

HD Partners Acquisition CORP  
Form 10-Q  
May 10, 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 March 31, 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 March 31, 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**

	March 31, 2007 (unaudited)	December 31, 2006
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 1,075,302	\$ 1,228,722
Investments Held in Trust	146,745,610	145,536,328
Prepaid Expenses	46,776	63,996
<b>Total Current Assets</b>	<b>\$ 147,867,688</b>	<b>\$ 146,829,046</b>
Deferred Tax Asset	369,080	256,314
Other Assets	732,892	196,880
<b>Total Assets</b>	<b>\$ 148,969,660</b>	<b>\$ 147,282,240</b>
<b>Liabilities And Stockholders Equity</b>		
<b>Current Liabilities</b>		
Accrued Costs	540,074	76,978
Income and Capital Taxes Payable	681,068	512,763
Accounts Payable and Accrued Expenses	56,935	64,558
Deferred Interest	692,366	485,916
Deferred Underwriter Fees	3,000,000	3,000,000
<b>Total Liabilities</b>	<b>4,970,443</b>	<b>4,140,215</b>
Common Stock Subject to Possible Conversion, 3,748,125 Shares At Conversion Value	27,901,042	27,901,042
<b>Commitments</b>		
<b>Stockholders Equity</b>		
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	2,884,117	2,026,925
<b>Total Stockholders Equity</b>	<b>116,098,175</b>	<b>115,240,983</b>
<b>Total Liabilities and Stockholders Equity</b>	<b>\$ 148,969,660</b>	<b>\$ 147,282,240</b>

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

**HD Partners Acquisition Corporation**  
**(A Development Stage Company)**

**Condensed Statement of Operations**

	For the period from January 1, 2007 to March 31, 2007 (unaudited)	For the period from January 1, 2006 to March 31, 2006	For the period from December 6, 2005 (inception) to March 31, 2007 (cumulative) (unaudited)
Revenue	\$	\$	\$
Interest Income	1,524,967		5,117,880
<b>Operating Expenses</b>			
General & Administrative	100,236		319,775
Net Income before Provision for Income Taxes	\$ 1,424,731	\$	\$ 4,798,105
Provision for Income Taxes	567,539		1,913,988
<b>Net Income</b>	\$ 857,192	\$	\$ 2,884,117
Weighted Average Number of Common Shares Outstanding Basic and diluted	23,437,500	4,687,500	16,475,475
<b>Net Income Per Share - Basic and diluted</b>	\$ 0.04	\$ 0.00	\$ 0.18

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)
<b>Balance - December 31, 2005</b>	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
<b>Balance - December 31, 2006</b>	23,437,500	\$ 23,437	\$ 113,190,621	\$ 2,026,925	\$ 115,240,983
<b>Unaudited:</b>					
Net Income				857,192	857,192
<b>Balance - March 31, 2007</b>	23,437,500	23,437	113,190,621	2,884,117	116,098,175

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**

	For the period from January 1, 2007 To March 31, 2007 (unaudited)	For the period from January 1, 2006 to March 31, 2006	For the period from December 6, 2005 (inception) to March 31, 2007 (cumulative) (unaudited)
<b>Cash Flows From Operating Activities:</b>			
Net Income	\$ 857,192	\$	\$ 2,884,117
Adjustments to reconcile net income to net cash used in operating activities:			
Increase in Value of Investments Held in Trust	(1,721,281 )		(5,772,610 )
Increase in Deferred Income Tax Benefit	(112,766 )		(369,080 )
Increase in Deferred Interest	206,450		692,366
Changes in Operating Assets and Liabilities:			
Increase/Decrease in Accounts Payable and Accrued Expenses	(7,623 )	(1,013 )	56,935
Increase in Income and Capital Taxes Payable	168,305		681,068
Increase/Decrease in Prepaid Expenses	17,220		(46,776 )
Net Cash Used in Operating Activities	(592,503 )	(1,013 )	(1,873,980 )
<b>Cash Flow from Investing Activities</b>			
Increase in Other Assets	(72,917 )		(192,818 )
Investments Placed in Trust			(142,575,000 )
Tax Payments from Trust	512,000		1,602,000
Net Cash Provided by (Used in) Investing Activities	439,083		(141,165,818 )
<b>Cash Flow from Financing Activities:</b>			
Proceeds from Public Offering			150,000,000
Proceeds from Founding Director Warrant Purchase			2,250,000
Proceeds from Issuance of Underwriter Option			100
Proceeds from Sale of Common Stock			25,000
Proceeds from Notes Payable, Stockholders			225,000
Payment of Notes Payable, Stockholders			(225,000 )
Payment of Offering Costs		(40,840 )	(8,160,000 )
Net Cash Provided by (Used in) Financing Activities		(40,840 )	144,115,100
<b>Net Increase/(Decrease) in Cash</b>	(153,420 )	(41,853 )	1,075,302
Cash at Beginning of Period	1,228,722	154,239	
<b>Cash at end of period</b>	\$ 1,075,302	\$ 112,386	\$ 1,075,302
<b>Supplemental schedule of non-cash financing activities:</b>			
Accrual of Deferred Offering Costs	\$	\$ 5,267	\$
Accrual of Deferred Underwriting Fees	\$	\$	\$ 3,000,000
Accrual of Other Assets	\$ 463,096	\$	\$ 540,074

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





**HD Partners Acquisition Corporation**  
**(A Development Stage Company)**

**Notes to Condensed Financial Statements**

**March 31, 2007**

**1. Basis of Presentation**

The financial statements at March 31, 2007 and for the periods ended March 31, 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 March 31, 2007 and the results of its operations and its cash flows for the three months ended March 31, 2007 and March 31, 2006 and for the period from December 6, 2005 (inception) through March 31, 2007. 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. In addition, the statements of operations and cash flows for the period from January 1, 2006 to March 31, 2006 have been derived from audited financial statements included in the Company's Registration Statement on Form S-1 filed May 30, 2006.

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. At March 31, 2007, the Company had neither engaged in any operations nor generated significant revenue to date. The Company is considered to be in the development stage and is subject to the risks associated with activities of development stage companies.

The majority of activity through March 31, 2007 relates to the Company's formation, its initial public offering described below and searching for a target company with which to do a business combination. 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).

The Company's management has broad discretion with respect to the specific application of the net proceeds of the Offering, although substantially all of the net proceeds of the Offering are intended to be generally applied toward consummating a business combination with an operating business (Business Combination), which may not constitute a business combination for accounting purposes.

Furthermore, there is no assurance that the Company will be able to effect a 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 will 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, 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 income tax effect) has been recorded as deferred interest on the accompanying March 31, 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.

#### *Income Taxes*

Deferred income taxes are provided for the difference between the bases of assets and liabilities for financial

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reporting and income tax purposes. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company's deferred income tax asset consists of the following:

	March 31, 2007	December 31, 2006
Interest deferred for financial statement purposes	\$ 276,075	\$ 194,026
Expenses deferred for income purposes	93,005	62,288
Valuation allowance		
Total	\$ 369,080	\$ 256,314

The effective tax rate differs from the statutory rate of 34% primarily due to the effect of state income taxes.

### *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 in the computation as the effect of the outstanding options and warrants would be anti-dilutive.

### *Cash and Cash Equivalents*

For financial statement purposes, the Company considers all highly liquid debt instruments with a maturity of six months or less when purchased to be cash equivalents. The Company maintains its cash in bank deposit accounts in the United States of America which, at times, may exceed applicable insurance limits. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

### *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.

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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

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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.

#### **4. Notes Payable, Stockholders**

The Company issued an aggregate of \$225,000 unsecured promissory notes to five of its Initial Stockholders on December 13, 2005. The notes were non-interest bearing and were payable on the earlier of December 13, 2006 or the consummation of the Offering. Accordingly, the Company paid off the notes on June 8, 2006.

#### **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 for the three months ended March 31, 2007, and \$10,000 for the period from Inception (December 6, 2005) to March 31, 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 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 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. There is no amount outstanding at March 31, 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, we have been actively searching for a suitable Business Combination candidate. Currently we have not entered into any definitive agreement or letter of intent with any potential target business. 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 to 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. We cannot assure investors that we will find a suitable Business Combination in the allotted time.

We are currently in the process of evaluating and identifying targets for an initial transaction. We are not presently engaged in, and will not engage in, any substantive commercial business until we consummate an initial transaction. We intend to utilize cash derived from the proceeds of our Offering, the Private Placement, our capital stock, debt or a combination of cash, capital stock and debt, in effecting an initial transaction. The issuance of additional shares of our capital stock:

- may significantly reduce the equity interest of our current stockholders;
- may subordinate the rights of holders of common stock if preferred stock is issued with rights senior to those afforded to our common stock;
- will likely cause a change in control if a substantial number of our shares of common stock or preferred stock are issued, which may affect, among other things, our ability to use our net operating loss carry forwards, if any, and most likely also result in the resignation or removal of one or more of our present officers and directors; and
- may adversely affect prevailing market prices for our securities.

Similarly, if we issued debt securities, it could result in:

- default and foreclosure on our assets, if our operating revenues after an initial transaction were insufficient to pay our debt obligations;

- acceleration of our obligations to repay the indebtedness, even if we have made all principal and interest payments when due, if the debt security contained covenants that required the maintenance of certain financial ratios or reserves and any such covenant were breached without a waiver or renegotiation of that covenant;
- our immediate payment of all principal and accrued interest, if any, if the debt security was payable on demand; and
- our inability to obtain additional financing, if necessary, if the debt security contained covenants restricting our ability to obtain additional financing while such security was outstanding.

We anticipate that we would only consummate such a financing simultaneously with the consummation of a Business Combination, although nothing would preclude us from raising more capital in anticipation of a possible Business Combination.

## RESULTS OF OPERATIONS

Through March 31, 2007 our efforts have been organizational activities, activities relating to our Offering and active searching for a target company to do a business combination. We have neither engaged in any operations nor generated any revenues to date. Currently we have no operating business and have not entered into any definitive agreement or letter of intent with any potential target businesses. 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 March 31, 2007 was \$857,192 which consisted of \$1,524,967 in interest income partially offset by \$567,539 in income taxes and \$100,236 in expenses consisting of \$17,220 for D&O and other insurance, \$8,125 for AMEX recurring listing fees, \$18,750 for legal fees, \$182 for travel expenditures, \$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, \$17,000 for audit, \$880 for accounting support, \$7,265 for printing and SEC filings, \$1,258 for telephone and \$(444) 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. \$512,000 of estimated federal and state taxes were paid from Trust Account funds in the quarter.

Net income for the cumulative period from inception (December 6, 2005) to March 31, 2007 was \$2,884,117 which consisted of \$5,117,880 in interest income partially offset by \$1,913,988 in income taxes and \$319,775 in expenses consisting of \$58,224 for D&O and other insurance, \$1,000 for organization expenses, \$22,458 for AMEX recurring listing fees, \$60,937 for legal fees, \$9,507 for travel expenditures, \$86,527 for Delaware franchise taxes, \$10,000 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, \$10,000 for Trust Account administration, \$31,818 for audit and tax preparation, \$6,680 for accounting support, \$12,895 for printing and SEC filings, \$4,874 for telephone and \$4,855 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. \$1,602,000 of estimated federal and state taxes have been paid from Trust Account funds from inception to March 31, 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 March 31, 2007, we had cash outside of the Trust Account of \$1,075,302, investments held in the Trust Account of \$146,745,610, prepaid expenses of \$46,776, other assets of \$1,101,972 and total liabilities of \$4,970,443. We believe that the funds available to us outside of the Trust Account 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 \$1,075,302 as of March 31, 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. We do not believe we will need to raise additional funds in order to meet the expenditures required for operating our business. However, depending upon the type, size and nature of any possible Business Combination, we may need to do so. However, 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.

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. In the future, we may need to increase that fee up to an amount not to exceed \$7,500 per month, due to additional requirements as we enter into discussions with target companies concerning a Business Combination.

## **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.

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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. 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 and negotiation 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 the future, we may increase the amount up to a total of \$7,500 per month based on the amount of services we require. 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 are unable to find a suitable target business by December 6, 2007 or June 6, 2008 if a letter of intent, agreement in principle or a definitive agreement has been executed by December 6, 2007, 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.

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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 March 31, 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
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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



**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: May 10, 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)*