TREMISIS ENERGY ACQUISITION CORP
Form 10QSB
November 14, 2005

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

FORM 10-QSB

(Mark One)

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

For the quarterly period ended September 30, 2005

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

For the transition period from _____________ to _____________

Commission File Number 000-50682

Tremisis Energy Acquisition Corporation
(Exact Name of Small Business Issuer as Specified in Its Charter)

Delaware	20-0700684
(State or other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

1775 Broadway, Suite 604, New York, New York 10019
(Address of Principal Executive Office)

(212) 397-1464
(Issuer's Telephone Number, Including Area Code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes |X| No |_|

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

As of November 14, 2005, 7,700,000 shares of common stock, par value $.0001 per share, were issued and outstanding.

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

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

Balance Sheets (Unaudited)

	Sept
ASSETS	
Current assets:	
Cash	$
U.S. Government Securities held in Trust Fund (Note 2)	34
Accrued interest receivable, Trust Fund (Note 2)	
Prepaid expenses	
Total current assets	34
Deferred acquisition costs (Note 4)	
Furniture and equipment (net accumulated depreciation of $4,044 and $1,418)	
Total assets	$34
LIABILITIES AND STOCKHOLDERS' EQUITY	

Current liabilities:	
Accrued expenses	$
Taxes payable	
Total current liabilities	
Common stock, subject to possible conversion 1,264,368 shares at conversion value (Note 2)	6
Commitment (Note 4)	
Stockholders' equity (Notes 2, 3, 4, 6 and 7)	
Preferred stock, $.0001 par value, authorized 1,000,000 shares; none issued	
Common stock, $.0001 par value Authorized 30,000,000 shares; Issued and outstanding 7,700,000 shares (which includes 1,264,368 subject to possible conversion)	
Additional paid-in capital	27
Earnings accumulated during the development stage	
Total stockholders' equity	27
Total liabilities and stockholders' equity	$34

See Summary of Significant Accounting Policies and
Notes to Unaudited Financial Statements.

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

Statements of Operations (Unaudited)

	For the Three Months Ended September 30, 2005	For the Three Months Ended September 30, 2004	For the Nine Months Ended September 30, 2005
Expenses:			
General and administrative expense (Note 5)	$ 54,758	$ 40,657	$ 266,881
Operating loss	(54,758)	(40,657)	(266,881)
Interest Income	275,237	110,576	682,446

Income before provision for taxes	220,479	69,919	415,565
Provision for taxes (Note 8)	(91,400)	(21,200)	(198,550)
Net income	$ 129,079	$ 48,719	$ 217,015
Accretion of Trust Fund relating to common stock subject to possible conversion	54,631	21,424	134,965
Net income attributable to common stockholders	$ 74,448	$ 27,295	$ 82,050
Basic and diluted income per share	$ 0.01	$ 0.00	$ 0.01
Weighted average common shares outstanding	7,700,000	7,700,000	7,700,000

See Summary of Significant Accounting Policies and Notes to Unaudited Financial Statements

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

Statements of Stockholders' Equity (Unaudited)

	Common Stock		Addition paid-in capital
	Shares	Amount	
Balance, February 5, 2004 (inception)	--	$ --	$ -
Issuance of common stock to initial stockholders	1,375,000	137	24,86
Sale of 6,325,000 units and underwriters' option, net of underwriters' discount and offering expenses (includes 1,264,368 shares subject to possible conversion)	6,325,000	633	27,537,17
Accretion of Trust Fund relating to common stock subject to possible conversion			(59,87
Net income for the period	--	--	-

Balance, December 31, 2004	7,700,000	$ 770	$ 27,502,16
Accretion of Trust Fund relating to common stock subject to possible conversion (unaudited)	--	--	(134,96
Net income for the nine month period (unaudited)	--	--	-
Balance, September 30, 2005 (unaudited)	7,700,000	$ 770	$ 27,367,20

See Summary of Significant Accounting Policies and
Notes to Unaudited Financial Statements.

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

Statements of Cash Flows (Unaudited)

	For the Nine Months Ended September 30, 2005	For the Febr (i Septem
Cash flows from operating activities		
Net income for the period	$ 217,015	$
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	2,626	
Gain on maturity of U.S. Government securities held in Trust Fund	(708,476)	
Change in operating assets and liabilities:		
Decrease (increase) in prepaid expenses	11,354	
(Increase) decrease in accrued interest receivable	33,471	
Increase in accrued expenses	10,747	
Increase in income tax payable	104,637	
Net cash used in operating activities	(328,626)	
Cash flows from investing activities		
Purchase of U.S. Government Securities held in Trust Fund	(202,846,158)	
Maturity of U.S. Government Securities held in Trust Fund	202,846,000	
Purchase of furniture and equipment	(5,897)	

Net cash used in investing activities	(6,055)	
Cash flows from financing activities		
Proceeds from public offering of 6,325,000 units and underwriter option, net	--	
Proceeds from issuance of common stock to initial stockholders	--	
Proceeds from note payable, stockholder	--	
Repayment of note payable, stockholder	--	
Net cash provided by financing activities	--	
Net (decrease) increase in cash	(334,681)	
Cash at beginning of period	834,094	
Cash at end of period	$ 499,413	$
Supplemental disclosure of cash flow information:		
Cash paid during the period for income taxes	$ 93,913	$
Supplemental disclosure of non cash activity:		
Accrued deferred acquisition costs	$ 85,063	$
Accretion of Trust Fund relating to common stock subject to possible conversion	$ 134,965	$

See Summary of Significant Accounting Policies and Notes to Unaudited Financial Statements.

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

Summary of Significant Accounting Policies

Income taxes — The Company follows Statement of Financial Accounting Standards No. 109 ("SFAS No. 109"), "Accounting for Income Taxes" which is an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns.

Net income per share — Net income per share is computed on the basis of the weighted average number of common shares outstanding during the period, including common stock equivalents (unless anti-dilutive) which would arise from the exercise of stock warrants.

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 report amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications — Certain items have been reclassified from prior periods to conform with current period presentation.

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

Notes to Unaudited Financial Statements

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1. Basis of Presentation

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

In the opinion of management, all adjustments (consisting of normal accruals) have been made that are necessary to present fairly the financial position of Tremisis Energy Acquisition Corporation (the "Company"). Operating results for the interim period presented are not necessarily indicative of the results to be expected for a full year.

2. Organization and Business Operations

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

The registration statement for the Company's initial public offering ("Offering") was declared effective May 13, 2004. The Company consummated the offering on May 18, 2004 and received net proceeds of approximately $34,163,100 (Note 3). The Company's management has broad discretion with respect to the specific application of the net proceeds of this Offering, although substantially all of the net proceeds of this Offering are intended to be generally applied toward consummating a business combination with an operating business in the energy and environmental industry and their related infrastructures ("Business Combination"). An amount of $34,117,691 and $33,442,528 (which includes accrued interest of $57,699 and $91,170) as of September 30, 2005 and December 31, 2004, respectively, is being held in an interest-bearing trust account ("Trust Fund") until the earlier of (i) the consummation of its first Business Combination or (ii) liquidation of the Company. Under the agreement governing the Trust Fund, funds will only be invested in United States government securities (Treasury Bills) with a maturity of 180 days or less. The remaining net proceeds may be used to pay for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses.

The Company has signed a definitive agreement for the acquisition of a target business (See Note 4) and will submit such transaction for stockholder approval. In the event that stockholders owning 20% or more of the shares sold in the Offering, vote against the Business Combination and exercise the conversion rights described below, the Business Combination will not be consummated. All of the Company's stockholders prior to the Offering, including all of the officers and directors of the Company ("Initial Stockholders"), have agreed to vote their 1,375,000 founding shares of common stock in accordance with the vote of the majority in interest of all other stockholders of the Company ("Public Stockholders") with respect to the Business Combination. After consummation of the Business Combination, all of these voting safeguards will no longer be applicable.

With respect to a Business Combination which is approved and consummated, any Public Stockholder who voted against the Business Combination may demand that the Company convert his or her shares. The per share conversion price will equal the amount in the Trust Fund as of the record date for determination of stockholders entitled to vote on the Business Combination divided by the number of shares of common stock held by Public Stockholders at the consummation of the Offering. Accordingly, Public Stockholders holding 19.99% of the aggregate number of shares owned by all Public Stockholders may seek conversion of their shares in the event of a Business Combination. Such Public Stockholders are entitled to receive their per share interest in the Trust Fund computed without regard to the shares held by Initial Stockholders. In this respect, $6,820,129 and

$6,685,164 (which includes accretion of Trust Fund) has been classified as common stock subject to possible conversion at September 30, 2005 and December 31, 2004, respectively.

The Company's Certificate of Incorporation provides for mandatory liquidation of the Company in the event that the Company does not consummate a Business Combination within 18 months from the date of the consummation of the Offering (such date would be November 18, 2005), or 24 months from the consummation of the Offering (such date would be May 18, 2006) if certain extension criteria have been satisfied. In the event of liquidation, it is likely that the per share value of the residual assets remaining available for distribution (including Trust Fund assets) will be less than the initial public offering price per share in the Offering (assuming no value is attributed to the Warrants contained in the Units sold in the Offering discussed in Note 3). The Company has satisfied the extension criteria by entering into an Agreement and Plan of merger with Ram Energy, Inc as described in

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Note 4.

3. Offering

On May 18, 2004, the Company sold 6,325,000 units ("Units") in the Offering including an additional 825,000 Units pursuant to the underwriters' over-allotment option. Each Unit consists of one share of the Company's common stock, $.0001 par value, and two Redeemable Common Stock Purchase Warrants ("Warrants"). Each Warrant will entitle the holder to purchase from the Company one share of common stock at an exercise price of $5.00 commencing the later of the completion of a Business Combination with a target business or one year from the effective date of the Offering and expiring five years from the date of the prospectus. The Warrants will be redeemable at a price of $.01 per Warrant upon 30 days' notice after the Warrants become exercisable, only in the event that the last sale price of the common stock is at least $8.50 per share for any 20 trading days within a 30 trading day period ending on the third day prior to the date on which notice of redemption is given. In connection with this Offering, the Company issued, for $100, an option to the representative of the underwriters to purchase 275,000 Units at an exercise price of $9.90 per Unit. In addition, the warrants underlying such Units are exercisable at $6.25 per share.

4. Business Combination and Deferred Acquisition Costs

On October 20, 2005, the Company entered into an Agreement and Plan of Merger ("Merger Agreement") with RAM Energy, Inc. and all of its stockholders ("Stockholders"), which was amended on November 11, 2005. The Company formed a wholly owned subsidiary on October 5, 2005 to effectuate the transactions contemplated by the Merger Agreement with RAM Energy, Inc. ("Merger"). RAM Energy, Inc. will be the surviving corporation in the Merger, becoming a wholly owned subsidiary of Tremisis. RAM is a privately-owned, independent, oil and gas company headquartered in Tulsa, Oklahoma. RAM's business strategy is to acquire, explore, develop, exploit, produce and manage oil and gas properties, primarily in Texas, Louisiana and Oklahoma. RAM has been active in these core areas since its inception in 1987. RAM's management team has extensive technical and operating expertise in all areas of RAM's operations and geographic focus.

Pursuant to the Merger Agreement, the Stockholders, in exchange for all of the securities of RAM outstanding immediately prior to the Merger, will receive from the Company $30 million in cash and a number of shares of the Company's common stock equal to the greater of (x) $160,000,000 divided by 115% of the average closing price of a share of the Company's common stock for the ten trading days immediately prior to the consummation of the Merger and (y) 25,600,000. A portion of the shares of the Company's common stock

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being issued to the Stockholders in the Merger will be placed into escrow to secure the indemnity rights of the Company under the Merger Agreement and will be governed by the terms of an Escrow Agreement.

In connection with this business combination, the Company incurred $85,063 in Deferred Acquisition costs as of September 30, 2005.

5. Commitment

The Company presently occupies office space provided by and affiliate of an initial stockholder. Such affiliate has agreed that, until the acquisition of a target business by the Company, it will make such office space, as well as certain office and secretarial services available to the Company, as may be required by the Company from time to time. The Company pays such affiliate $3,500 per month for such services commencing on May 18, 2004, the effective date of the Offering. Included in general and administrative such services are $10,500 for each of the three month periods ended September 30, 2005 and 2004 respectively, $31,500 and $17,500 for the nine month periods ended September 30, 2005 an 2004, respectively and $59,500 for the period from February 5, 2004 (inception) to September 30, 2005.

6. Preferred Stock

The Company is authorized to issue 1,000,000 shares of preferred stock with such designations, voting and other rights and preferences as may be determined from time to time by the Board of Directors.

7. Common Stock

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

As of September 30, 2005, 13,475,000 shares of common stock were reserved for issuance upon exercise of redeemable warrants and underwriters' unit purchase option.

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

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

Forward Looking Statements

The statements discussed in this Report include forward looking statements that involve risks and uncertainties detailed from time to time in the Company's reports filed with the Securities and Exchange Commission.

Plan of Operations

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

Net income for the three months ended September 30, 2005 consisted of interest income of $275,237 reduced by $10,500 for a monthly administrative services agreement, $11,466 for professional fees, $14,544 for officer liability insurance, $3,319 for travel, meals and entertainment expenses, $7,993 for franchise fees, $91,400 for taxes and $6,936 for other expenses.

Net income for the three months ended September 30, 2004 consisted of interest income of $110,576 reduced by $10,500 for a monthly administrative services agreement, $5,183 for professional fees, $14,750 for officer liability insurance, $1,729 for travel, meals and entertainment expenses, $21,200 for taxes and $8,495 for other expenses.

Net income for the nine months ended September 30, 2005 consisted of interest income of $682,446 reduced by $31,500 for a monthly administrative services agreement, $73,498 for professional fees, $43,941 for officer liability insurance, $69,707 for travel, meals and entertainment expenses, $23,275 for franchise fees, $198,550 for taxes and $24,960 for other expenses.

Net income for the period from February 5, 2004 (inception) to September 30, 2004 consisted of interest income of $163,242 reduced by $17,500 for a monthly administrative services agreement, $7,443 for professional fees, $22,125 for officer liability insurance, $4,518 for travel, meals and entertainment expenses, $21,200 for taxes and $51,088 for other expenses.

Net income for the period from February 5, 2004 (inception) to September 30, 2005 consisted of interest income of $990,478 reduced by $59,500 for a monthly administrative services agreement, $92,983 for professional fees, $80,816 for officer liability insurance, $75,135 for travel, meals and entertainment expenses, $46,275 for franchise fees, $277,665 for taxes and $76,564 for other expenses.

We consummated our initial public offering on May 18, 2004. Gross proceeds from our initial public offering, including the full exercise of the underwriters' over-allotment option, were $37,950,100. After deducting offering expenses of $1,510,000 including $990,000 evidencing the underwriters' non-accountable expense allowance of 3% of the gross proceeds, and underwriting discounts of $2,277,000, net proceeds were $34,163,100. An amount of $34,117,691 (which includes accrued interest of $57,699) is currently held in trust and the remaining proceeds are available to be used to provide for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses.

We will use substantially all of the net proceeds of this offering to acquire a target business, including identifying and evaluating prospective acquisition candidates, selecting the target business, and structuring, negotiating and consummating the business combination. To the extent that our capital stock is used in whole or in part as consideration to effect a business combination, the proceeds held in the trust fund as well as any other net proceeds not expended will be used to finance the operations of the target business. We believe that we have sufficient available funds outside of the trust fund to operate through May 18, 2006, assuming that a business combination is not consummated during that time. Over this time period, we anticipate approximately $180,000 of expenses for legal, accounting and other expenses related to the due diligence investigations, structuring and negotiating of a business combination, $84,000 for the administrative fee payable to First Americas Management LLC ($3,500 per month for two years), $50,000 of expenses for the due diligence and investigation of a target business, $40,000 of expenses in legal and accounting fees relating to our SEC reporting obligations and $666,000 for general working capital that will be used for miscellaneous expenses and reserves, including approximately $60,000 for director and officer liability insurance premiums. We do not believe we will need to raise additional funds following this offering in order to meet the expenditures required for operating our business. However, we may need to raise additional funds through a private offering of debt or equity securities if such funds are required to consummate a business combination that is presented to us. We would only consummate such a fund raising simultaneously with the consummation of a business combination.

On October 20, 2005, the Company entered into an Agreement and Plan of Merger ("Merger Agreement") with RAM Energy, Inc. and all of its stockholders ("Stockholders"), which was amended on November 11, 2005. A wholly owned subsidiary of the Company formed to effectuate the transactions contemplated by the Merger Agreement by merging with and into RAM Energy, Inc. ("Merger"), is also a party to the Merger Agreement. RAM Energy, Inc. will be the surviving corporation in the Merger, becoming a wholly owned subsidiary of Tremisis. RAM is a privately-owned, independent, oil and gas company headquartered in Tulsa, Oklahoma. RAM's business strategy is to acquire, explore, develop, exploit, produce and manage oil and gas properties, primarily in Texas, Louisiana and Oklahoma. RAM has been active in these core areas since its inception in 1987. RAM's management team has extensive technical and operating expertise in all areas of RAM's operations and geographic focus.

Pursuant to the Merger Agreement, the Stockholders, in exchange for all of the securities of RAM outstanding immediately prior to the Merger, will receive from the Company $30 million in cash and a number of shares of the Company's common stock equal to the greater of (x) $160,000,000 divided by 115% of the average closing price of a share of the Company's common stock for the ten trading days immediately prior to the consummation of the Merger and (y) 25,600,000. A portion of the shares of the Company's common stock being issued to the Stockholders in the Merger will be placed into escrow to secure the indemnity rights of the Company under the Merger Agreement and will be governed by the terms of an Escrow Agreement.

For a more complete discussion of our proposed business combination, see our Current Report on Form 8-K dated October 20, 2005 and filed with the SEC on October 26, 2005.

In connection with this business combination, the Company incurred $85,063 in Deferred Acquisition costs as of September 30, 2005.

We are obligated to pay to First Americas Management LLC, an affiliate of Isaac Kier, our secretary, treasurer and a member of our board of directors, a monthly fee of $3,500 for general and administrative services. Through September 30, 2005, an aggregate of $59,500 has been paid for such services. In addition, in February and April 2004, Lawrence S. Coben advanced an aggregate of $77,500 to us, on a non-interest bearing basis, for payment of offering expenses on our behalf. This amount was repaid

in May 2004 out of proceeds of our initial public offering.

ITEM 3. CONTROLS AND PROCEDURES.

An evaluation of the effectiveness of our disclosure controls and procedures as of September 30, 2005 was made under the supervision and with the participation of our management, including chief executive officer and treasurer. Based on that evaluation, he concluded that our disclosure controls and procedures are effective as of the end of the period covered by this report to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. During the most recently completed fiscal quarter, there has been no significant change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II.

OTHER INFORMATION

ITEM 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

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

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

After deducting the underwriting discounts and commissions and the offering expenses, the total net proceeds to us from the offering were $34,163,100, of which $33,143,000 was deposited into a trust fund and the remaining proceeds are to be used to provide for business, legal and accounting due diligence on prospective business combinations and continuing general and administrative expenses. Through September 30, 2005, we have used approximately $448,000 of cash for operating expenses and $77,500 to repay advances made to us by one of our initial stockholders.

ITEM 6: EXHIBITS

(a) Exhibits:

31.1 - Section 302 Certification by CEO

31.2 - Section 302 Certification by Treasurer

32.1 - Section 906 Certification by CEO

32.2 - Section 906 Certification by Treasurer

SIGNATURES

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

TREMISIS ENERGY
ACQUISITION CORPORATION

Dated: November 14, 2005

/s/ Lawrence S. Coben

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

/s/ Isaac Kier

Isaac Kier
Treasurer