

Stone Arcade Acquisition CORP
Form 10-Q/A
December 12, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-Q/A

Amendment No. 1

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended **June 30, 2006**.

or

Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____.

Commission File Number: **000-51444**

Stone Arcade Acquisition Corporation

(Exact name of registrant as specified in its charter)

Delaware

20-2699372

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(State or Other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer
Identification No.)

**c/o Stone-Kaplan Investments, LLC, One Northfield Plaza, Suite 480
Northfield, IL 60093**

(Address of Principal Executive Offices including zip code)

(847) 441-0929

(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 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 is a large accelerated filer, an accelerated filer or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

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

There were 25,000,000 shares of the Registrant's Common Stock issued and outstanding on August 11, 2006.

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-Q/A (Form 10-Q/A) to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2006, initially filed with the Securities and Exchange Commission on August 14, 2006 (the Original Filing), reflects changes to the notes to the financial statements relating to the exercise provisions of the Company's warrants and a change to Note G to reflect a restatement to the financial statements of the Kraft Paper Business division of International Paper Company. This Form 10-Q/A amends and restates (i) Item 1. Financial Statements; and (ii) Item 6. Exhibits. In addition, the Original Filing has been amended to contain currently dated certifications from the Company's Chief Executive Officer and Chief Financial Officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act (See Exhibits 31 and 32).

Except to the extent modified or updated, the foregoing items have not been amended to reflect other events occurring after the Original Filing or to modify or update those disclosures affected by subsequent events. Other events occurring after the filing of the Original Filing or other disclosures necessary to reflect subsequent events have been addressed in the Company's reports filed with the Securities and Exchange Commission subsequent to the filing of the Original Filing.

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Stone Arcade Acquisition Corporation
(a development stage company)
Condensed Consolidated Balance Sheet

	June 30, 2006 (unaudited)	December 31, 2005
Assets		
Current assets:		
Cash	\$ 1,427,509	\$ 2,157,611
Cash and investments, held in trust	113,608,480	111,965,034
Prepaid expenses	24,500	128,875
Total current assets	115,060,489	114,251,520
Acquisition cost	1,046,450	
Deferred income taxes	222,288	54,094
Total assets	\$ 116,329,227	\$ 114,305,614
Liabilities and Stockholders Equity		
Current liabilities:		
Accrued expenses	\$ 876,668	\$ 136,338
Deferred income taxes	42,058	90,521
Total current liabilities	918,726	226,859
Common stock, subject to possible redemption-3,998,000 shares	22,159,715	22,159,715
Interest income attributable to common stock subject to possible redemption (net of taxes of \$266,050 and \$97,061 at June 30, 2006 and December 31, 2005, respectively)	516,451	189,462
	22,676,166	22,349,177
Commitments and contingencies (Note E)		
Stockholders equity		
Preferred stock \$.0001 par value; 1,000,000 shares authorized; 0 shares issued and outstanding		
Common stock \$.0001 par value, 175,000,000 shares authorized; 25,000,000 shares issued and outstanding (including 3,998,000 shares subject to possible redemption)	2,500	2,500
Additional paid-in capital	91,098,761	91,098,761
Income accumulated during the development stage	1,633,074	628,317
Total stockholders equity	92,734,335	91,729,578
Total liabilities and stockholders equity	\$ 116,329,227	\$ 114,305,614

See notes to condensed unaudited financial statements.

Stone Arcade Acquisition Corporation
(a development stage company)
Condensed Consolidated Statement of Operations
(unaudited)

	Three Months Ended June 30, 2006	Six Months Ended June 30, 2006	Inception (April 15, 2005 Through June 30, 2005)	Accumulated Inception Through June 30, 2006
Cost and expenses:				
Operating expenses	\$ 363,711	\$ 518,168	\$ 1,000	\$ 739,268
Other income:				
Bank interest	21,128	48,363		72,503
Interest on cash and cash equivalents held in trust	1,298,603	2,478,433		3,914,451
Total other income	1,319,731	2,526,796		3,986,954
Income (loss) before provision for income taxes:	956,020	2,008,628	(1,000)	3,247,686
Provision for income taxes:				
Current	378,601	873,472		1,258,324
Deferred	(62,905)	(196,590)		(160,163)
Total provision for income taxes	315,696	676,882		1,098,161
Net income (loss)	640,324	1,331,746	(1,000)	2,149,525
Deferred interest, net of taxes, attributable to common stock subject to possible redemption	(171,330)	(326,989)		(516,451)
Net income (loss) allocable to holders of nonredeemable common stock	\$ 468,994	\$ 1,004,757	\$ (1,000)	\$ 1,633,074
Weighted-average number of shares outstanding:				
Basic				