

Alternative Asset Management Acquisition Corp.
Form 10-Q
May 13, 2008

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2008.

or

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

For the transition period from _____ to _____

Commission file number 001-33629

ALTERNATIVE ASSET MANAGEMENT ACQUISITION CORP.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

20-8450938
(I.R.S. Employer
Identification No.)

590 Madison Avenue, 35th Floor, New York, NY 10022
(Address of Principal Executive Offices) (Zip Code)

(212) 409-2434
(Registrant's Telephone Number, Including Area Code)

N/A

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

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

Yes No

As of April 30, 2008 there were 51,750,000 shares of common stock, par value \$.0001 per share, issued and outstanding.

ALTERNATIVE ASSET MANAGEMENT ACQUISITION CORP.

FORM 10-Q

FOR THE QUARTER ENDED MARCH 31, 2008

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Forward-Looking Statements

This report and the information incorporated by reference in it, include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Our forward-looking statements include, but are not limited to, statements regarding our expectations, hopes, beliefs, intentions or strategies regarding the future. They may also include statements about our pending business combination with Halcyon Asset Management LLC and affiliated entities (collectively, Halcyon). In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words anticipate, believe, continue, could, estimate, expect, intend, may, might, plan, possible, potential, predict, project, should, would and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements in this report may include, for example, statements about our:

- *Ability to complete a business combination with Halcyon or one or more other target businesses;*
- *Success in retaining or recruiting, or changes required in, our officers, key employees or directors following an initial business combination;*
- *Potential ability to obtain additional financing to complete our initial business combination;*
- *Limited pool of prospective target businesses;*
- *Potential change in control if we acquire one or more target businesses for stock;*
- *Our public securities potential liquidity and trading;*
- *The delisting of our securities from the American Stock Exchange or the ability to have our securities listed on the American Stock Exchange following our initial business combination;*
- *Use of proceeds not held in the trust account or available to us from interest income on the trust account balance; or*
- *Financial performance.*

The forward-looking statements contained or incorporated by reference in this report are based on our current expectations and beliefs concerning future developments and their potential effects on us and speak only as of the date of such statement. There can be no assurance that future developments affecting us will be those that we have

anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to, those factors described under the heading *Risk Factors* (refer to Part II, Item 1A). Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

References in this report to *we, us or our company* refer to Alternative Asset Management Acquisition Corp. References to *public stockholders* refer to holders of shares of common stock sold as part of the units in our initial public offering, including any of our stockholders existing prior to the initial public offering to the extent that they purchased or acquired such shares.

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements.

ALTERNATIVE ASSET MANAGEMENT ACQUISITION CORP. (a development stage company) Condensed Balance Sheets

	March 31, 2008	December 31, 2007
	(Unaudited)	
Assets		
Current assets:		
Cash	\$ 2,135,716	\$ 1,147,585
Cash held in trust account, interest and dividend income available for working capital and taxes	855,351	3,401,744
Prepaid expenses	178,109	186,499
Total current assets	3,169,176	4,735,828
Other Assets:		
Cash held in trust account, restricted	403,556,999	402,948,395
Corporate tax refund receivable due to trust account	1,019,916	507,583
Deferred acquisition costs	1,850,006	
Total assets	\$ 409,596,097	\$ 408,191,806
Liabilities and stockholders' equity		
Current liabilities:		
Accrued expenses	\$ 1,159,835	\$ 155,689
Corporate taxes payable	962,798	2,113,749
Total current liabilities	2,122,633	2,269,438

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Common stock subject to possible conversion (12,419,999 shares at conversion value)	121,402,139	120,884,509
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.0001 par value, authorized 1,000,000 shares; none issued		
Common stock, \$0.0001 par value; authorized 120,000,000 shares; issued and outstanding 51,750,000 shares (less 12,419,999 subject to possible conversion)	3,933	3,933
Additional paid-in capital	280,804,305	281,321,935
Earnings accumulated during development stage	5,263,087	3,711,991
Total stockholders' equity	286,071,325	285,037,859
Total liabilities and stockholders' equity	\$ 409,596,097	\$ 408,191,806

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

1

ALTERNATIVE ASSET MANAGEMENT ACQUISITION CORP.
(a development stage company)
Condensed Statements of Operations
(Unaudited)

	For the three months ended March 31, 2008	January 26, 2007 (inception) through March 31, 2007	January 26, 2007 (inception) through March 31, 2008
Formation and operating costs	\$ 227,299	\$ 1,000	\$ 624,105
Loss from operations	(227,299)	(1,000)	(624,105)
Interest and dividend income	2,577,862		9,591,824
Net income before provision for income taxes	2,350,563	(1,000)	8,967,719
Provision for income taxes	799,467		3,704,632
Net income	1,551,096	(1,000)	5,263,087
Accretion of trust account relating to common stock subject to conversion	(517,630)		(674,639)

Net income attributable to common stockholders	\$ 1,033,466	\$ (1,000)	\$4,588,448
Weighted average number of common shares outstanding basic and diluted	39,330,001	10,350,000	
Basic and diluted net income per share	\$ 0.03	\$ (0.00)	

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

2

ALTERNATIVE ASSET MANAGEMENT ACQUISITION CORP.
(a development stage company)
Condensed Statements of Changes in Stockholders Equity
(Unaudited)
For the Period January 26, 2007 (inception) through March 31, 2008

	Common Stock		Additional paid-in capital ⁽¹⁾	Earnings accumulated during development stage	Total stockholders equity
	Shares	Amount			
Balance, January 26, 2007 (inception)		\$	\$	\$	\$
Issuance of stock to initial stockholders	10,350,000	1,035	23,965		25,000
Sale of 41,400,000 units, net of underwriters discount and offering expenses (includes 12,419,999 shares subject to possible conversion)	41,400,000	4,140	397,556,237		397,560,377
Proceeds subject to possible conversion of 12,419,999 shares		(1,242)	(120,883,267)		(120,884,509)
Proceeds from issuance of sponsors warrants			4,625,000		4,625,000
Net income for the period January 26, 2007 (inception)					

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through December 31, 2007				<u>3,711,991</u>	<u>3,711,991</u>
Balance, December 31, 2007	<u>51,750,000</u>	<u>3,933</u>	<u>281,321,935</u>	<u>3,711,991</u>	<u>285,037,859</u>
Accretion of income to shares subject to possible conversion			(517,630)		(517,630)
Net income for the three months ended March 31, 2008				<u>1,551,096</u>	<u>1,551,096</u>
Balance, March 31, 2008 (Unaudited)	<u>51,750,000</u>	<u>\$3,933</u>	<u>\$280,804,305</u>	<u>\$5,263,087</u>	<u>\$286,071,325</u>

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

3

ALTERNATIVE ASSET MANAGEMENT ACQUISITION CORP.
(a development stage company)
Condensed Statements of Cash Flows
(Unaudited)

	<u>For the three months ended March 31, 2008</u>	<u>Period from January 26, 2007 (inception) through March 31, 2007</u>	<u>Period from January 26, 2007 (inception) through March 31, 2008</u>
Cash Flows from Operating Activities			
Net income	\$ 1,551,096	\$ (1,000)	\$ 5,263,087
Adjustments to reconcile net income to net cash provided by operating activities:			
Changes in operating assets and liabilities:			
Accrued expenses	123,875	1,000	279,564
Prepaid expenses	8,390		(178,109)
Corporate tax refund receivable due to trust account	(512,333)		(1,019,916)
Corporate taxes payable	(1,150,951)		962,798
	<u>20,077</u>	<u></u>	<u>5,307,424</u>
Net cash provided by operating activities			
Cash Flows from Investing Activities			
Cash held in trust account, restricted	(608,604)		(403,556,999)

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Cash held in trust account, interest and dividend income available			
for working capital and taxes	2,546,393		(855,351)
Deferred acquisition costs	(969,735)		(969,735)
	<u> </u>	<u> </u>	<u> </u>
Net cash used by investing activities	968,054		(405,382,085)
	<u> </u>	<u> </u>	<u> </u>
Cash Flows from Financing Activities			
Proceeds from issuance of stock to initial stockholders		25,000	25,000
Gross proceeds from initial public offering shares			414,000,000
Proceeds from notes payable, stockholders		175,000	175,000
Repayment of notes payable, stockholders			(175,000)
Proceeds from issuance of sponsors' warrants			4,625,000
Payment of underwriter's discounts and offering costs		(68,046)	(16,439,623)
	<u> </u>	<u> </u>	<u> </u>
Net cash provided by financing activities		131,954	402,210,377
	<u> </u>	<u> </u>	<u> </u>
Net increase in cash	988,131	131,954	2,135,716
Cash at beginning of the period	1,147,585		
	<u> </u>	<u> </u>	<u> </u>
Cash at end of the period	\$ 2,135,716	\$131,954	\$ 2,135,716
	<u> </u>	<u> </u>	<u> </u>
Supplemental disclosure of non-cash transactions			
Accrual of deferred offering costs	\$	\$ 27,373	\$
	<u> </u>	<u> </u>	<u> </u>
Accrual of deferred acquisition costs	\$ 880,271		\$ 880,271
	<u> </u>	<u> </u>	<u> </u>
Supplemental disclosure of cash flow information			
Cash paid during the period for:			
Income taxes	\$ 2,462,750	\$	\$ 3,761,750

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

ALTERNATIVE ASSET MANAGEMENT ACQUISITION CORP.
(a development stage company)

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

NOTE 1 - INTERIM FINANCIAL INFORMATION

These unaudited condensed financial statements as of March 31, 2008 and for the periods from January 1, 2008 through March 31, 2008, from January 26, 2007 (inception) through March 31, 2007 and from January 26, 2007 (inception) through March 31, 2008, have been prepared in accordance with

accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the interim period presented are not necessarily indicative of the results to be expected for any other interim period or for the full year.

These unaudited condensed financial statements should be read in conjunction with the financial statements and notes thereto for the period ended December 31, 2007 included in Alternative Asset Management Acquisition Corp.'s Form 10-K filed on March 31, 2008. The accounting policies used in preparing these unaudited condensed financial statements are consistent with those described in the December 31, 2007 financial statements.

NOTE 2 - ORGANIZATION, BUSINESS OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Alternative Asset Management Acquisition Corp. (the Company) was incorporated in Delaware on January 26, 2007 as a blank check company formed for the purpose of acquiring through a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination, one or more businesses or assets in the alternative asset management sector or related business (a Business Combination). On February 22, 2007, the Company changed its name from Hanover Group Acquisition Corp. to Hanover-STC Acquisition Corp. On July 6, 2007, the Company changed its name from Hanover-STC Acquisition Corp. to Alternative Asset Management Acquisition Corp.

The Company's financial statements have been retroactively restated to reflect the effect of a stock dividend of 0.22667 shares of common stock per share of outstanding common stock issued on July 5, 2007, the effect of a stock dividend of 0.5 shares of common stock per share of outstanding common stock issued on July 27, 2007, and the effect of a stock dividend of 0.2 shares of common stock per share of outstanding common stock issued on August 1, 2007 (See Note 8).

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

All activity from January 26, 2007 (inception) through August 7, 2007 relates to the Company's formation and the initial public offering (the Offering) described below. Since August 8, 2007, the Company has been searching for an acquisition candidate. On March 12, 2008, the Company entered into a definitive agreement to enter into a Business Combination (see Note 6).

The registration statement for the Offering was declared effective on August 1, 2007. The Company consummated the Offering on August 7, 2007 and received net proceeds of \$397,560,377 (after deducting offering costs of \$16,439,623) and \$4,625,000 from the sale of the sponsor warrants on a private placement basis (see Note 4). 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. There is no assurance that the Company will be able to successfully affect a Business

ALTERNATIVE ASSET MANAGEMENT ACQUISITION CORP.
(a development stage company)

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

**NOTE 2 - ORGANIZATION, BUSINESS OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Combination. An amount of \$402,425,000, or approximately \$9.72 per Unit of the net proceeds of the Offering and the sale of the sponsor warrants (see Note 4), was placed in a trust account (Trust Account) and was invested in United States government securities within the meaning of Section 2(a) (16) of the Investment Company Act of 1940 having a maturity of 180 days or less or in money market funds meeting certain conditions under Rule 2a-7 promulgated under the Investment Company Act of 1940 until the earlier of (i) the consummation of its first Business Combination or (ii) liquidation of the Company. 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 (other than its independent registered public accountants), 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. Two of the Company's officers have 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, the agreement entered into by two of the Company's officers specifically provides for two exceptions to this indemnity: there will be no liability (1) as to any claimed amounts owed to a third party who executed a waiver (even if such waiver is subsequently found to be invalid and unenforceable) or (2) as to any claims under the Company's indemnity of the underwriters of the Offering against certain liabilities, including liabilities under the Securities Act of 1933, as amended. However, there can be no assurance that they will be able to satisfy those obligations.

The remaining net proceeds of the Offering (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. Except with respect to interest income that may be released to the Company of (i) up to \$3,500,000 of the interest accrued on the amounts held in the Trust Account (net of tax, if any, payable by the Company with respect to such interest) will be released to the Company in monthly installments to fund expenses related to investigating and selecting a target business or businesses and the Company's other working capital requirements and (ii) any additional amounts needed to pay income or other tax obligations, provided, however, that the aggregate amount of all such distributions for working capital and tax payments shall not exceed the total interest income earned; the proceeds of the Offering held in trust will not be released from the Trust Account until the earlier of the completion of a Business Combination or the Company's liquidation. As of March 31, 2008, \$7,577,867 of the interest income earned in the Trust Account has been released to the Company for taxes and working capital purposes. Although \$9,565,716 of interest has been earned on the Trust Account, only \$2,236,405 is included in the Cash held in trust account, restricted. The balance of the undistributed interest and dividend income is shown as cash held in trust account, dividend and interest available for working capital and taxes.

The Company, after signing a definitive agreement for a Business Combination with a target business or businesses, is required to submit such transaction for stockholder approval. Pursuant to the Company's certificate of amendment to be in effect upon consummation of the Offering, in the event that the

stockholders owning 30% or more of the shares sold 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 all of their founders' common stock (the Founders' Common Stock) in accordance with the vote of the majority

ALTERNATIVE ASSET MANAGEMENT ACQUISITION CORP.
(a development stage company)

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

**NOTE 2 - ORGANIZATION, BUSINESS OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

in interest of all other stockholders of the Company (Public Stockholders) with respect to any Business Combination. After consummation of a Business Combination, these voting safeguards will no longer apply.

OHL Limited (formerly Hanover Overseas Limited), STC Investment Holdings LLC, an entity affiliated with Michael J. Levitt, the Company's chairman of the board, and Jonathan I. Berger, one of the Company's directors, and Solar Capital, LLC, an entity affiliated with Michael S. Gross, one of the Company's directors, have entered into agreements with Citigroup Global Markets Inc., in accordance with Rule 10b5-1 under the Securities Exchange Act of 1934, pursuant to which they each have placed limit orders for up to \$10.0 million of the Company's common stock, or \$30.0 million in the aggregate, commencing ten business days after the Company filed its Current Report on Form 8-K announcing its execution of a definitive agreement for a Business Combination and ending on the business day immediately preceding the record date for the meeting of stockholders at which such Business Combination is to be approved, or earlier in certain circumstances (the Buyback Period). The Company filed its Current Report on Form 8-K on March 13, 2008, resulting in a Buyback Period that began on March 28, 2008. These limit orders require the stockholders to purchase any of the Company's shares of common stock offered for sale at or below a price equal to the per share amount held in the Trust Account as reported in such Form 8-K, until the earlier of the expiration of the Buyback Period or until such purchases reach \$30.0 million in total. As of March 31, 2008, each of OHL Limited, STC Investment Holdings LLC and Solar Capital, LLC had purchased 29,300 shares of common stock pursuant to these limit orders. The purchase of such shares are being made by Citigroup Global Markets Inc. It is intended that such purchases will comply with Rule 10b-18 under the Exchange Act and the broker's purchase obligation is otherwise subject to applicable law. Each of these stockholders may vote these shares in any way they choose at the stockholders meeting to approve the Business Combination. As a result, OHL Limited, STC Investment Holdings LLC and Solar Capital, LLC may be able to influence the outcome of a specific Business Combination.

However, these stockholders will not be permitted to exercise conversion rights in the event they vote against a Business Combination that is approved; provided that these stockholders will participate in any liquidation distributions with respect to any shares of common stock purchased by them following consummation of the Offering, including shares purchased pursuant to such limit orders, in the event the Company fails to complete a Business Combination. In addition, these stockholders have agreed that

they will not sell or transfer any shares of common stock purchased by them pursuant to these agreements until one year after the Company has completed a Business Combination. The stock purchases made pursuant to the limit orders described above are not anticipated to have any effect upon the Company or its financial statements.

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 into cash from the Trust Account. 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 held by Public Stockholders at the consummation of the Offering. Accordingly, Public Stockholders holding up to 30% of the aggregate number of shares owned by all Public Stockholders (minus one share) may seek conversion of their shares in the event of a Business Combination. Such Public Stockholders are entitled to receive

ALTERNATIVE ASSET MANAGEMENT ACQUISITION CORP.
(a development stage company)

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

**NOTE 2 - ORGANIZATION, BUSINESS OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

their per share interest in the Trust Account computed without regard to the shares held by Initial Stockholders. The Company's Certificate of Incorporation was amended on August 1, 2007 to provide that the Company will continue in existence only until 24 months from the effective date of the registration statement relating to the Offering (Effective Date), or August 1, 2009. If the Company has not completed a Business Combination by such date, its corporate existence will cease except for the purposes of liquidating and winding up its affairs. In the event of liquidation, it is possible that the per share value of the residual assets remaining available for distribution (including Trust Account assets) will be less than the initial public offering price per Unit in the Offering.

The Initial Stockholders have waived their rights to participate in any liquidation distribution, but only with respect to those shares of common stock owned by them prior to the Offering; they will participate in any liquidation distribution with respect to any shares of common stock acquired in connection with or following the Offering.

Cash held in Trust Account-restricted

The Company considers the restricted portion of the funds held in the Trust Account as being a non-current asset. A current asset is one that is reasonably expected to be used to pay current liabilities, such as accounts payable or short-term debt or to pay current operating expenses, or will be used to acquire other current assets. Since the acquisition of a business is principally considered to be a long-term purpose, with long-term assets such as property and intangibles, typically being a major part of the acquired assets, the Company has reported the funds anticipated to be used in the acquisition as a non-current asset.

Accretion of trust account relating to common stock subject to possible conversion

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

Earnings Per Share

The Company follows the provisions of Statement of Financial Accounting Standards (SFAS) No. 128, Earnings Per Share. In accordance with SFAS No. 128, earnings per common share amounts (Basic EPS) is computed by dividing earnings by the weighted average number of common shares outstanding for the period. Common shares subject to possible conversion of 12,419,999 have been excluded from the calculation of basic earnings per share since such shares, if redeemed, only participate in their pro rata shares of the trust earnings. Earnings per common share amounts, assuming dilution (Diluted EPS), gives effect to dilutive options, warrants, and other potential common stock outstanding during the period. SFAS No. 128 requires the presentation of both Basic EPS and Diluted EPS on the face of the statements of operations. In accordance with SFAS No. 128, the Company has not considered the effect of its outstanding Warrants in the calculation of diluted earnings per share since the exercise of the Warrants is contingent upon the occurrence of future events.

**ALTERNATIVE ASSET MANAGEMENT ACQUISITION CORP.
(a development stage company)**

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

**NOTE 2 - ORGANIZATION, BUSINESS OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Stock Based Compensation

The Company accounts for stock options and warrants using the fair value recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123 (Revised 2004), Share-Based Payment, (SFAS 123(R)). SFAS 123(R) addresses all forms of share based compensation awards including shares issued under employment stock purchase plans, stock options, restricted stock and stock appreciation rights. Under SFAS 123(R), share based payment awards will be measured at fair value on the awards grant date, based on estimated number of awards that are expected to vest and will be reflected as compensation expense in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents are carried at cost, which approximates fair value.

SFAS No. 105, Disclosure of Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentration of Credit Risk, requires disclosure of significant concentrations of credit risk regardless of the degree of risk. At March 31, 2008, financial instruments that potentially expose the Company to credit risk consist of cash. The Company maintains its cash balances in a major financial institution. The Federal Deposit Insurance Corporation insures balances in bank accounts up to \$100,000 and the Securities Investor Protection Corporation insures balances up to \$500,000 in brokerage accounts. Management believes the risk of loss to be minimal since it only invests in or through major financial institutions.

Offering Costs

Offering costs of \$16,439,623 consist of underwriters' discount, legal fees, printing costs and travel expenses incurred through the balance sheet date that are related to the Offering and were charged to capital at the time of the closing of the Offering.

Recently Issued Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No.157, Fair Value Measurements, which is effective for fiscal years beginning after November 15, 2007. The Statement defines fair value, establishes a frame work for measuring fair value in accordance with Generally Accepted Accounting Principles, and expands disclosures about fair value measurements. The Statement codifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or

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NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

NOTE 2 - ORGANIZATION, BUSINESS OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Recently Issued Pronouncements (continued)

liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The adoption of the provision of SFAS 157 did not have a material impact on the Company's financial position or results of operations.

In February 2007, the FASB issued SFAS No. 159 *The Fair Value Opinion for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115 (SFAS 159)*, which permits entities to choose to measure many financial instruments and certain other items at fair value. The fair value option established by this Statement permits all entities to choose to measure eligible items at fair value at specified election dates. A business entity shall report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. Adoption is required for fiscal years beginning after November 15, 2007. The adoption of the provision of SFAS 159 did not have a material impact on the Company's financial position or results of operations.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations (SFAS 141R)*. SFAS 141R changes accounting for acquisitions that close beginning in 2009 in a number of areas including the treatment of contingent consideration, contingencies, acquisition costs, in-process research and development and restructuring costs. More transactions and events will qualify as business combinations and will be accounted for at fair value under the new standard. SFAS 141R promotes greater use of fair values in financial reporting. In addition, under SFAS 141R, changes in deferred tax asset valuation allowances and acquired income tax uncertainties in a business combination after the measurement period will impact income tax expense. Some of the changes will introduce more volatility into earnings. SFAS 141R is effective for fiscal years beginning on or after December 15, 2008. SFAS 141R will have an impact on accounting for any business acquired after the effective date of this pronouncement.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51 (SFAS 160)*. SFAS 160 will change the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests (NCI) and classified as a component of equity. This new consolidation method will significantly change the accounting for transactions with minority interest holders. SFAS 160 is effective for fiscal years beginning after December 15, 2008. SFAS 160 would have an impact on the presentation and disclosure of the noncontrolling interests of any non-wholly owned business acquired in the future.

In December 2007, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 110 (*SAB 110*). SAB 110 amends and replaces Question 6 of Section D.2 of Topic 14, *Share-Based Payment* of the Staff Accounting Bulletin series. Question 6 of Section D.2 of Topic 14 expresses the views of the staff regarding the use of the *simplified* method in developing an estimate of the expected term of *plain vanilla* share options and allows usage of that method for option grants prior to December 31, 2007. SAB 110 allows public companies which do not have sufficient historical experience to provide a reasonable estimate to continue the use of this method for estimating the expected term of *plain vanilla* share option grants after December 31, 2007. The adoption of this pronouncement by the Company in fiscal 2008 is not expected to have a significant effect on its financial statements.

In February 2008, the FASB issued Staff Position No. FAS 140-3, *Accounting for Transfers of Financial Assets and Repurchase Financing Transactions*, which provides guidance on accounting for

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NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

**NOTE 2 - ORGANIZATION, BUSINESS OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Recently Issued Pronouncements (continued)

a transfer of a financial asset and a repurchase financing. This accounting guidance presumes that an initial transfer of a financial asset and a repurchase financing are considered part of the same arrangement (linked transaction) under SFAS No. 140. However, if certain criteria are met, the initial transfer and repurchase financing shall be evaluated separately under SFAS No. 140. Staff Position No. FAS 140-3 will be effective for financial statements issued for fiscal years beginning after November 15, 2008, and for interim periods within those fiscal years. Early adoption is prohibited. Management is evaluating the potential effect this guidance may have on the Company's financial condition and results of operations.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133, (SFAS 161) as amended and interpreted, which requires enhanced disclosures about an entity's derivative and hedging activities and thereby improves the transparency of financial reporting. Disclosing the fair values of derivative instruments and their gains and losses in a tabular format provides a more complete picture of the location in an entity's financial statements of both the derivative positions existing at period end and the effect of using derivatives during the reporting period. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. Early adoption is permitted, but not expected. Management is evaluating the potential effect this guidance may have on the Company's financial condition and results of operations.

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

NOTE 3 - INCOME TAXES

On January 26, 2007, the Company adopted the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, Accounting for Income Taxes, and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim period, disclosure and transition.

The Company has identified its federal tax return as its major tax jurisdiction. Based on the Company's evaluation, it has been concluded that there are no significant uncertain tax positions requiring recognition in the Company's financial statements. Since the Company was incorporated on January 26, 2007 the evaluation was performed for the 2007 tax year. The Company believes that its income tax positions and deductions would be sustained on audit and does not anticipate any adjustments that would result in a material change to its financial position. No liability for unrecognized tax benefits was required to be reported at December 31, 2007.

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NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

NOTE 3 - INCOME TAXES (CONTINUED)

The Company's policy for recording interest and penalties associated with audits is to record such items as a component of income tax expense. There were no amounts accrued for penalties or interest as of or during the period from January 26, 2007 (inception) through December 31, 2007. The Company does not expect its unrecognized tax benefit position to change during the next twelve months. Management is currently unaware of any issues under review that could result in significant payments, accruals or material deviations from its position. The adoption of the provisions of FIN 48 did not have a material impact on the Company's financial position, results of operations and cash flows.

Corporate tax refund receivable due to trust account consisted of the following:

	March 31, 2008 (unaudited)	December 31, 2007
NYS Corporate income tax	\$ 256,766	\$ 256,883
NYC Corporate income tax	763,150	250,700
	<u>\$1,019,916</u>	<u>\$ 507,583</u>

Corporate tax refunds due emanated from the Company paying estimates in excess of the ultimate accrual for New York state and New York city taxes due. These funds will be returned to the trust account upon receipt.

Corporate taxes payable consisted of the following:

Federal income tax	<u>\$ 962,798</u>	<u>\$2,113,749</u>
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The provision for income tax consists of the following:

For the Period from January 26,	For the Period from
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	For the three months ended March 31, 2008	2007 (Inception) through March 31, 2007	January 26, 2007 (Inception) through March 31, 2008
Current:			
Federal	\$799,050		\$3,703,798
State and Local	417		834
Deferred			
Federal			
State and Local			
Total provision for income taxes	\$799,467		\$3,704,632

Deferred income taxes, if applicable, are provided for the differences between the basis of assets and liabilities for financial reporting and income tax purposes. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized.

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NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

NOTE 3 - INCOME TAXES (CONTINUED)

A reconciliation of the provision for income taxes with amounts computed by applying the statutory Federal income tax rate to income from continuing operations before provision for income taxes is as follows:

	For the three months ended March 31, 2008	For the Period from January 26, 2007 (Inception) through March 31, 2007	For the period from January 26, 2007 (Inception) through March 31, 2008
Tax provision at statutory rate	34%	%	34%
State and local taxes (net of federal tax benefit)			
Additional Federal tax due to Personal Holding Company status			7%
	34%	%	41%

NOTE 4 - INITIAL PUBLIC OFFERING

The registration statement for the Offering was declared effective on August 1, 2007. The Company consummated the Offering on August 7, 2007 and received net proceeds of \$397,560,377 and \$4,625,000 from the sale of the sponsor warrants on a private placement basis. The Company sold 41,400,000 Units, including 5,400,000 Units pursuant to the underwriters' over-allotment option, at the offering price of \$10.00 per Unit. Each Unit consists of one share of the Company's common stock and one Redeemable Common Stock Purchase Warrant ("Warrant"). Each Warrant entitles the holder to purchase from the Company one share of common stock at an exercise price of \$7.50 commencing the later of the completion of a Business Combination or fifteen months from the Effective Date, or November 1, 2008 and expiring five years from the Effective Date, or July 31, 2012.

The Company may redeem the Warrants, at a price of \$0.01 per Warrant upon 30 days' notice after the Warrants become exercisable, only in the event that the last sale price of the common stock is at least \$14.25 per share for any 20 trading days within a 30 trading day period ending on the third day prior to the date on which the notice of redemption is given. In accordance with the warrant agreement relating to the Warrants, the Company is only required to use its best efforts to maintain the effectiveness of the registration statement covering the Warrants. The Company will not be obligated to deliver securities, and there are no contractual penalties for failure to deliver securities, if a registration statement is not effective at the time of exercise. Additionally, in the event that a registration is not effective at the time of exercise, the holder of such Warrant shall not be entitled to exercise such Warrant and in no event (whether in the case of a registration statement not being effective or otherwise) will the Company be required to net cash settle the warrant exercise. Consequently, the Warrants may expire unexercised and unredeemed.

The Company entered into an agreement with the underwriters of the Offering (the "Underwriting Agreement"). The Underwriting Agreement required the Company to pay 3.75% of the gross proceeds of the Offering as an underwriting discount plus an additional 3.25% of the gross proceeds only upon consummation of a Business Combination. The Company paid an underwriting discount of 3.75% of the gross proceeds (\$15,525,000) in connection with the consummation of the Offering and has placed 3.25% of the gross proceeds (\$13,455,000) in the Trust Account. The Company did not pay any discount related to the warrants sold in the private placement. The underwriters have waived their right

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NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

NOTE 4 - INITIAL PUBLIC OFFERING (CONTINUED)

to receive payment of the 3.25% of the gross proceeds upon the Company's liquidation if it is unable to complete a Business Combination.

Pursuant to a Sponsors' Warrants Securities Purchase Agreement dated July 6, 2007, certain of the Initial Stockholders have purchased from the Company, in the aggregate, 4,625,000 warrants for \$4,625,000

(the Sponsors Warrants). The purchase and issuance of the Sponsors Warrants occurred simultaneously with the consummation of the Offering on a private placement basis. All of the proceeds the Company received from these purchases were placed in the Trust Account. The Sponsors Warrants are identical to the Warrants included in the Units sold in the Offering, except that (i) the Sponsors Warrants are non-redeemable so long as they are held by any of the sponsors or their permitted transferees and (ii) they will not be exercisable while they are subject to certain transfer restrictions. If the Company does not complete a Business Combination then the \$4,625,000 paid in consideration for the Sponsors Warrants will be part of the liquidating distribution to the Company s public stockholders, and the Sponsors Warrants will expire worthless. The purchasers of the Sponsors Warrants have agreed that the Sponsors Warrants will not be sold or transferred by them until after the Company has completed a Business Combination.

Pursuant to a Registration Rights Agreement dated August 1, 2007, the Initial Stockholders, holders of the Sponsors Warrants (or underlying securities) and holders of shares purchased in accordance with Rule 10b5-1 of the Exchange Act during the Buyback Period will be entitled to registration rights with respect to the Founders Common Stock, Sponsors Warrants (or underlying securities) and the shares of Company common stock purchased in accordance with Rule 10b5-1 of the Exchange Act during the Buyback Period, as the case may be. The holders of the majority of the Founders Common Stock are entitled to elect to exercise these registration rights at any time commencing nine months after the consummation of a Business Combination, or earlier in certain circumstances. The holders of the Sponsors Warrants (or underlying securities) are entitled to demand that the Company register such securities at any time after the Company consummates a Business Combination. The holders of shares purchased in accordance with Rule 10b5-1 of the Exchange Act during the Buyback Period are entitled to demand that the Company register such securities commencing nine months after the Company consummates a Business Combination. In addition, these holders have certain piggyback registration rights on registration statements filed after the Company s consummation of a Business Combination.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

The Company presently utilizes administrative services provided by an affiliate of one of the Company s executive officers. Such affiliate has agreed that, until the Company consummates a Business Combination, it will make such administrative services available to the Company, as may be required by the Company from time to time. The Company has agreed to pay such affiliate \$10,000 per month for such services commencing on August 1, 2007.

The Company has a commitment to pay a total underwriting discount of 7% of the public offering price. The payment to the underwriters representing 3.25% of the gross proceeds from the Offering will be deferred until the Company consummates a Business Combination.

Pursuant to letter agreements dated July 31, 2007 with the Company, the Initial Stockholders have waived their right to receive distributions with respect to the Founders Common Stock upon the Company s liquidation. They will participate in any liquidation distribution with respect to any shares of common stock acquired in connection with or following the Offering.

The Initial Stockholders, holders of the Sponsors Warrants (or underlying securities) and holders of shares of common stock purchased in accordance with Rule 10b5-1 of the Exchange Act during the

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NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

NOTE 5 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Buyback Period are entitled to registration rights with respect to the Founders' Common Stock, Sponsors' Warrants (or underlying securities) and shares of common stock purchased in accordance with Rule 10b5-1 of the Exchange Act during the Buyback Period, as the case may be, pursuant to an agreement signed on the effective date of the Offering. The holders of the majority of the Founders' Common Stock and holders of shares of common stock purchased in accordance with Rule 10b5-1 of the Exchange Act during the Buyback Period are entitled to elect to exercise these registration rights at any time commencing nine months after the consummation of our Business Combination (or earlier in certain circumstances with respect to the Founders' Common Stock). The holders of the Sponsors' Warrants (or underlying securities) are entitled to demand that the Company register such securities at any time after the Company consummates a Business Combination. In addition, these holders have certain piggyback registration rights on registration statements filed after the Company's consummation of a Business Combination.

NOTE 6 - PURCHASE AGREEMENT

On March 12, 2008, the Company entered into a purchase agreement pursuant to which it agreed to acquire (the "Acquisition") an interest in a newly formed entity which will own all of the management and fee generating entities affiliated with Halcyon Asset Management, LLC (such newly formed entity, "Halcyon"). The combined company will be renamed Halcyon Management Inc. At the closing of the Acquisition, the Company will acquire 49,170,000 Class A Units of Halcyon, which will represent approximately 51.2% of the outstanding equity of Halcyon (subject to adjustment) and Halcyon will continue as an operating company.

In connection with the Acquisition, the Company will pay \$390 million and issue 46,924,648 shares of Series A Voting Preferred Stock, \$0.0001 par value per share ("Preferred Shares") in exchange for the 49,170,000 Class A Units of Halcyon. Prior to the closing, Halcyon will be reorganized to own all the interests in its affiliates (subject to certain exceptions) and in connection therewith Halcyon will issue to an affiliated entity a note with a principal amount of \$115,000,000 (the "Halcyon Note") subject to adjustment.

The purchase price paid will be subject to possible closing and post-closing adjustments, including the issuance of additional Preferred Shares and Class B Units of Halcyon upon the achievement of certain price per share targets within five years of closing. In addition, in the event of a shortfall in the amount of cash available to the Company at the time of the closing, the amount of the Halcyon Note may be increased to up to \$150,000,000 or the Company may issue additional Preferred Shares and Class B Units of Halcyon.

The closing of the Acquisition is subject to the satisfaction or waiver by the parties at or prior to the closing date of various customary conditions, including the (i) receipt of all required regulatory approvals and consents (ii) the approval of the Acquisition by the Company's stockholders, (iii) subject to certain exceptions and materiality thresholds, the accuracy of the representations and warranties of the other party and (iv) compliance of the other party with its covenants, subject to specified materiality thresholds.

Purchases by OHL Limited, STC Investment Holdings LLC and Solar Capital, LLC pursuant to their limit orders commenced on March 28, 2008, which was ten business days after the Company filed a Current Report on Form 8-K announcing that it had entered into the purchase agreement relating to the Acquisition.

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NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENT

NOTE 7 - 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.

The Company's certificate of incorporation prohibits it, prior to a Business Combination, from issuing preferred stock which participates in the proceeds of the Trust Account or which votes as a class with the Common Stock on a Business Combination.

NOTE 8 - COMMON STOCK

On July 27, 2007, the Company's Certificate of Incorporation was amended to reflect an increase in the authorized shares of common stock from 60,000,000 shares of common stock to 120,000,000 shares of common stock. All references in the accompanying financial statements as of December 31, 2007 and for the period January 26, 2007 (inception) through December 31, 2007 to the number of shares of common stock have been retroactively restated to reflect this transaction.

On February 25, 2007, the Company issued 10,350,000 shares of common stock to its initial stockholders (after giving effect to stock dividends of 0.226667 shares per share of outstanding common stock issued on July 5, 2007, 0.5 shares per share of outstanding common stock issued on July 27, 2007 and 0.2 shares per share of outstanding common stock issued on August 1, 2007), for \$25,000 in cash, at a purchase price of approximately \$0.002 per share.

On August 7, 2007, the Company issued 41,400,000 Units, including 5,400,000 Units pursuant to the underwriters' over-allotment option, at the offering price of \$10.00 per Unit. Each Unit consists of one share of the Company's common stock and one Redeemable Common Stock Purchase Warrant.

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

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

Forward-Looking Statements

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

Overview

We were formed under the laws of the State of Delaware on January 26, 2007 to acquire through a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or other similar business combination with one or more business or assets in the alternative asset management sector or a related business. We intend to utilize cash derived from the proceeds of our initial public offering and the private placement of our sponsors' warrants, our capital stock, debt or a combination of cash, capital stock and debt in effecting a business combination. On February 22, 2007 the company changed its name from Hanover Group Acquisition Corp. to Hanover-STC Acquisition Corp. On July 6, 2007, the company changed its name from Hanover-STC Acquisition Corp. to Alternative Asset Management Acquisition Corp.

On August 7, 2007, we completed our initial public offering of 41,400,000 units, including 5,400,000 units pursuant to the underwriters' over-allotment option, at \$10.00 per unit. In conjunction with the consummation of the initial public offering we sold an aggregate of 4,625,000 sponsors' warrants to certain existing shareholders pursuant to a sponsors' warrant purchase agreement dated July 6, 2007 on a private placement basis at a price of \$1.00 per warrant, for an aggregate price of \$4,625,000. The total gross proceeds from the initial public offering, excluding the warrants sold on a private placement basis amounted to \$414,000,000. After the payment of offering expenses, the net proceeds to us amounted to \$397,560,377. Each unit consists of one share of our common stock, \$.0001 par value, and one redeemable common stock purchase warrant. Each warrant entitles the holder to purchase from us one share of common stock at an exercise price of \$7.50 commencing the later of the completion of an initial business combination or fifteen months from the effective date of the initial public offering (November 1, 2008) and expiring five years from the effective date of the initial public offering (July 31, 2012). The warrants will be redeemable by us, 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 \$14.25 per share for any 20 trading days within a 30 trading day period ending on the third day prior to the date on which notice of redemption is given.

Business Combination with Halcyon

On March 12, 2008 we entered into a purchase agreement (the Purchase Agreement) pursuant to which we have agreed to acquire an interest in a newly formed entity which will own all of the management and fee generating entities affiliated with Halcyon Asset Management, LLC (such newly formed entity, Halcyon), a global alternative asset management firm with approximately \$10.9 billion in assets under management as of April 1, 2008. The combined company will be renamed Halcyon Management Inc.

We intend to file a preliminary proxy statement with the SEC with respect to this proposed business combination with Halcyon. As of the date of the filing of this Form 10-Q, neither the preliminary proxy statement nor the definitive

proxy statement have been filed with the SEC or disseminated to stockholders. We have

summarized the terms of the transaction below. Investors are urged to review the preliminary proxy statement and definitive proxy statement, when completed, in their entirety. A more complete description of the transactions described below, including exhibits related thereto such as the Purchase Agreement, is included in a Form 8-K filed on March 13, 2008 and a Form 8-K filed on March 17, 2008. We intend to schedule a stockholder meeting following completion of the proxy statement.

The parties to the Purchase Agreement are:

- Alternative Asset Management Acquisition Corp.;
- Halcyon Management Group LLC (Halcyon);
- Halcyon Partners LP (the Partner Vehicle); and
- Halcyon Asset Management LLC, Halcyon Offshore Asset Management LLC, Halcyon Structured Asset Management LP, Halcyon Asset-Backed Advisors LP and Halcyon Loan Investors LP (together with Halcyon and the Partner Vehicle the Halcyon Parties).

At the closing and subject to certain adjustments as described below, we will pay the Partner Vehicle for 49,170,000 Class A Units of Halcyon:

- \$390 million cash; and
- 46,924,648 shares of our Series A Voting Preferred Stock, \$0.0001 par value per share (Preferred Shares).

In addition, pursuant to a certain Exchange and Support Agreement to be prepared by the parties prior to closing, the 46,924,648 Class B Units of Halcyon held by the Partner Vehicle will become exchangeable for an equal number of shares of our common stock, subject to certain vesting and transfer restrictions.

Prior to the closing, Halcyon will be reorganized to own all the interests in its affiliates (subject to certain exceptions) and in connection therewith Halcyon will issue to the Partner Vehicle a note with a principal amount of \$115,000,000, payable in five equal annual installments, beginning on the first anniversary of the closing of the proposed acquisition, and accruing interest at 9.0% per year, calculated on the basis of a 365-day year, and payable at the end of each calendar quarter (the Halcyon Note).

The purchase price paid to the Partner Vehicle will be subject to possible closing and post-closing adjustments, including the issuance of additional Preferred Shares and Class B Units of Halcyon to the Partner Vehicle upon the achievement of certain price per share targets within five years of closing. In addition, in the event of a shortfall in the amount of cash available to us at the time of the closing, the Partner Vehicle has the option to either increase the amount of the Halcyon Note to up to \$150,000,000 or receive additional Preferred Shares and Class B Units of Halcyon.

In connection with our initial public offering, OHL Limited (formerly Hanover Overseas Limited), STC Investment Holdings LLC and Solar Capital, LLC, entered into agreements with Citigroup Global Markets Inc., in accordance with Rule 10b5-1 under the Securities Exchange Act of 1934, pursuant to which they each agreed to place limit orders for \$10.0 million of our common stock, or \$30.0 million in the aggregate, after we announced the signing of a definitive agreement with respect to an initial business combination. Purchases pursuant to these limit orders

commenced on March 28, 2008, which was ten business days after we filed a Current Report on Form 8-K announcing that we had entered into the Purchase Agreement relating to the proposed business combination with Halcyon. As of March 31, 2008, each of OHL Limited, STC Investment Holdings LLC and Solar Capital, LLC had purchased 29,300 shares of common stock pursuant to these limit orders.

Results of Operations and Known Trends or Future Events

For the three months ended March 31, 2008 and for the period from January 26, 2007 (inception) to March 31, 2008, we had net income of \$1,551,096 and \$5,263,087, respectively. Our income was all derived from interest and dividends on the net proceeds of our initial public offering. For the period from January 26, 2007 (inception) to March 31, 2007 we had net loss of \$1,000.

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We incurred \$227,299 and \$624,105 in formation and operating costs during the three months ended March 31, 2008 and for the period from January 26, 2007 (inception) to March 31, 2008, respectively. Approximately \$100,000 of those costs consisted of legal and accounting, \$29,000 for director and officer insurance, \$30,000 for administrative services, \$42,000 for taxes and the balance of \$26,000 for other miscellaneous expenses for the three month period.

All activity from January 26, 2007 (inception) through August 7, 2007 relates to our formation and our initial public offering described above. Since August 8, 2007, we have been searching for a target company to acquire. On March 12, 2008 we entered into a definitive agreement to enter into an initial business combination. We believe that we have sufficient funds available to complete our efforts to affect an initial business combination with an operating business within the required 24 months from the date of our final prospectus, or August 1, 2009.

Off-Balance Sheet Arrangements

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

We have not entered into any off-balance sheet financing arrangements and have never established any special purpose entities. We have not guaranteed any debt or commitments of other entities or entered into any options on non-financial assets.

Contractual Obligations

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

Liquidity and Capital Resources

As of March 31, 2008, we had cash in our operating account of \$2,135,716 and an additional \$855,351 in our trust account which is available for working capital and taxes. Until our initial public offering, as described above, our only source of liquidity was the proceeds from the initial private sale of our stock and the subsequent loan made by a stockholder. As of March 31, 2008, we had repaid this loan. Since our initial public offering, our only source of revenue has been from the interest and dividends earned on our cash accounts. The proceeds from our initial public offering that were placed in a trust account were invested in United States government securities within the meaning

of Section 2(a)(16) of the Investment Company Act of 1940 having a maturity of 180 days or less or in money market funds meeting certain conditions under Rule 2a-7 promulgated under the Investment Company Act of 1940. As of March 31, 2008 the funds placed in trust are earning interest at the rate of approximately 1.94%.

Subject to our stockholders' approval of the proposed business combination with Halcyon, we will use substantially all of the net proceeds of our initial public offering in connection with the proposed business combination with Halcyon, including structuring, negotiating and consummating the initial business combination. To the extent we use our capital stock in whole or in part as consideration for an initial business combination, the proceeds held in the trust account (less amounts paid to any public stockholders who exercise their conversion rights and deferred underwriting discounts and commissions paid to the underwriters) as well as any other net proceeds not expended prior to that time will be used to finance the operations of the target business or businesses. Such working capital funds could be used in a variety of ways including continuing or expanding the target business' operations and for strategic acquisitions. Such funds could also be used to repay any operating expenses or finders' fees which we had incurred prior to the completion of our initial business combination if the funds available to us outside of the trust account were insufficient to cover such expenses.

We expect our primary liquidity requirements to include approximately \$800,000 for expenses for the due diligence and investigation of a target business or businesses; an aggregate of \$240,000 for office space, administrative services and support payable to Hanover Group US LLC, representing \$10,000 per month for up to 24 months; \$120,000 for legal and accounting fees relating to our SEC reporting obligations; and approximately \$2,365,000 for general working capital that will be used for legal fees in connection with structuring and negotiating

a business combination transaction, preparing SEC filings in connection with a business combination and miscellaneous expenses. However, if our estimate of the costs of undertaking in-depth due diligence and negotiating an initial business combination is less than the actual amount necessary to do so, or if interest payments are not available to fund the expenses at the time we incur them, we may be required to raise additional capital, the amount, availability and cost of which is currently unascertainable. Moreover, we may need to obtain additional financing either to consummate our initial business combination or because we become obligated to convert into cash a significant number of shares of public stockholders voting against our initial business combination, in which case we may issue additional securities or incur debt in connection with such business combination. Following our initial business combination, if cash on hand is insufficient, we may need to obtain additional financing in order to meet our obligations.

As of March 31, 2008, we had withdrawn \$7,577,867 of the interest and dividends earned on the funds held in our trust account. Pursuant to the terms of our trust agreement governing our trust account, we are entitled to use up to \$3,500,000 of the earnings (subject to restrictions for monies needed to pay income and franchise tax liabilities) for working capital, provided, however, that the aggregate amount of all such distributions for working capital and income and franchise tax payments shall not exceed the total earnings. Of the funds withdrawn, \$4,933,217 was for taxes. Therefore, up to \$855,351 is still to be remitted, for working capital purposes, to our operating account which had a balance of \$2,135,717 as of March 31, 2008. Once the \$855,351 is distributed, only distributions to pay tax liabilities will be allowed. We have refunds due of \$1,019,916 on the state tax estimates we have made, which will be returned back to the Trust Account upon receipt. Our liabilities are all related to costs associated with operating as a public company, searching for an acquisition target, our due diligence review and negotiation of agreements related to the proposed business combination and activities relating to the consummation of the proposed business combination. We believe our working capital will continue to be sufficient to fund our operations until a target is acquired.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

As of March 31, 2008, our efforts were limited to organizational activities, activities relating to our initial public offering, activities involving searching for an acquisition target and activities relating to the proposed business combination with Halcyon and we had neither engaged in any income producing operations nor generated any revenues other than the interest earned on the proceeds of our initial public offering.

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. Approximately \$402.4 million of the net offering proceeds (which includes \$13.5 million of the proceeds attributable to the underwriters' deferred discount from our initial public offering) has been placed in a trust account at Citigroup Global Markets Inc., with the Continental Stock Transfer & Trust Company as trustee. As of March 31, 2008, the balance of the trust account was \$404,412,350. The proceeds of our initial public offering held in trust have only been invested in U.S. government securities within the meaning of Section 2(a)(16) of the Investment Company Act of 1940 having a maturity of 180 days or less or in money market funds meeting certain conditions under Rule 2a-7 promulgated under the Investment Company Act of 1940. Thus, we are currently subject to market risk primarily through the effect of changes in interest rates on short-term government securities and other highly rated money-market instruments. As of March 31, 2008, the effective annualized interest rate payable on our investment was approximately 1.94%. Assuming no other changes to our holdings as of March 31, 2008, a 1% decrease in the underlying interest rate payable on our investment as of March 31, 2008 would result in a decrease of approximately \$1.1 million in the interest earned on our investment for the following 90-day period. Because we are required to invest in government securities or money market funds, as described above, we are unable to manage our exposure to changes in interest rates on short-term government securities and other highly rated money-marked instruments. We do not believe that the effect of other changes, such as foreign exchange rates, commodity prices, and/or equity prices currently pose significant market risk for us.

We have not engaged in any hedging activities since our inception. We do not currently expect to engage in any hedging activities.

ITEM 4T. Controls and Procedures.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in company reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information

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required to be disclosed in company reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our chief executive officer and treasurer, as appropriate to allow timely decisions regarding required disclosure.

As required by Rules 13a-15 and 15d-15 under the Exchange Act, our chief executive officer and chief financial officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2008. Based upon their evaluation, they concluded that our disclosure controls and procedures (as defined in Rules 13a-15 (e) and 15d-15 (e) under The Exchange Act) were effective.

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

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings.

None.

ITEM 1A. Risk Factors.

Factors that could cause our actual results to differ materially from those in this report are any of the risks described in Item 1A Risk Factors included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007, as filed with the SEC. Any of these factors could result in a significant or material adverse effect on our results of operations or financial condition. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations.

There have been no material changes to the Risk Factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2007, as filed with the SEC, except we may disclose changes to such factors or disclose additional factors from time to time in our future filings with the SEC.

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

There were no unregistered sales of equity securities by the Company for the three months ended March 31, 2008.

On August 7, 2007, we consummated our initial public offering of 41,400,000 units, which includes 5,400,000 units pursuant to the underwriters over-allotment option. The securities sold in the our initial public offering were registered under the Securities Act of 1933 on a registration statement on Form S-1 (File No. 333-141593). The SEC declared the registration statement effective on August 1, 2007. All of the units registered were sold at an offering price of \$10.00 per unit and generated gross proceeds of \$414,000,000. 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 \$7.50. Each warrant will become exercisable on the later of our completion of a business combination or November 1, 2008 and will expire on July 31, 2012, or earlier upon redemption.

In connection with our offering, we incurred a total of \$15,525,000 in underwriting discounts and \$914,623 for costs and expenses related to the offering. The underwriters have agreed to defer an additional \$13,455,000 of the underwriting discount (equal to 3.25% of the gross proceeds of the offering). These proceeds are held in the trust account and will not be released until the earlier to occur of the completion of our initial business combination or our liquidation. In addition, the trust account holds the proceeds from the sale of the warrants on a private placement basis. In total, we deposited \$402,425,000 in the trust account.

For a description of the use of proceeds generated in the Offering, see Part I, Item 2 of this Form 10-Q.

ITEM 3. Defaults Upon Senior Securities.

None.

ITEM 4. Submission of Matters to a Vote of Security Holders.

None.

ITEM 5. Other Information.

None.

ITEM 6. Exhibits.

31.1 Section 302 Certification by Chief Executive Officer and President

31.2 Section 302 Certification by Chief Financial Officer and Treasurer

32.1 Section 906 Certification by Chief Executive Officer and President

32.2 Section 906 Certification by Chief Financial Officer and Treasurer

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SIGNATURES

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

ALTERNATIVE ASSET MANAGEMENT ACQUISITION CORP.

Dated: May 13, 2008

By: /s/ Mark D. Klein

Mark D. Klein
Chief Executive Officer and President
(Principal Executive Officer)

By: /s/ Paul D. Lapping

Paul D. Lapping
Chief Financial Officer, Treasurer and
Secretary (Principal Financial and Accounting
Officer)

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EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
31.1	Certification of Chief Executive Officer, pursuant to Rule 13a-14 and 15d-14 of the Securities Exchange Act of 1934.
31.2	Certification of Chief Financial Officer, pursuant to Rule 13a-14 and 15d-14 of the Securities Exchange Act of 1934
32.1	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	

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Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
