expenditures required to consummate a Business Combination before May 31, 2008.

Over this time period, June 1, 2006 to May 31, 2008, we currently anticipate incurring expenses for the following purposes:

· legal, accounting and other expenses attendant to due diligence investigations, structuring, negotiation and completion of a Business Combination;

· due diligence of prospective target businesses;

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

· administrative fees (up to $7,500 per month for 24 months);

· working capital, director and officer liability insurance premiums and reserves (including potential deposits, down payments or funding of a “no-shop” provision in connection with a particular Business Combination and dissolution obligations and reserves, if any).

Commencing on June 1, 2006 and ending upon the acquisition of a target business, we began incurring a fee of $1,000 per month for office space and certain administrative services from Value Investments, LLC, an affiliate of Bruce Lederman, our Executive Vice President and Secretary. In addition, in 2005, Messrs. Hartenstein, Cox, Meyers, Chapman and Lederman advanced to us an aggregate of $225,000 for payment of offering expenses on our behalf. These advances were repaid on June 8, 2006 from the proceeds of the Offering that were allocated to pay offering expenses.

We may use all or substantially all of the proceeds held in trust other than the deferred portion of the underwriter's fee to acquire one or more target businesses. We may not use all of the proceeds held in the Trust Account in connection with a Business Combination, either because the consideration for the Business Combination is less than the proceeds in trust or because we finance a portion of the consideration with capital stock or debt securities that we can issue. In that event, the 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 or businesses. The operating businesses that we acquire in such Business Combination must have, individually or collectively, a fair market value equal to at least 80% of the balance in the Trust Account (excluding deferred underwriter's fee of $3,000,000) at the time of such acquisition. If we consummate multiple Business Combinations that collectively have a fair market value of at least 80% of our net assets, then we would require that such transactions are consummated simultaneously.

If we had been unable to find a suitable target business by December 6, 2007 or if we are unable to consummate the proposed business combination described in Note 2 by June 6, 2008, we will be forced to liquidate. If we are forced to liquidate, the per share liquidation amount may be less than the initial per unit Offering price because of the underwriting commissions and expenses related to our Offering, the cost of our dissolution and distribution, and because of the value of the warrants in the per unit offering price. Additionally, if third parties make claims against us, the Offering proceeds held in the Trust Account could be subject to those claims, resulting in a further reduction to the per share liquidation price. Under Delaware law, our stockholders who have received distributions from us may be held liable for claims by third parties to the extent such claims are not been paid by us. Furthermore, our warrants will expire worthless if we liquidate before the completion of a Business Combination.

Off-Balance Sheet Arrangements

Options and warrants issued in conjunction with our Offering are equity linked derivatives and accordingly represent off-balance sheet arrangements. The options and warrants meet the scope exception in paragraph 11(a) of FAS 133 and are accordingly not accounted for as derivatives for purposes of FAS 133, but instead are accounted for as equity. For a more complete discussion of the treatment of the underwriter's purchase option and the warrants, see footnotes 2 and 3 to the financial statements.

On December 29, 2006, the Company entered into a Warrant Clarification Agreement to clarify the terms of the Warrant Agreement dated as of June 7, 2006 (the "Warrant Agreement") by and between the Company and American Stock Transfer & Trust Company, as Warrant Agent. On December 28, 2006, the Company and Morgan Joseph & Co. Inc. entered into an amendment to the Unit Purchase Option issued in connection with the June 2006 initial public offering of the Company. Each of the Warrant Clarification Agreement and the amendment to the Unit Purchase Option clarify that (i) if a registration statement covering the securities issuable upon the exercise of a warrant or the Unit Purchase Option was not effective at the time a holder desired to exercise the instrument, then the warrant or Unit Purchase Option could expire unexercised, and (ii) in no event would the Company be obligated to pay cash or other consideration to the holders of the warrants or the Unit Purchase Option or "net-cash settle" the obligations of the Company under either of the agreements.

In connection with the Offering, in May 2006 the Company entered into a limited recourse revolving line of credit with Messrs. Hartenstein, Meyers, Lederman, Chapman and Cox, under which it may have up to $750,000 outstanding borrowings at any time. The revolving line of credit will terminate upon the earlier of the completion of a Business Combination, or the completion of any plan of dissolution and distribution of the Company approved by the Company's stockholders, which would include the liquidation of the Trust Account. The revolving line of credit will bear no interest and will have no recourse against the funds in the Trust Account, which funds will be distributed to the Public Stockholders if the Company does not consummate a Business Combination within the requisite time periods. It is possible that the Company could use a portion of the borrowings under the limited recourse revolving line of credit to make a deposit, down payment or fund a "no-shop" provision with respect to a particular proposed Business Combination. In the event the Company were ultimately required to forfeit such funds (whether as a result of our breach of the agreement relating to such payment or otherwise), it may not have a sufficient amount of working capital available outside of the Trust Account to pay expenses related to finding a suitable Business Combination without securing additional financing. If it were unable to secure additional financing, it would most likely fail to consummate a Business Combination in the allotted time and would be forced to liquidate the Trust Account as part of any plan of dissolution and distribution approved by the Company's stockholders. At this time, none of the line of credit has been exercised.

Other than the line of credit mentioned above and contractual obligations incurred in the normal course of business, we do not have any off-balance sheet financing arrangements or liabilities, guarantee contracts, retained or contingent interests in transferred assets or any obligation arising out of a material variable interest in an unconsolidated entity. The securities held in the Trust Account are in the name of HD Partners Acquisition Corporation.

Contractual Obligations

In connection with our Offering, Morgan Joseph & Co., Inc. has agreed to defer payment of the remaining two percent (2%) of the gross proceeds ($3,000,000) until completion of a Business Combination. Until a Business Combination is complete, these funds will remain in the Trust Account. If the Company does not complete a Business Combination then the 2% deferred fee will become part of the funds returned to the Company's Public Stockholders from the Trust Account upon its liquidation as part of any plan of dissolution and distribution approved by the Company's stockholders.

The Company has also entered into an engagement agreement with Morgan Joseph & Co. Inc. whereby Morgan Joseph & Co. Inc. will provide financial advisory and investment banking services to the Company. In the event the Company consummates a business combination it will be obligated to pay to Morgan Joseph & Co. Inc. an aggregate fee of $300,000 ($50,000 of which has already been paid in the form of a non-refundable deposit) plus reimbursement of Morgan Joseph & Co. Inc.'s out of pocket expenses.

Other than contractual obligations incurred in the ordinary course of business, we do not have any other long-term contractual obligations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Market risk is a broad term for the risk of economic loss due to adverse changes in the fair value of a financial instrument. These changes may be the result of various factors, including interest rates, foreign exchange rates, commodity prices and/or equity prices. We are not presently engaged in, and if a suitable business target is not identified by us prior to the prescribed liquidation of the Company or the Trust Account, we may not engage in any substantive commercial business. Accordingly, until such time as we consummate a business combination, our exposure to market risk is limited to interest income sensitivity with respect to the funds placed in the Trust Account. However, the funds held in our Trust Account have been invested only in U.S. “government securities,” defined as any Treasury Bill issued by the United States having a maturity of six months or less or in money market funds meeting certain conditions under Rule 2a-7 under the Investment Company Act of 1940, so we are not deemed to be an investment company under the Investment Company Act. Thus, we are subject to market risk primarily through the effect of changes in interest rates on government securities. The effect of other changes, such as foreign exchange rates, commodity prices and/or equity prices, does not pose significant market risk to us.

Item 4. Controls and Procedures.

An evaluation was carried out under the supervision and with the participation of our management, including the Principal Executive Officer and the Principal Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report. Based on that evaluation, these officers have concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

There were no changes in our internal controls over financial reporting in connection with the evaluation required by Rule 13a-15(d) under the Exchange Act that occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

We believe that a control system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives, and our principal executive officer and our principal financial officer have concluded that these controls and procedures are effective at the reasonable assurance level.

PART II — OTHER INFORMATION

Item 1 — Legal Proceedings

There are no material legal proceedings pending nor, to our knowledge, threatened against us.

Item 1A — Risk Factors

An investment in our securities involves a high degree of risk. There have been no material changes to the risk factors previously disclosed in the Annual Report on Form 10-K for the year ended December 31, 2006 filed on April 2, 2007. You should consider carefully all of the material risks described in such Annual Report of Form 10-K before making a decision to invest in our securities. If any of the events described therein occur, our business, financial conditions and results of operations may be materially adversely affected. In that event, the trading price of our securities could decline, and you could lose all or part of your investment.

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

There were no unregistered sales of any of our equity securities during the quarter ended June 30, 2007.

Item 3 — Defaults upon Senior Securities

Not applicable.

Item 4 — Submission of Matters to a Vote of the Security Holders

Not applicable.

Item 5 — Other Information

The units, warrants and shares of common stock are quoted on the American Stock Exchange under the symbols HDP.U, HDP.WT and HDP, respectively.

Item 6 — Exhibits.

Number	Description
10.1	Asset Purchase Agreement, dated May 30, 2007, by and between Registrant and the National Hot Rod Association (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K dated June 5, 2007 (Commission File No. 1-32890))
10.2	Key Definitions Agreement, dated May 30, 2007, by and between Registrant and the National Hot Rod Association (incorporated by reference to Annex B to Schedule 14A Proxy Statement filed July 17, 2007 (Commission File No. 1-32890))
31.1*	Certification by Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification by Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification by Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification by Principal Executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Filed herewith. All other exhibits are incorporated herein by reference to the exhibit indicated in the parenthetical references.

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.

HD PARTNERS ACQUISITION CORPORATION

Date: August 9, 2007

By: /s/ Eddy W. Hartenstein

Eddy W. Hartenstein
Chairman, President and Chief Executive Office
(Principal Executive Officer)

By: /s/ Robert L. Meyers

Robert L. Meyers
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)