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TREMISIS ENERGY ACQUISITION CORP
Form 10QSB
May 16, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2005

Transition report under Section 13 or 15(d) of the Exchange Act

For the transition period from _____ to _____

Commission File Number 000-50682

Tremisis Energy Acquisition Corporation

(Exact Name of Small Business Issuer as Specified in Its Charter)

Delaware
(State or other Jurisdiction of
Incorporation or Organization)

20-0700684
(I.R.S. Employer
Identification No.)

1775 Broadway, Suite 604, New York, New York 10019

(Address of Principal Executive Office)

(212) 397-1464

(Issuer's Telephone Number, Including Area Code)

Check whether the issuer (1) 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 No

As of May 16, 7,700,000 shares of common stock, par value \$.0001 per share, were issued and outstanding.

Transitional Small Business Disclosure Format (check one): Yes No

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Part I: Financial Information:

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Tremisis Energy Acquisition Corporation
(a corporation in the development stage)

Balance Sheet (Unaudited)

	March 31, 2005	December 31, 2004
=====		

ASSETS		
Current assets:		
Cash and cash equivalents	\$ 722,229	\$ 834,094
U.S. Government Securities held in Trust Fund (Note 2)	33,619,888	33,351,358
Accrued interest receivable held in Trust Fund (Note 2)	3,248	91,170
Prepaid expenses	7,375	22,125
	-----	-----
Total Current assets	34,352,740	34,298,747
	-----	-----
Deferred Acquisition Costs (Note 4)	15,000	--
Furniture and equipment (net accumulated depreciation of \$1,999 and \$1,418)	8,865	6,558
	-----	-----
Total assets	\$34,376,605	\$34,305,305
=====		

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

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Accrued expenses	\$ 96,797	\$ 26,680
Taxes Payable	8,300	26,000
	-----	-----
Total current liabilities	105,097	52,680

Common stock, subject to possible conversion		
1,264,368 shares at conversion value (Note 2)	6,448,277	6,448,277
Commitment (Note 5)		
Stockholders' equity (Notes 2, 3, 6 and 7)		
Preferred stock, \$.0001 par value, authorized		
1,000,000 shares; none issued		
Common stock, \$.0001 par value		
Authorized 30,000,000 shares; Issued and outstanding		
7,700,000 shares (which includes 1,264,368 subject to possible conversion)	770	770
Additional paid-in capital	27,739,053	27,739,053
Earnings accumulated during the development stage	83,408	64,525
	-----	-----
Total stockholders' equity	27,823,231	27,804,348

Total liabilities and stockholders' equity	\$34,376,605	\$34,305,305
=====		

See Notes to Unaudited Financial Statements.

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Tremisis Energy Acquisition Corporation
(a corporation in the development stage)

Statement of Operations (Unaudited)

	For the Three Months Ended March 31, 2005	For the Period from February 5, 2004 (inception) to March 31, 2005

Expenses:		
General and administrative expenses (Note 5)	\$ 131,214	\$ 295,606
	-----	-----
Operating Loss	(131,214)	(295,606)
Interest Income	183,397	491,429
	-----	-----
Income before provision for taxes	52,183	195,823
	-----	-----
Provision for taxes (Note 8)	(33,300)	(112,415)
	-----	-----
Net income	\$ 18,883	\$ 83,408
	-----	-----
Basic and diluted net income per share	\$ -0-	

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Weighted average common shares outstanding 7,700,000

See Notes to Unaudited Financial Statements

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Tremisis Energy Acquisition Corporation
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Statement of Stockholders' Equity (Unaudited)

	Common Stock		Addition paid- in cap	Earnings Accumulated During the Development Stage
	Shares	Amount		
Balance, February 5, 2004 (inception)	--	\$--	\$--	\$--
Issuance of common stock to initial stockholders	1,375,000	137	24,863	--
Sale of 6,325,000 units and underwriters' option, net of underwriters' discount and offering expenses (includes 1,264,368 shares subject to possible conversion)	6,325,000	633	27,714,190	--
Net income for the period	--	--	--	64,525
Balance, December 31, 2004	7,700,000	770	27,739,053	64,525
Net income for the three months ended March 31, 2005 (unaudited)	--	--	--	18,883
Balance, March 31, 2005 (unaudited)	7,700,000	\$770	\$27,739,053	\$83,408

See Notes to Unaudited Financial

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Tremisis Energy Acquisition Corporation
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Statement of Cash Flows (Unaudited)

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	For the Three Months Ended March 31, 2005	For the per February (inception)

Cash flows from operating activities		
Net income for the period	\$ 18,883	\$
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	580	
Gain on maturity of U.S. Government Securities held in Trust Fund	(270,890)	
Change in operating assets and liabilities:		
Decrease (increase) in prepaid expenses	14,750	
Decrease in accrued interest receivable	91,170	
Increase in accrued expenses	70,117	
(Decrease) increase in income tax payable	(17,700)	
	-----	-----
Net cash used in operating activities	(93,090)	-----
	-----	-----
Cash flows from investing activities		
Purchases of U.S. Government Securities held in Trust Fund	(33,619,888)	(100,000,000)
Maturity of U.S. Government Securities held in Trust Fund	33,619,000	66,000,000
Increase in deferred acquisition costs	(15,000)	
Purchase of furniture and equipment	(2,887)	
	-----	-----
Net cash used in investing activities	(18,775)	(33,000,000)
	-----	-----
Cash flows from financing activities		
Proceeds from public offering of 6,325,000 units and underwriter option, net	--	34,000,000
Proceeds from issuance of common stock to initial Stockholders	--	
Proceeds from note payable, stockholder	--	
Repayment of note payable, stockholder	--	
	-----	-----
Net cash provided by financing activities	--	34,000,000
	-----	-----
Net (decrease) increase in cash and cash equivalents	\$ (111,865)	\$
Cash and cash equivalent at beginning of period	834,094	-----
	-----	-----
Cash and cash equivalents at end of period	\$ 722,229	\$
	-----	-----
Supplemental disclosure of cash flow information:		
Cash paid during the period for income taxes	\$ 51,000	\$
	-----	-----

See Notes to Unaudited Financial Sta

1. Basis of Presentation

The accompanying financial statements are unaudited and have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with instructions to Form 10-QSB. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations. These financial statements should be read in conjunction with the financial statements that were included in the Company's Annual Report on Form 10-KSB for the period ended December 31, 2004.

In the opinion of management, all adjustments (consisting of normal accruals) have been made that are necessary to present fairly the financial position of Tremisis Energy Acquisition Corporation (the "Company") as of March 31, 2005 and the results of its operations and its cash flow for the three month period ended March 31, 2005 and from February 5, 2005 (inception) to March 31, 2005. Operating results for the interim period presented are not necessarily indicative of the results to be expected for a full year.

2. Organization and Business Operations

The Company was incorporated in February 5, 2004 as a blank check company whose objective is to acquire an operating business in either the energy or the environmental industry and their related infrastructures.

The registration statement for the Company's initial public offering ("Offering") was declared effective May 13, 2004. The Company consummated the offering on May 18, 2004 and received net proceeds of approximately \$34,163,100 (Note 3). The Company's management has broad discretion with respect to the specific application of the net proceeds of this Offering, although substantially all of the net proceeds of this Offering are intended to be generally applied toward consummating a business combination with an operating business in the energy and environmental industry and their related infrastructures ("Business Combination"). An amount of approximately \$33,623,136 of the net proceeds is being held in an interest-bearing trust account ("Trust Fund") until the earlier of (i) the consummation of its first Business Combination or (ii) liquidation of the Company. Under the agreement governing the Trust Fund, funds will only be invested in United States government securities (Treasury Bills) with a maturity of 180 days or less. The remaining net proceeds may be used to pay for business, legal and accounting due

diligence on prospective acquisitions and continuing general and administrative expenses.

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Tremisis Energy Acquisition Corporation
(a corporation in the development stage)

Notes to Unaudited Financial Statements

The Company, after signing a definitive agreement for the acquisition of a target business, will submit such transaction for stockholder approval. In the event that stockholders owning 20% or more of the shares sold in the Offering, vote against the Business Combination and exercise the 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 1,375,000 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 the Business Combination. After consummation of the Business Combination, all of 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 Fund as of the record date for determination of stockholders entitled to vote on the Business Combination divided by the number of shares of common stock held by Public Stockholders at the consummation of 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 Fund computed without regard to the shares held by Initial Stockholders. In this respect, \$6,448,277 has been classified as common stock subject to possible conversion. The Company's Certificate of Incorporation provides for mandatory liquidation of the Company in the event that the Company does not consummate a Business Combination within 18 months from the date of the consummation of the Offering (such date would be November 18, 2005), or 24 months from the consummation of the Offering if certain extension criteria have been satisfied. In the event of liquidation, it is likely that the per share value of the residual assets remaining available for distribution (including Trust Fund

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assets) will be less than the initial public 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).

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Tremisis Energy Acquisition Corporation
(a corporation in the development stage)

Notes to Unaudited Financial Statements

3. Offering
- On May 18, 2004, the Company sold 6,325,000 units ("Units") in the Offering including an additional 825,000 Units pursuant to the underwriters' over-allotment option. Each Unit consists of one share of the Company's common stock, \$.0001 par value, and two Redeemable Common Stock Purchase Warrants ("Warrants"). Each Warrant will entitle the holder to purchase from the Company one share of common stock at an exercise price of \$5.00 commencing the later of the completion of a Business Combination with a target business or one year from the effective date of the Offering and expiring five years from the date of the prospectus. The Warrants will be redeemable 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 \$8.50 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. In connection with this Offering, the Company issued, for \$100, an option to the representative of the underwriters to purchase 275,000 Units at an exercise price of \$9.90 per Unit. In addition, the warrants underlying such Units are exercisable at \$6.25 per share.
4. Deferred Acquisition Costs
- During the three months ended March 31, 2005, consulting fees of \$15,000 have been incurred with respect to a potential business combination.
5. Commitment
- The Company presently occupies office space provided by an affiliate of an initial stockholder. Such affiliate has agreed that, until the acquisition of a target business by the Company, it will make such office space, as well as certain office and secretarial services available to the Company, as may be required by the Company from time to time. The Company pays such affiliate \$3,500 per month for such services commencing on May 18, 2004, the effective date of the Offering and \$10,500 for the three month period ended March 31, 2005 and \$38,500 for the period from February 5, 2004 (inception) to March 31, 2005 is included in general and administrative

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expenses for such services.

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.

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Tremisis Energy Acquisition Corporation
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Notes to Unaudited Financial Statements

7. Common Stock

The Company's Board of Directors authorized a 1.666666 to one forward stock split of its common stock on March 10, 2004, a 1.1428571 to one forward stock split of its common stock on April 16, 2004 and a 1.375 to one forward stock split of its common stock on April 23, 2004. All references in the accompanying financial statements to the numbers of shares have been retroactively restated to reflect the transactions.

As of March 31, 2005, 13,475,000 shares of common stock were reserved for issuance upon exercise of redeemable warrants and underwriters' unit purchase option.

8. Provision for Taxes

Provision for taxes consists of:

	For the Three Months ended March 31, 2005	For the Period from February 5, 2005 (inception) to March 31, 2005
	-----	-----
Current		

Federal	\$10,500	\$ 43,500
State and local	22,800	68,915
	-----	-----
	\$33,300	\$112,415
	=====	=====

The effective tax rate exceeds statutory rates primarily due to state and local taxes which are calculated as a percentage of capital.

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ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion should be read in conjunction with the Company's Consolidated Financial Statements and footnotes thereto contained in this

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report.

Forward Looking Statements

The statements discussed in this Report include forward looking statements that involve risks and uncertainties, including the timely delivery and acceptance of the Company's products and the other risks detailed from time to time in the Company's reports filed with the Securities and Exchange Commission.

Plan of Operations

We were formed on February 5, 2004 to serve as a vehicle to effect a merger, capital stock exchange, asset acquisition or other similar business combination with a company in the either of the energy or environmental industries and their related infrastructures. We intend to utilize cash derived from the proceeds of our recently completed public offering, our capital stock, debt or a combination of cash, capital stock and debt, in effecting a business combination.

Net income for the three months ended March 31, 2005 consisted of interest income of \$183,397 reduced by \$10,500 for a monthly administrative services agreement, \$37,979 for professional fees, \$14,750 for officer liability insurance, \$54,655 for travel expenses, \$7,494 for franchise fees, \$33,300 for taxes and \$5,836 for other expenses.

Net income for the period from February 5, 2004 (inception) to March 31, 2005 consisted of interest income of \$491,429 reduced by \$38,500 for a monthly administrative services agreement, \$57,465 for professional fees, \$51,625 for officer liability insurance, \$60,084 for travel expenses, \$30,494 for franchise fees, \$112,415 for taxes and \$57,438 for other expenses.

We consummated our initial public offering on May 18, 2004. Gross proceeds from our initial public offering, including the full exercise of the underwriters' over-allotment option, were \$37,950,100. After deducting offering expenses of \$1,510,000 including \$990,000 evidencing the underwriters' non-accountable expense allowance of 3% of the gross proceeds, and underwriting discounts of \$2,277,000, net proceeds were \$34,163,100. Of this amount, \$33,623,136 (which includes accrued interest of \$3,248) is held in trust and the remaining proceeds are available to be used to provide for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses. We will use substantially all of the net proceeds of this offering to acquire a target business, including identifying and evaluating prospective acquisition candidates, selecting the target business, and structuring, negotiating and consummating the business combination. To the extent that our capital stock is used in whole or in part as consideration to effect a business combination, the proceeds held in the trust fund as well as any other net proceeds not expended will be used to finance the operations of the target business. We believe that we have sufficient available funds outside of the trust fund to operate through May 18, 2006, assuming that a business combination is not consummated during that time. Over this time period, we anticipate approximately \$180,000 of expenses for legal, accounting and other expenses related to the due diligence investigations, structuring and negotiating of a business combination, \$84,000 for the administrative fee payable to First Americas Management LLC (\$3,500 per month for two years), \$50,000 of expenses for the due diligence and investigation of a target business, \$40,000 of expenses in legal and

accounting fees relating to our SEC reporting obligations and \$666,000 for

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general working capital that will be used for miscellaneous expenses and reserves, including approximately \$60,000 for director and officer liability insurance premiums. We do not believe we will need to raise additional funds following this offering in order to meet the expenditures required for operating our business. However, we may need to raise additional funds through a private offering of debt or equity securities if such funds are required to consummate a business combination that is presented to us. We would only consummate such a fund raising simultaneously with the consummation of a business combination.

We are obligated to pay to First Americas Management LLC, an affiliate of Isaac Kier, our secretary, treasurer and a member of our board of directors, a monthly fee of \$3,500 for general and administrative services. Through March 31, 2005, an aggregate of \$38,500 has been paid for such services. In addition, in February and April 2004, Lawrence S. Coben, C.E.O. advanced an aggregate of \$77,500 to us, on a non-interest bearing basis, for payment of offering expenses on our behalf. This amount was repaid in May 2004 out of proceeds of our initial public offering.

ITEM 3. CONTROLS AND PROCEDURES.

An evaluation of the effectiveness of our disclosure controls and procedures as of March 31, 2005 was made under the supervision and with the participation of our management, including the chief executive officer and treasurer. Based on that evaluation, they concluded that our disclosure controls and procedures are effective as of the end of the period covered by this report to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. During the most recently completed fiscal quarter, there has been no significant change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II.

OTHER INFORMATION

ITEM 2: CHANGES IN SECURITIES AND SMALL BUSINESS ISSUER PURCHASES OF EQUITY SECURITIES

On May 18, 2004, we closed our initial public offering of 6,325,000 Units, including 825,000 Units issued upon exercise of the underwriters' over-allotment option, with each unit consisting of one share of our common stock and two warrants, each to purchase one share of our common stock at an exercise price of \$5.00 per share. The Units were sold at an offering price of \$6.00 per Unit, generating gross proceeds of 37,950,100. The representative of the underwriters in the offering was EarlyBirdCapital, Inc. The securities sold in the offering were registered under the Securities Act of 1933 on a registration statement on Form S-1 (No. 333-113583). The Securities and Exchange Commission declared the registration statement effective on May 12, 2004.

We paid a total of \$2,277,000 in underwriting discounts and commissions, and \$1,510,000 for costs and expenses related to the offering, including \$990,000 for the underwriters' non-accountable expense allowance of 3% of the gross proceeds.

After deducting the underwriting discounts and commissions and the offering expenses, the total net proceeds to us from the offering were

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\$34,163,100, of which \$33,143,000 was deposited into a trust fund and the remaining proceeds are to be used to provide for business, legal and accounting due diligence on prospective business combinations and continuing general and administrative expenses. Through March 31, 2005, we have used approximately \$297,000 of cash for operating expenses and \$77,500 to repay advances made to us by one of our initial stockholders.

ITEM 6: EXHIBITS

(a) Exhibits:

- 31.1 - Section 302 Certification by CEO
- 31.2 - Section 302 Certification by Treasurer
- 32.1 - Section 906 Certification by CEO
- 32.2 - Section 906 Certification by Treasurer

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SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TREMISIS ENERGY
ACQUISITION CORPORATION

Dated: May 16, 2005

/s/ Lawrence S. Coben

Lawrence S. Coben
Chairman of the Board and
Chief Executive Officer

/s/ Isaac Kier

Treasurer

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