

Fortissimo Acquisition Corp.  
Form 10-Q  
August 14, 2008

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2008

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 000-52166

Fortissimo Acquisition Corp.  
(Exact Name of Small Business Issuer as Specified in Its Charter)

Delaware  
(State or other Jurisdiction of  
Incorporation or  
Organization)

02-0762508  
(I.R.S. Employer  
Identification No.)

14 Hamelacha Street Park Afek, Rosh Ha'ayin 48091, Israel  
(Address of Principal Executive Office)

972-3-915-7400  
(Issuer's Telephone Number, Including Area Code)

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

Yes ☒ No ☐

Indicate with check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if smaller reporting company).

Smaller reporting company ☒

Edgar Filing: Fortissimo Acquisition Corp. - Form 10-Q

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

As of August 14, 2008, 5,868,334 shares of common stock, par value \$.0001 per share, were issued and outstanding.

---

	Page
Part I. Financial Information:	2
Item 1 – Financial Statements (Unaudited):	2
Condensed Balance Sheets as of June 30, 2008 and December 31, 2007	2
Condensed Statements of Operations for the Three and Six Months Ended June 30, 2008, the Three and Six Months Ended June 30, 2007, and the Period December 27, 2005 (inception) to June 30, 2008	3
Condensed Statements of Changes in Stockholders' Equity for the Period December 27, 2005 (inception) to June 30, 2008	4
Condensed Statements of Cash Flows for the Six Months Ended June 30, 2008, the Six Months Ended June 30, 2007, and the Period December 27, 2005 (inception) to June 30, 2008	5
Notes to Unaudited Condensed Financial Statements	6
Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations	11
Item 3 - Quantitative and Qualitative Disclosures About Market Risk	13
Item 4 - Controls and Procedures	13
Part II. Other Information	14
Item 1 - Legal Proceedings	14
Item 1A - Risk Factors	14
Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds	14
Item 6 - Exhibits	14
Signatures	15

**Part I. FINANCIAL INFORMATION****Item 1. Financial Statements (Unaudited)****Fortissimo Acquisition Corp.  
(a development stage corporation)****Condensed Balance Sheets**

	<b>June 30, 2008 (Unaudited)</b>	<b>December 31, 2007</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 4,508	\$ 35,238
Investments held in Trust (Note 3)	27,889,202	27,575,303
Prepaid expenses	5,825	1,456
Deferred tax asset	165,136	165,136
Income tax receivable	17,844	17,844
Total assets	\$ 28,082,515	\$ 27,794,977
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 648,078	\$ 369,181
Note payable to related party (Note 4)	182,450	-
Deferred trust interest income	326,148	263,399
Deferred underwriting fee (Note 2)	352,350	352,350
Total current liabilities	1,509,026	984,930
Common stock , subject to possible conversion, 906,547 shares at conversion value	5,248,907	5,248,907
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock - \$.0001 par value; 1,000,000 authorized; none issued or outstanding (Note 6)	-	-
Common stock - \$.0001 par value; 21,000,000 authorized; 5,868,334 issued and outstanding (including 906,547 subject to possible conversion) (Note 1)	587	587
Additional paid-in capital	21,409,192	21,409,192
Retained earnings (accumulated deficit) accumulated during the development stage	(85,197)	151,361

Edgar Filing: Fortissimo Acquisition Corp. - Form 10-Q

Total stockholders' equity	21,324,582	21,561,140
Total liabilities and stockholders' equity	\$ 28,082,515	\$ 27,794,977

*See Accompanying Notes to Unaudited Condensed Financial Statements.*

- 2 -

---

**Fortissimo Acquisition Corp.**  
**(a development stage enterprise)**

**Condensed Statements of Operations**  
**(Unaudited)**

	<b>Three months ended</b>		<b>Three months ended</b>		<b>Six months ended</b>		<b>Six months ended</b>		<b>For the period from December 27, 2005 (inception) to June 30, 2008</b>
	<b>June 30, 2008</b>		<b>June 30, 2007</b>		<b>June 30, 2008</b>		<b>June 30, 2007</b>		<b>June 30, 2008</b>
State franchise tax	\$	6,369	\$	6,437	\$	12,750	\$	12,875	\$ 64,025
Admin and office support		22,500		22,500		45,000		45,000	155,026
Professional fees		122,468		31,206		347,947		38,519	947,269
Insurance		10,923		11,250		21,845		22,500	74,127
Travel		7,339		6,042		24,121		15,045	93,340
Formation expenses		-		-		-		-	3,000
Other expenses		20,135		6,591		36,045		15,014	64,220
<b>Total costs and expenses</b>	<b>\$</b>	<b>189,734</b>	<b>\$</b>	<b>84,026</b>	<b>\$</b>	<b>487,708</b>	<b>\$</b>	<b>148,953</b>	<b>\$ 1,401,007</b>
<b>Interest income</b>		<b>106,726</b>		<b>197,154</b>		<b>251,150</b>		<b>458,801</b>	<b>1,315,809</b>
<b>Income (loss) before provision for income taxes</b>		<b>(83,008)</b>		<b>113,128</b>		<b>(236,558)</b>		<b>309,848</b>	<b>(85,198)</b>
<b>Provision for (benefit from) income taxes</b>		<b>-</b>		<b>(24,384)</b>		<b>-</b>		<b>42,501</b>	<b>(1)</b>
<b>Net income (loss) for the period</b>	<b>\$</b>	<b>(83,008)</b>	<b>\$</b>	<b>137,512</b>	<b>\$</b>	<b>(236,558)</b>	<b>\$</b>	<b>267,347</b>	<b>(85,197)</b>
<b>Weighted average number of shares outstanding, basic and diluted</b>		<b>5,868,334</b>		<b>5,868,334</b>		<b>5,868,334</b>		<b>5,868,334</b>	<b>4,329,502</b>
<b>Net income (loss) per share</b>	<b>\$</b>	<b>(0.01)</b>	<b>\$</b>	<b>0.02</b>	<b>\$</b>	<b>(0.04)</b>	<b>\$</b>	<b>0.05</b>	<b>(0.02)</b>

*See Accompanying Notes to Unaudited Condensed Financial Statements.*

**Fortissimo Acquisition Corp.**  
**(a development stage enterprise)**

**Statement of Changes in Stockholders' Equity**

	<b>Common Stock Shares</b>	<b>Common Stock Amount</b>	<b>Additional paid in capital</b>	<b>Retained Earnings (Deficit) Accumulated during the development stage</b>	<b>Total</b>
Issuance of Common Stock to initial stockholders on December 30, 2005 at \$.025 per share	1,000,000	\$ 100	\$ 24,900	\$ -	\$ 25,000
Net loss for the period	-	-	-	(3,000)	(3,000)
Balance as of December 31, 2005	1,000,000	\$ 100	\$ 24,900	(3,000)	\$ 22,000
Sale of 4,535,000 Units (net of \$2,576,418 offering expenses, including the issuance of 906,547 shares subject to possible conversion)	4,535,000	454	24,633,128	-	24,633,582
Gross proceeds from issuance of Unit Purchase Option	-	-	100	-	100
Gross proceeds from Issuance of Insider Units	333,334	33	1,999,971	-	2,000,004
Proceeds subject to possible conversion	-	-	(5,248,907)	-	(5,248,907)
Net income for the year	-	-	-	89,329	89,329
Balance as at December 31, 2006	5,868,334	\$ 587	\$ 21,409,192	86,329	\$ 21,496,108
Net income for the year	-	-	-	65,032	65,032
Balance as at December 31, 2007	5,868,334	\$ 587	\$ 21,409,192	151,361	\$ 21,561,140
Unaudited:					
Net loss for the period	-	-	-	(236,558)	(236,558)
Balance as at June 30, 2008	5,868,334	\$ 587	\$ 21,409,192	(85,197)	\$ 21,324,582

*See Accompanying Notes to Unaudited Condensed Financial Statements.*

**Fortissimo Acquisition Corp.**  
**(a development stage enterprise)**

**Condensed Statements of Cash Flows**  
**(Unaudited)**

	Six months ended June 30, 2008	Six months ended June 30, 2007	For the period from December 27, 2005 (inception) to June 30, 2008
<b><u>Cash flows from operating activities:</u></b>			
Net income (loss)	\$ (236,558)	\$ 267,347	\$ (85,197)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Interest earned on securities held in trust	(313,898)	(564,539)	(1,631,552)
Changes in operating assets/liabilities:			
Decrease (increase) in pre-paid expenses	(4,369)	4,250	(5,825)
Increase (decrease) in accrued expenses	278,897	(8,003)	648,078
Increase in deferred tax asset	-	(68,934)	(165,136)
Increase in deferred trust interest income	62,749	112,851	326,148
Increase (decrease) in income tax payable	-	(38,066)	(17,844)
Net cash used in operating activities	(213,180)	(295,094)	(931,328)
<b><u>Cash flows from investing activities:</u></b>			
Cash held in trust fund	-	-	(26,257,650)
Redemption of Treasury Bill held in trust	-	53,433,000	53,433,000
Purchase of Treasury Bill held in trust	-	(26,563,000)	(26,563,000)
Purchase of Money Fund held in trust	-	(26,870,000)	(26,870,000)
Net cash used in investing activities	-	-	(26,257,650)
<b><u>Cash flows from financing activities:</u></b>			
Payment of notes payable – stockholders	-	-	(115,000)
Proceeds from sale of Units to public	-	-	27,210,000
Proceeds from issuance of shares to Initial Stockholders	-	-	25,000
Proceeds from notes payable – stockholders	182,450	-	297,450
Proceeds from sale of Unit Purchase Option	-	-	100
Proceeds from sale of Insider Units	-	-	2,000,004
Payment of offering expenses	-	-	(2,224,068)
Net cash provided by financing activities	182,450	-	27,193,486
Increase (decrease) in cash	(30,730)	(295,094)	4,508
Cash at the beginning of the period	35,238	692,100	-



Edgar Filing: Fortissimo Acquisition Corp. - Form 10-Q

Cash at the end of the period	\$	4,508	\$	397,006	\$	4,508
Supplemental Schedule of non-cash investing financing activities :						
Deferred Underwriting Fee	\$	-	\$	-	\$	352,350

*See Accompanying Notes to Unaudited Condensed Financial Statements.*

- 5 -

---

**FORTISSIMO ACQUISITION CORP.**

**NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS**

**NOTE 1:- BASIS OF PRESENTATION**

The condensed financial statements at June 30, 2008 and for the three and six months ended June 30, 2008 and 2007 and for the period from December 27, 2005 (inception) to June 30, 2008 have been prepared by the Company and are unaudited.

The Company will face a mandatory liquidation by October 11, 2008 if a business combination is not consummated, which raises substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In the opinion of management, all adjustments (consisting of normal accruals and recurring items) have been made that are necessary to present fairly the financial position of Fortissimo Acquisition Corp. (the "Company") as of June 30, 2008 and December 31, 2007 and the results of its operations and cash flows for the periods ended June 30, 2008, and 2007. 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 at December 31, 2007 and for the period then ended included in the Company's Form 10-KSB filed with the Securities and Exchange Commission (the "SEC") on March 31, 2008. The December 31, 2007 balance sheet has been derived from the audited financial statements included in that 10-KSB.

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

**NOTE 2:- ORGANIZATION AND BUSINESS OPERATIONS**

The Company was incorporated in Delaware on December 27, 2005 as a blank check company whose objective is to acquire an operating business that has manufacturing operations or research and development facilities located in Israel, or that is a company operating outside Israel which management believes would benefit from establishing operations or facilities in Israel.

The Company's Amended and Restated Certificate of Incorporation provides that the Company will continue in existence only until 24 months from the effective date of the Offering (until October 11, 2008). If the Company has not completed a Business Combination by such date, its corporate existence will cease and it will dissolve and liquidate for the purposes of winding up its affairs. In the event of liquidation, it is likely that the per share value of the residual assets remaining available for distribution (including Trust Account assets) will be less than the initial public offering price per share in the Offering due to costs related to the Offering and since no value would be attributed to the Warrants contained in the Units sold.

At June 30, 2008, the Company had not yet commenced any operations, other than evaluating potential acquisition candidates. All activity through June 30, 2008 relates to the Company's formation and initial public offering and current activities described below.

**NOTE 2:- ORGANIZATION AND BUSINESS OPERATIONS –(Continued)**

The Company's ability to commence operations was contingent upon obtaining adequate financial resources through a proposed public offering ("Offering") which was consummated on October 17, 2006 and is discussed below. 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 that has manufacturing operations or research and development facilities located in Israel, or that is a company operating outside Israel which management believes would benefit from establishing operations or facilities in Israel ("Business Combination"). Furthermore, there is no assurance that the Company will be able to successfully effect a Business Combination. An aggregate of \$26,257,650 (including the over-allotment option), before any interest earned, has been deposited in an interest-bearing trust account ("Trust Account") until the earlier of (i) the consummation of a Business Combination or (ii) liquidation of the Company. Under the agreement governing the Trust Account, funds will only be invested in United States government securities within the meaning of Section 2(a)(16) of the Investment Company Act of 1940 (the "1940 Act") having a maturity of 180 days or less or in any open ended investment company registered under the 1940 Act that holds itself out as a money market fund selected by the Company meeting the conditions of paragraphs (c)(2), (c)(3) and (c)(4) of Rule 2a-7 promulgated under the 1940 Act as determined by 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, 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. The Company's directors have agreed that they will be jointly and severally 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 or contracted for or products sold to the Company. However, there can be no assurance that the directors will be able to satisfy those obligations. The funds not held in the Trust Account of approximately \$718,000 may be used to pay for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses.

Fortissimo Capital Fund GP, L.P., ("FCF"), one of the Company's initial stockholders, has purchased an aggregate of 333,334 units (the "Insider Units") at \$6.00 per unit (for an aggregate purchase price of \$2,000,004) from the Company. This purchase took place on a private placement basis simultaneously with the consummation of the Offering. All of the proceeds received from the sale of the Insider Units were placed in the Trust Account. The Insider Units are identical to the units sold in the Offering to the public; however, FCF has waived the right to receive distributions upon a liquidation of the Company prior to a Business Combination with respect to the securities underlying the Insider Units. The Insider Units were registered for resale along with the Units in the Offering, but FCF has agreed that the Insider Units and underlying securities will not be sold or transferred by it until after the completion of a Business Combination.

The Company, after signing a definitive agreement for the acquisition of a target business, will submit such transaction for stockholder approval. Pursuant to the provisions of the Company's Amended and Restated Certificate of Incorporation, which cannot by its terms be amended prior to the consummation of a Business Combination, in the event that stockholders owning 20% 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 their 1,000,000 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 any Business Combination. After consummation of a Business Combination, these voting safeguards will no longer be applicable.

With respect to a Business Combination which is approved and consummated, any Public Stockholder who voted against the Business Combination may demand that the Company convert his or her shares. The per share conversion

price will equal the amount in the Trust Account, calculated as of two business days prior to the consummation of the proposed Business Combination divided by the number of shares of common stock 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 Account computed without regard to the shares held by the Initial Stockholders.

- 7 -

---

**NOTE 2:- ORGANIZATION AND BUSINESS OPERATIONS –(Continued)**

On January 15, 2008, the Company entered into an Agreement and Plan of Merger and Interests Purchase Agreement ("Merger Agreement") with Psyop, Inc. ("Psyop"), Psyop's shareholders, and Psyop Services, LLC, which is owned by the Psyop shareholders and does business under the name of "Blacklist," and FAC Acquisition Sub Corp., our wholly owned subsidiary ("Merger Sub"). Pursuant to the Merger Agreement, Merger Sub will be merged into Psyop, with Psyop being the surviving corporation and becoming our wholly owned subsidiary. Within 10 days thereafter, Psyop will be merged into the Company and we will change our name to "Psyop, Inc." The Merger Agreement also provides that we will purchase all of the outstanding membership interests of Blacklist. As a result of such purchase, Blacklist will become a wholly owned subsidiary of the Company as well. The combination of these events is referred to herein as the "merger". Psyop is a producer of digital content for advertising, specializing in animation and special effects, including combined animation and live action imagery.

On May 12, 2008, the Company and Psyop entered into an amendment to the Merger Agreement. The amended terms reflect primarily changes to the consideration payable to Psyop. The initial cash payment is reduced from \$10,140,179 to \$4,140,179. A payment of up to \$6 million in cash is payable in 2008 and 2009 (\$3 million in each year), in the event that the at least 90% of the EBITDA milestones in each of those years is attained (payable on a sliding scale). The prior revenue and EBITDA targets for 2008, 2009 and 2010 remain the same, the only change is that the payment is adjusted in the event that 85% to 125% (90% for revenue target in 2008) are achieved, whereas, previously the earn-out was payable in the event that 70% of the target was achieved.

A detailed description of the terms set forth in the Amended and Restated Merger Agreement, as well as a copy of the form of such agreement, appears in the Company's definitive Proxy Statement filed with the SEC on August 12, 2008.

On August 1, 2008, Fortissimo entered into amendment No. 2 ("Amendment No. 2" to the Merger Agreement) Amendment No. 2 provides that a former employee of Psyop shall not receive any contingent payments in 2010. The stock and cash contingent payments that he otherwise would be entitled to receive in 2010 instead shall be allocated among the other Psyop shareholder pro rata in accordance with their respective stock ownership percentages of Psyop. A detailed description of the terms set forth in Amendment No. 2 appears in the Company's Proxy Statement filed with the SEC on August 12, 2008.

Effective January 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes - An Interpretation of FASB Statement No. 109". FIN 48 provides detailed guidance for the financial statements recognition, measurement and disclosure of uncertain tax positions recognized in the financial statements in accordance with SFAS No. 109. Tax positions must meet a "more-likely-than-not" recognition threshold at the effective date to be recognized upon the adoption of FIN 48 and in subsequent periods. Upon the adoption of FIN 48, the Company has no unrecognized tax benefits. During the first half of 2007, the Company recognized no adjustments for uncertain tax benefits.

The Company recognizes interest and penalties, if any, related to uncertain tax positions in income tax expenses. No interest and penalties related to uncertain tax positions were accrued at June 30, 2008.

Tax years 2005 through 2007 remain open to examination by the Internal Revenue Service. The Company expects no material changes to unrecognized tax positions within the next twelve months.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("FAS 159"). This statement provides all entities with an option to report selected financial assets and liabilities at fair value. The statement is effective as of the beginning of the entity's first fiscal year beginning after November 15, 2007, with early adoption available in certain circumstances. FAS 159 did not impact the Company's financial statements.

In September 2006, the FASB issued FASB No. 157, "Fair Value Measurements" ("FAS 157"). FAS 157 does not require any new fair value measurements, but rather it provides enhanced guidance to other pronouncements that require or permit assets or liabilities to be measured at fair value. However, the application of this statement may change how fair value is determined. The statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. As of December 1, 2007 the FASB has proposed a one-year deferral for the implementation of the statement for non-financial assets and non-financial liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis.

The adoption of FAS 157 did not have a material impact on the Company's financial statements.

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 condensed unaudited financial statements.

- 8 -

---

**NOTE 3:-**

**INVESTMENTS HELD IN TRUST**

Investments held in trust at June 30, 2008 consist of tax-free investments, which include accrued interest of \$36,294.

**NOTE 4:-**

**NOTE PAYABLE TO RELATED PARTY**

On April 28, 2008, Fortissimo Capital Fund GP, L.P., one of the initial stockholders of the Company ("FCF"), provided an interest-free loan to the Company in the amount of \$100,000. Such loan is due upon the earlier of (i) October 11, 2008 or (ii) consummation of a business combination with an operating company.

On May 26, 2008, FCF provided an interest-free line of credit to the Company, in an amount not to exceed \$ 300,000. As of June 30, 2008, the Company has utilized \$82,450 of such line of credit.

**NOTE 5:-**

**COMMITMENTS**

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 has agreed to pay such affiliate \$7,500 per month for such services commencing on October 11, 2006 and ending upon the consummation of a Business Combination. The statements of operations for the six months ended June 30, 2008 include \$45,000 related to this agreement.

The Initial Stockholders have waived their right to receive distributions with respect to their founding shares and shares included within the Insider Units upon the Company's liquidation.

The Initial Stockholders and holders of the Insider Units (or underlying securities) are entitled to registration rights with respect to their founding shares and Insider Units (or underlying securities). The holders of the majority of founding shares are entitled to demand that the Company register these shares at any time commencing three months prior to October 11, 2009. The holders of a majority of the Insider Units (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, the Initial Stockholders and holders of the Insider Units (or underlying securities) have certain "piggy-back" registration rights on registration statements filed subsequent to a Business Combination. The Underwriter's Option is subject to similar registration rights.

**NOTE 6:-**

**STOCKHOLDERS' EQUITY**

**a. The Offering:**

The Company sold 4,535,000 units ("Units") in the Offering, which included 535,000 Units that were sold upon the exercise of 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 entitles the holder to purchase from the Company one share of common stock at an exercise price of \$5.00 commencing on the later of the completion of a Business Combination with a target business or October 11, 2007 and expiring on October 10, 2010. 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 an option, for \$100, to the representative of the underwriters to purchase 400,000 Units at an exercise price of \$7.50 per Unit (see Common Stock Commitments below).





**NOTE 6:-**

**STOCKHOLDERS' EQUITY – (Continued)**

**b. The Offering - (Continued):**

The Company accounted for the fair value of the option, inclusive of the receipt of the \$100 cash payment, as an expense of the Offering resulting in a charge directly to stockholders' equity. The Company estimated that the fair value of this option was approximately \$ 1,529,710 (\$3.82 per Unit) using a Black-Scholes option-pricing model. The option may be exercised for cash or on a "cashless" basis, at the holder's option, such that the holder may use the appreciated value of the option (the difference between the exercise prices of the option and the underlying Warrants and the market price of the Units and underlying securities) to exercise the option without the payment of any cash. The warrants underlying such Units are exercisable at \$5.00 per share, but otherwise have the same terms and conditions as the Warrants. Separate trading of the Common Stock and Warrants underlying the Company's Units commenced in October 2006.

**c. Preferred Stock:**

The Company is authorized to issue up to 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.

Prior to the consummation of a Business Combination, the Company may not issue 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.

**d. Common Stock Commitments:**

The Company has 10,936,668 shares of common stock commitments in the form of Warrants and the underwriters' option, which are currently not exercisable.

**e. Common Stock Subject to Conversion**

Public Stockholders holding 19.99% of the aggregate number of shares owned by all Public Stockholders may seek conversion of their shares in the event of a Business Combination. Such Public Stockholders are entitled to receive their per share interest in the Trust Account computed without regard to the shares held by Initial Stockholders. Accordingly, a portion of the net proceeds from the Offering (19.99% of the amount originally placed in the Trust Account) has been classified as common stock subject to possible conversion in the accompanying balance sheets and 19.99% of the related interest earned has been recorded as deferred interest.

**NOTE 7:-**

**EARNINGS (LOSS) PER SHARE**

Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share reflect the additional dilution for all potentially dilutive securities such as stock warrants and options. The effect of the 9,736,668 outstanding warrants, issued in connection with the initial public offering described in Note 1 has not been considered in the diluted net earnings per share since the warrants are contingently exercisable. The effect of the 400,000 units included in the underwriters purchase option, as described in Note 2, along with the warrants underlying such units, has not been considered in the diluted earnings per share calculation since the market price of the unit was less than the exercise price during the period.

## **Item 2 - Management's Discussion and Analysis of Financial Condition and Result of Operation**

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 or Plan of Operation” regarding our financial position, business strategy and the plans and objectives of management for future operations, are forward looking statements. When used in this Form 10-Q, words such as “anticipate”, “believe”, “estimate”, “expect”, “intend” and similar expressions, 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 SEC. All subsequent written and 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 on December 27, 2005, to serve as a vehicle to effect a merger, capital stock exchange, asset acquisition or other similar business combination with an operating business that has manufacturing operations or research and development facilities located in Israel.

We consummated our Offering on October 17, 2006. Until consummation of the Offering, all of our activity related to our formation and the Offering. Since October 17, 2006, we have been searching for prospective target businesses to acquire.

### **Results of Operations**

Net loss of \$236,558 reported for the six months ended June 30, 2008 consists primarily of \$45,000 expense for administrative services, \$21,845 expense for director and officer liability insurance, \$347,947 for legal, accounting and other professional services, \$12,750 for franchise taxes, \$24,121 for traveling expenses and \$36,045 for other expenses. Interest on the trust fund investment was \$251,150, excluding \$62,748 of deferred interest.

Net loss of \$83,008 reported for the three months ended June 30, 2008 consists primarily of \$22,500 expense for administrative services, \$10,923 expense for director and officer liability insurance, \$122,468 for legal, accounting and other professional services, \$6,369 for franchise taxes, \$7,339 for traveling expenses and \$20,135 for other expenses. Interest on the trust fund investment was \$106,726, excluding \$26,682 of deferred interest.

Net income of \$267,347 reported for the six months ended June 30, 2007 consists primarily of \$45,000 expense for administrative services, \$22,500 expense for director and officer liability insurance, \$38,519 for legal, accounting and other professional services, \$12,875 for franchise taxes, \$42,501 for federal income taxes and \$30,059 for other expenses. Interest on the trust fund investment was \$451,688, excluding \$112,851 of deferred interest, and interest earned on the money market account was \$7,113.

Net income of \$137,512 reported for the three months ended June 30, 2007 consists primarily of \$22,500 expense for administrative services, \$11,250 expense for director and officer liability insurance, \$31,206 for legal, accounting and other professional services, \$6,437 for franchise taxes and \$12,633 for other expenses, offset by an income tax benefit of \$24,384. Interest on the trust fund investment was \$193,660, excluding \$48,384 of deferred interest, and interest earned on the money market was \$3,494.

Net income of \$65,032 for the fiscal year ended December 31, 2007 consisted of net financial income of \$840,884 offset by \$576,282 professional fees, and \$244,044 of general and administrative expenses, and a tax benefit of \$44,474.

- 11 -

---

Net loss of \$85,197 reported for the period from December 27, 2005 (inception) to June 30, 2008 consists primarily of \$74,124 expense for director and officer liability insurance, \$155,026 expense for administrative services, \$64,025 for franchise taxes, \$947,269 for legal, accounting and other professional services and \$160,560 for other expenses. Interest on the trust fund investment was \$1,315,809 excluding \$326,148 of deferred interest, and interest earned on the money market account was \$10,405.

In the event that we fail to consummate a business combination by October 11, 2008, certain of our service providers agreed to limit the amounts payable to an aggregate amount of \$300,000.

### **Liquidity and Capital Resources**

We consummated our initial public offering on October 17, 2006. After deducting the underwriting discounts and commissions and the offering expenses, the total net proceeds to us from the offering were approximately \$26,633,586, of which \$26,257,650 was deposited into the trust account (or \$5.79 per share sold in the offering, including the over-allotment option). The remaining proceeds are available to be used by us 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 account as well as any other net proceeds not expended will be used to finance the operations of the target business. We believe we will have sufficient available funds outside of the trust fund to operate through October 11, 2008, assuming that a business combination is not consummated during that time. From October 17, 2006 through October 17, 2008, we anticipate spending approximately \$180,000 for the administrative fee payable to Fortissimo Capital Management Ltd ("FCM") (\$7,500 per month for two years), \$200,000 of expenses for legal, accounting and other expenses attendant to the due diligence investigations, structuring and negotiating of a business combination, \$100,000 for expenses for the due diligence and investigation of a target business, \$100,000 of expenses in legal and accounting fees relating to our SEC reporting obligations and \$200,000 for general working capital that will be used for miscellaneous expenses and reserves, including approximately \$100,000 for director and officer liability insurance premiums. The actual expenses of the Company to date have exceeded the anticipated budget and Fortissimo Capital Fund GP, L.P. ("FCF"), one of our initial stockholders has agreed to provide the requisite financing to the Company through the consummation of the proposed business combination. In April 2008, FCF provided an interest free loan to the Company in the amount of \$100,000 that is payable on the earlier of (i) October 11, 2008 or (ii) the consummation of a business combination. In addition, in June 2008 FCF provided a line of credit to the Company in an amount not to exceed \$300,000. As of June 30, 2008, the Company has utilized \$82,450 of such line of credit.

Commencing on October 11, 2006 and ending upon the acquisition of a target business, we began incurring a fee from FCM, an affiliate of FCF, of \$7,500 per month for providing us with office space and certain general and administrative services. In addition, in December 2005 and in January 2006, FCF advanced an aggregate of \$115,000 to us for payment on our behalf of offering expenses. These loans were repaid following our initial public offering from the proceeds of the offering.

In January 2008 we entered into a Merger Agreement with Psyop, a producer of digital content for advertising, specializing in animation and special effects, including combined animation and live action imagery, which agreement was amended May 2008 and further amended in August 2008. The merger is expected to be consummated during the third quarter of 2008, after the required approval by our stockholders and the fulfillment of certain other conditions, set forth in the Merger Agreement. See Item 1. Description of Business - Recent Developments. In the event that we fail to obtain the requisite shareholder approval prior to October 11, 2008, we will be forced to liquidate and distribute the funds held in trust to our shareholders.



### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

#### *Currency Rate Fluctuations*

Through June 30, 2008, our results of operations, financial condition and cash flows have not been materially affected by changes in the relative values of non-U.S. currencies to the U.S. dollar.

#### *Interest Rate Risk*

Our investments consist of cash and cash equivalents. Therefore, changes in the market's interest rates do not affect in any material respect the fair value of the investments.

### **Item 4. Controls and Procedures**

An evaluation of the effectiveness of our disclosure controls and procedures as of June 30, 2008 was made under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer. 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 controls over financial reporting.

- 13 -

---

**PART II.**

**OTHER INFORMATION**

**Item 1. Legal Proceedings**

None

**Item 1A. Risk Factors**

There have been no material changes to the risk factors described in the form 10-KSB filed by us with the SEC on March 31, 2008.

**Item 2: Unregistered Sales of Equity Securities and Use of Proceeds**

On October 17, 2006, we consummated our initial public offering of 4,000,000 Units, 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. On October 25, 2006, we consummated the closing of an additional 535,000 units, that were subject to the over-allotment option. The units were sold at an offering price of \$6.00 per unit, generating total gross proceeds of \$27,210,000 (not including \$2,000,004 from the sale of the Insider Units). EarlyBirdCapital, Inc. acted as the underwriter. The securities sold in the offering were registered under the Securities Act of 1933 on a registration statement on Form S-1 (No. 333-131417). The Securities and Exchange Commission declared the registration statement effective on October 11, 2006.

We paid approximately \$1,742,350 in underwriting discounts and commissions (not including \$352,350 which was deferred by the Underwriter until completion of a Business Combination), and approximately \$481,718 was paid for costs and expenses related to our initial public offering.

After deducting the underwriting discounts and commissions and the offering expenses, the total net proceeds to us from our initial public offering and the sale of the Insider Units were approximately \$26,633,586, of which a total of \$26,257,650 was deposited into the trust account (or approximately \$5.79 per share sold in the offering, including the over-allotment option) and the remaining proceeds are available to be used to provide for business, legal and accounting due diligence on prospective business combinations and continuing general and administrative expenses. The net proceeds deposited into the trust fund remain on deposit in the trust fund and have earned \$1,631,552 in interest through June 30, 2008.

**Item 6: Exhibits**

(a)

Exhibits:

31.1 Certification by Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 - Certification by Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 - Certification by 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 -

Edgar Filing: Fortissimo Acquisition Corp. - Form 10-Q

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

- 14 -

---



**SIGNATURES**

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

**FORTISSIMO ACQUISITION CORP.**

Dated: August 14, 2008

By: */s/ Yuval Cohen*  
Yuval Cohen  
Chairman of the Board and Chief Executive Officer

By: */s/ Eli Blatt*  
Eli Blatt  
Chief Financial Officer

- 15 -

---