

Alpha Security Group CORP  
Form 10-Q  
May 21, 2008

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

**FORM 10-Q**

☒ 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: 001-33354**

**Alpha Security Group Corporation**  
(Exact name of registrant as specified in its charter)

**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**03-0561397**  
(I.R.S. Employer  
Identification No.)

**328 West 77<sup>th</sup> Street**  
**New York, New York 10024**  
(Address of Principal Executive Offices) (Zip Code)

**212-877-1588**  
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the 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 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 ☐ 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 ☒

There were 7,580,000 shares of the Registrant's common stock issued and outstanding as of May 19, 2008.

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**PART I- FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS**

ALPHA SECURITY GROUP CORPORATION  
(A CORPORATION IN THE DEVELOPMENT STAGE)

CONDENSED BALANCE SHEET

|                                                                                                                                                | March 31, 2008<br>(unaudited) | December 31, 2007 |
|------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|-------------------|
| <b>ASSETS</b>                                                                                                                                  |                               |                   |
| Current Assets                                                                                                                                 |                               |                   |
| Cash                                                                                                                                           | \$ 16,351                     | \$ 8,726          |
| Investment in trust account                                                                                                                    | 60,933,914                    | 60,578,630        |
| Prepaid expenses & taxes                                                                                                                       | 700                           | 17,342            |
| Total current assets                                                                                                                           | 60,950,965                    | 60,604,698        |
| Deferred tax asset                                                                                                                             | 198,115                       | 150,220           |
| Property & equipment, net of depreciation                                                                                                      | 7,679                         | 6,099             |
| Total assets                                                                                                                                   | \$ 61,156,759                 | \$ 60,761,017     |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                                                                    |                               |                   |
| Current Liabilities                                                                                                                            |                               |                   |
| Accrued expenses and taxes                                                                                                                     | \$ 111,984                    | \$ 75,235         |
| Income taxes payable                                                                                                                           | 166,575                       | -                 |
| Deferred underwriting fees                                                                                                                     | 1,800,000                     | 1,800,000         |
| Notes payable - stockholder                                                                                                                    | 250,000                       | 250,000           |
| Total liabilities                                                                                                                              | 2,328,559                     | 2,125,235         |
| Common stock, subject to possible redemption, 2,099,400 shares, at redemption value of \$9.70 per share                                        |                               |                   |
|                                                                                                                                                | 20,364,180                    | 20,364,180        |
| Commitments                                                                                                                                    |                               |                   |
| Stockholders' equity                                                                                                                           |                               |                   |
| 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 7,580,000 shares at March 31, 2008 and December 31, 2007 | 758                           | 758               |
| Additional paid-in capital                                                                                                                     | 37,488,281                    | 37,488,281        |
| Earnings accumulated during the development stage                                                                                              | 974,981                       | 782,563           |
| Total stockholders' equity                                                                                                                     | 38,464,020                    | 38,271,602        |

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|                                            |    |            |    |            |
|--------------------------------------------|----|------------|----|------------|
| Total liabilities and stockholders' equity | \$ | 61,156,759 | \$ | 60,761,017 |
|--------------------------------------------|----|------------|----|------------|

See accompanying notes to financial statements.

ALPHA SECURITY GROUP CORPORATION  
(A CORPORATION IN THE DEVELOPMENT STAGE)  
CONDENSED STATEMENT OF INCOME (UNAUDITED)

|                                          | For the<br>Three months<br>ended<br>March 31, 2008<br>(unaudited) | For the<br>Three months<br>ended<br>March 31, 2007<br>(unaudited) | For the period<br>from<br>April 20, 2005<br>(inception) to<br>March 31, 2008<br>(unaudited) |
|------------------------------------------|-------------------------------------------------------------------|-------------------------------------------------------------------|---------------------------------------------------------------------------------------------|
| Interest and dividend income             | \$ 540,574                                                        | \$ 37,660                                                         | \$ 2,635,104                                                                                |
| Formation and operating costs            | (158,351)                                                         | (25,722)                                                          | (697,654)                                                                                   |
| Income before provision for income taxes | 382,223                                                           | 11,938                                                            | 1,937,450                                                                                   |
| Provision for income taxes               | 189,805                                                           | -                                                                 | 962,469                                                                                     |
| Net income                               | \$ 192,418                                                        | \$ 11,938                                                         | \$ 974,981                                                                                  |
| Weighted average shares outstanding      | 7,580,000                                                         | 1,846,667                                                         | 3,650,678                                                                                   |
| Net income per share                     | \$ 0.03                                                           | \$ 0.01                                                           | \$ 0.27                                                                                     |

See accompanying notes to financial statements.

ALPHA SECURITY GROUP CORPORATION  
(A CORPORATION IN THE DEVELOPMENT STAGE)

CONDENSED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIENCY)

For the period from April 20, 2005 (inception) to March 31, 2008

|                                                       | Common stock |        | Additional paid-in |             | Earnings<br>(deficit)<br>accumulated during the Stockholders'<br>development stageequity (deficiency) |              |
|-------------------------------------------------------|--------------|--------|--------------------|-------------|-------------------------------------------------------------------------------------------------------|--------------|
|                                                       | Shares       | Amount | capital            |             |                                                                                                       |              |
| Common shares issued July 18, 2005 at \$.0156         | 1,600,000    | \$ 160 | \$ 24,840          | \$ -        | \$ 25,000                                                                                             |              |
| Net loss - 2005                                       |              |        |                    |             | (11,140)                                                                                              | (11,140)     |
| Balance - December 31, 2005                           | 1,600,000    | \$ 160 | \$ 24,840          | \$ (11,140) | \$ 13,860                                                                                             |              |
| Net loss - 2006                                       |              |        |                    |             | (23,905)                                                                                              | (23,905)     |
| Redemption - September 15, 2006                       | (20,000)     | (2)    | (310)              |             |                                                                                                       | (312)        |
| Balance - December 31, 2006                           | 1,580,000    | \$ 158 | \$ 24,530          | \$ (35,045) | \$ (10,357)                                                                                           |              |
| Proceeds of private placement - March 21, 2007        |              |        | 3,200,000          |             |                                                                                                       | 3,200,000    |
| Common shares issued March 28, 2007 at \$10 per share | 6,000,000    | 600    | 59,999,400         |             |                                                                                                       | 60,000,000   |
| Proceeds subject to possible redemption               |              |        | (20,364,180)       |             |                                                                                                       | (20,364,180) |
| Expenses of the Offering                              |              |        | (5,371,569)        |             |                                                                                                       | (5,371,569)  |
| Net income - 2007                                     |              |        |                    |             | 817,608                                                                                               | 817,608      |
| Proceeds of options sold                              |              |        | 100                |             |                                                                                                       | 100          |
| Balance - December 31, 2007                           | 7,580,000    | \$ 758 | \$ 37,488,281      | \$ 782,563  | \$ 38,271,602                                                                                         |              |
| (unaudited)                                           |              |        |                    |             |                                                                                                       |              |
| Net income-January 1-March 31, 2008                   |              |        |                    |             | 192,418                                                                                               | 192,418      |
| Balance March 31, 2008                                | 7,580,000    | 758    | \$ 37,488,281      | \$ 974,981  | \$ 38,464,020                                                                                         |              |

See accompanying notes to financial statements.



ALPHA SECURITY GROUP CORPORATION  
(A CORPORATION IN THE DEVELOPMENT STAGE)

CONDENSED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

|                                                                               | For the period from<br>April 20, 2005<br>(Inception) to<br>March 31, 2008<br>(unaudited) | For the three months ended<br>March 31, 2008<br>(unaudited) | March 31, 2007<br>(unaudited) |
|-------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|-------------------------------------------------------------|-------------------------------|
| <b>Cash flows from operating activities:</b>                                  |                                                                                          |                                                             |                               |
| Net income                                                                    | \$ 974,981                                                                               | \$ 192,418                                                  | \$ 24,501                     |
| Adjustments to reconcile net income to net cash used in operating activities: |                                                                                          |                                                             |                               |
| Depreciation                                                                  | 719                                                                                      | 420                                                         | -                             |
| Increase in investment in Trust Account                                       | (2,627,409)                                                                              | (540,574)                                                   | (33,303)                      |
| Increase in deferred tax asset                                                | (198,115)                                                                                | (47,895)                                                    | -                             |
| (Increase) decrease in prepaid expenses/other receivables                     | (700)                                                                                    | 16,642                                                      | (9,224)                       |
| Increase in income taxes payable                                              | 166,575                                                                                  | 166,575                                                     | -                             |
| Increase in accounts payable and accrued expenses                             | 111,984                                                                                  | 36,749                                                      | 3,536                         |
| Net cash (used in) operating activities                                       | (1,571,965)                                                                              | (175,665)                                                   | (14,490)                      |
| <b>Cash flows from investing activities</b>                                   |                                                                                          |                                                             |                               |
| Payment to trust account                                                      | (60,002,831)                                                                             | -                                                           | (60,002,831)                  |
| Withdrawals from trust account                                                | 1,696,326                                                                                | 185,290                                                     | -                             |
| Purchase of equipment                                                         | (8,398)                                                                                  | (2,000)                                                     | -                             |
| Net cash provided by (used in) investing activities                           | (58,314,903)                                                                             | 183,290                                                     | (60,002,831)                  |
| <b>Cash flows from financing activities:</b>                                  |                                                                                          |                                                             |                               |
| Payment of expenses of offering                                               | (3,571,569)                                                                              | -                                                           | (3,250,009)                   |
| Proceeds from sale of common stock                                            | 25,000                                                                                   | -                                                           | -                             |
| Proceeds from notes payable - stockholder(s)                                  | 250,000                                                                                  | -                                                           | 250,000                       |
| Proceeds from initial public offering                                         | 60,000,000                                                                               | -                                                           | 60,000,000                    |
| Proceeds from private placement                                               | 3,200,000                                                                                | -                                                           | 3,200,000                     |
| Proceeds from sale of option                                                  | 100                                                                                      | -                                                           | -                             |
| Repayment of notes payable - stockholders                                     | -                                                                                        | -                                                           | (187,802)                     |
| Payment of deferred offering costs                                            | -                                                                                        | -                                                           | -                             |
| Redemption of stock                                                           | (312)                                                                                    | -                                                           | -                             |
| Net cash provided by financing activities                                     | 59,903,219                                                                               | -                                                           | 60,012,189                    |
| Net increase (decrease) in cash                                               | 16,351                                                                                   | 7,625                                                       | (5,132)                       |

|                            |   |       |       |
|----------------------------|---|-------|-------|
| Cash - beginning of period | - | 8,726 | 7,119 |
|----------------------------|---|-------|-------|

|                      |           |           |          |
|----------------------|-----------|-----------|----------|
| Cash - end of period | \$ 16,351 | \$ 16,351 | \$ 1,987 |
|----------------------|-----------|-----------|----------|

#### Supplemental disclosure of cash flow information

|                            |            |           |      |
|----------------------------|------------|-----------|------|
| Cash paid for income taxes | \$ 993,634 | \$ 70,596 | \$ - |
|----------------------------|------------|-----------|------|

#### Supplemental disclosure of non-cash financing activities:

|                                    |              |      |              |
|------------------------------------|--------------|------|--------------|
| Accrual of deferred offering costs | \$ 1,800,000 | \$ - | \$ 1,890,000 |
|------------------------------------|--------------|------|--------------|

See accompanying notes to financial statements.

ALPHA SECURITY GROUP CORPORATION  
(a corporation in the development stage)

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**1. Organization, Proposed Business Operations and Summary of Significant Accounting Policies**

**Basis of Presentation**

The condensed financial statements at March 31, 2008 and for the periods ended March 31, 2008 and 2007 are unaudited and have been prepared by the Company 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 adjustments) have been made that are necessary to fair presentation have been included. Operating results for the interim period presented are not necessarily indicative of the results to be expected for a full year.

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements and notes thereto for the period ended December 31, 2007 included in the Company's Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission on April 15, 2008. The December 31, 2007 balance sheet and the statement of stockholders' equity for the period ended December 31, 2007 have been derived from these audited financial statements. The accounting policies used in preparing these unaudited financial statements are consistent with those described in the December 31, 2007 audited financial statements.

**Nature of Operations**

Alpha Security Group Corporation (the "Company") was incorporated in the State of Delaware on April 20, 2005 as a blank check company formed to acquire, through a merger, capital stock exchange, asset acquisition or other similar business combination, one or more businesses in the U.S. homeland security or defense industries or a combination thereof.

At March 31, 2008, the Company had not yet commenced any operations. All activity through March 31, 2008 relates to the Company's formation, a private placement and the public offering described below. The Company has selected December 31 as its fiscal year-end.

The registration statement for the Company's initial public offering (the "Public Offering") was declared effective on March 23, 2007. On March 21, 2007, the Company completed a private placement (the "Private Placement") and received net proceeds of \$3,200,000. The Company consummated the Public Offering on March 28, 2007 and received net proceeds of \$54,628,431. The Company's management has broad discretion with respect to the specific application of the net proceeds of the Private Placement and the Public Offering (collectively the "Offerings") (as described in Note 2), although substantially all of the net proceeds of the Offerings (exclusive of working capital) are intended to be generally applied toward consummating a business combination with a target company. As used herein, a "target business" shall include an operating business in the U.S. homeland security or defense industries, or a combination thereof, and a "business combination" shall mean the acquisition by the Company of such a target business. There is no assurance that the Company will be able to effect a business combination successfully.

At March 31, 2008, \$60,933,914 is being held in a trust account ("Trust Account") at JP MorganChase, New York, New York, maintained by American Stock Transfer & Trust Company, the Company's transfer agent. This amount includes

the net proceeds of the Public Offering and the Private Placement (including interest thereon), interest earned since the public offering was declared effective which has not yet been withdrawn for working capital needs and \$1,800,000 of deferred underwriting compensation fees (the “Discount”) which will be paid to Maxim Group LLC if, and only if, a business combination is consummated, but which will be forfeited in part if public stockholders elect to have their shares redeemed for cash and in full if a business combination is not consummated.

ALPHA SECURITY GROUP CORPORATION  
(a corporation in the development stage)

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**1. Organization, Proposed Business Operations and Summary of Significant Accounting Policies (continued)**

The funds in the Trust Account will be invested until the earlier of (i) the consummation of the Company's first business combination or (ii) the liquidation of the Trust Account as part of a plan of dissolution and liquidation approved by our stockholders. Up to \$1,825,000 of interest income on the Trust Account may be used to fund the Company's working capital including payments for business, legal and accounting, due diligence on prospective acquisitions and continuing general and administrative expenses.

The Company, after signing a definitive agreement for the acquisition of a target business, will submit such transaction for stockholder approval. In the event that public stockholders owning 35% or more of the outstanding stock excluding for this purpose, those persons who were stockholders prior to the Offerings vote against the business combination, the business combination will not be consummated. All of the Company's stockholders prior to the Offerings, including all of the officers and directors of the Company ("Initial Stockholders"), have agreed to vote their 1,580,000 founding shares of common stock in accordance with the vote of the majority-in-interest of all other stockholders of the Company with respect to any business combination. After consummation of the Company's first business combination, all of these voting safeguards will no longer be applicable.

With respect to the first business combination which is approved and consummated, any Public Stockholder who voted against the business combination may demand that the Company redeem his or her shares. The per share redemption price will equal \$10 per share plus the pro-rata share of any accrued interest earned on the Trust Account, net of: (i) taxes payable on interest income earned on the Trust Account, State of Delaware franchise taxes, repayment of \$250,000 of an additional officer loan made prior to closing of the Public Offering by Steven M. Wasserman (such loan was to be repaid within 90 days of the closing of the Public Offering, but has not been repaid through March 31, 2008) and (ii) up to \$1,825,000 of interest earned on the Trust Account released to the Company to fund its working capital. Accordingly, Public Stockholders holding 34.99% of the aggregate number of shares owned by all Public Stockholders may seek redemption 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. In the event that more than 20% of the Public Stockholders exercise their redemption rights, a proportional percentage of the common stock held by the Company's Initial Stockholders will automatically, and without any further action required by the Company or such stockholders, be forfeited and cancelled upon consummation of the business combination. The percentage of shares forfeited will be equal to the percentage of redemptions above 20% and will be pro rata among the Initial Stockholders on the 1,580,000 shares owned by them.

The Company's Amended and Restated Certificate of Incorporation provides for mandatory liquidation of the Trust Account as part of a stockholder-approved plan of dissolution and liquidation in the event that the Company does not consummate a business combination within 18 months from the date of the consummation of the Offering, or 24 months from the consummation of the Public Offering if a letter of intent, agreement in principle or definitive agreement has been executed within 18 months after consummation of the Public Offering and the business combination has not yet been consummated within such 18 month period. In the event of such liquidation, the amount in the Trust Account will be distributed to the holders of the shares sold in the Public Offering. The Company's initial business combination must be for assets or with a target business the fair market value of which is at least equal to 80% of the Company's net assets at the time of such acquisition (exclusive of Maxim Group LLC's deferred underwriting compensation, including interest thereon, held in the trust account). Steven M. Wasserman, Chief Executive Officer, President and Co-Chairman of the board of directors and Constantinos Tsakiris, a director of the

Company, purchased warrants to purchase an aggregate of 3,200,000 shares of common stock in the Private Placement for an aggregate purchase price of \$3,200,000 or \$1.00 per warrant. The Private Placement warrants are exercisable on the later of (i) the completion of a business combination or (ii) March 23, 2008.

ALPHA SECURITY GROUP CORPORATION  
(a corporation in the development stage)

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**1. Organization, Proposed Business Operations and Summary of Significant Accounting Policies (continued)**

*Cash and Cash Equivalents*

The Company considers all highly liquid instruments with original maturities of three months or less when purchased to be cash equivalents. Such cash and cash equivalents, may exceed federally insured limits. The Company maintains its accounts with financial institutions with high credit ratings.

*Income Taxes*

The Company recorded a deferred tax asset of \$198,115 and \$150,220 at March 31, 2008 and December 31, 2007, respectively, for the tax effect of temporary differences, aggregating \$582,692 and \$441,823. In recognition of the uncertainty regarding the ultimate amount of income tax benefits to be derived, the Company recorded a valuation allowance of \$56,348 and \$43,658 at March 31, 2008 and December 31, 2007 respectively. The effective tax rate differs from the statutory rate of 34% due to the effect of state and local income taxes.

On January 1, 2007 the Company adopted 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 tax positions recognized in a company's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." FIN 48 requires that the impact of a tax position be recognized in the financial statements if it is more likely than not that the tax position will be sustained on tax audit, based on the technical merits of the position. FIN 48 also provides guidance on derecognition of tax positions that do not meet the "more likely than not" standard, classification of tax assets and liabilities, interest and penalties, accounting in interim periods, disclosure and transition. The adoption of FIN 48 had no effect on our financial condition or results of operations since the company has not identified any uncertain tax positions.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. All tax years remain open to examination by the major taxing jurisdictions to which it is subject.

*Share-Based Payments*

The Company accounts for share-based payments in accordance with Statement of Financial Accounting Standards No. 123R ("SFAS No. 123R") as of the date of issuance of the warrants described in Note 2.

*Recently Issued Accounting Pronouncements*

In December 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 141(R) "Business Combinations". This statement establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. The Statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The guidance will become effective as of the beginning of a company's fiscal year beginning after December 15, 2008.

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

ALPHA SECURITY GROUP CORPORATION  
(a corporation in the development stage)

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**1. Organization, Proposed Business Operations and Summary of Significant Accounting Policies (continued)**

*Income Per Common Share*

Income per share is computed by dividing net income by the weighted-average number of shares of common stock outstanding during the period. Shares of common stock issuable upon the exercise of options and warrants at March 31, 2008 (9,410,000 shares) are excluded from the computation since such options and warrants are contingently exercisable.

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

**2. Public Offering and Private Placement**

On March 28, 2007 the Company sold 6,000,000 units to the public at a price of \$10.00 per unit. Each unit consists of one share of the Company's common stock, \$.0001 par value, 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 (i) the completion of a business combination with a target business or (ii) March 23, 2008, and expires March 23, 2011. The Warrants will be redeemable by the Company at a price of \$0.01 per warrant upon 30 days notice after the Warrants become exercisable, only in the event that the closing 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.

On March 21, 2007, Steven M. Wasserman, Chief Executive Officer, President and Co-Chairman of the board of directors and Constantinos Tsakiris, a director, acquired warrants to purchase an aggregate of 3,200,000 shares of common stock from the Company in a Private Placement. The total purchase price for the warrants was \$3,200,000 or \$1.00 per warrant. The Warrants included in the Private Placement have terms identical to the Warrants included in the Offering.

Under the terms of the Company's warrant agreement, no public warrants will be exercisable unless at the time of exercise a registration statement relating to common stock issuable upon exercise of the warrants is effective and current, a prospectus is available for use by the public stockholders and those shares of common stock have been registered or been deemed to be exempt from registration under the securities laws of the state of residence of the holder of the warrants. The holders of the Warrants issued in the Private Placement will be able to exercise their Warrants even if, at the time of exercise, a prospectus relating to the common stock issuable upon exercise of such Warrants is not current. In addition, in no event will the registered holders of the Warrants issued in the Public Offering or the Private Placement be entitled to receive a net cash settlement of stock or other consideration in lieu of physical settlement in shares of the Company's common stock. As such, the Company has determined that the public warrants should be classified in stockholders' equity in accordance with the guidance of EITF 00-19 ("EITF 00-19"),

*Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock.*

The Company will use its best efforts to cause a registration statement to become effective on or prior to the commencement of the warrant exercise period and to maintain the effectiveness of such registration statement until the expiration of the Warrants. If the Company is unable to maintain the effectiveness of such registration until the expiration of the Warrants and therefore is unable to deliver registered shares, the Warrants may become worthless.

ALPHA SECURITY GROUP CORPORATION  
(a corporation in the development stage)

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**3. Note payable, stockholder**

The Company issued an unsecured promissory note to Steven Wasserman, a related party, totaling \$250,000 on March 28, 2007. The Note does not bear interest and was to be repaid in full ninety days thereafter and such repayment has not been made. Due to the short-term nature of the promissory note, the fair value of the note approximates its carrying value.

**4. Commitments**

The Company has agreed to pay to an affiliated third party, \$7,500 a month for 24 months for office space and general and administrative expenses.

Upon completion of the Public Offering, the Company sold to the representative of the underwriters, for \$100, an option to purchase up to a total of 105,000 units. The units issuable upon exercise of this option are identical to those offered in the Public Offering. This option is exercisable at \$11.00 per unit commencing after 180 days from March 23, 2007 and expiring March 23, 2012. The 105,000 units (the 105,000 shares of common stock and the 105,000 warrants underlying such units, and the 105,000 shares of common stock underlying such warrants) have been deemed compensation by the National Association of Securities Dealers ("NASD") and are therefore subject to a 180-day lock-up pursuant to Rule 2710(g)(1) of the NASD Conduct Rules. Additionally, the option may not be sold, transferred, assigned, pledged or hypothecated for a 24-month period (including the foregoing 180-day period) following March 23, 2007 (the effective date of the prospectus pertaining to the Public Offering). However, the option may be transferred to any underwriter and selected dealer participating in the Public Offering and their bona fide officers or partners. This represents an amended agreement between the Company and the representative of the underwriters, revising their original agreement which provided for the issuance of an option to purchase 420,000 units with a lock-up period of one-year. The option may expire unexercised and the underlying warrants unredeemed if the Company fails to maintain an effective registration statement covering the units (including the common stock and warrants) issuable upon exercise of the option. There are no circumstances upon which the Company will be required to net cash settle the option.

The Company has accounted for this purchase option as a cost of raising capital and has included the instrument as equity in its financial statements. Accordingly, there is no net impact on the Company's financial position or results of operations, except for the recording of the \$100 proceeds from the sale. The Company has estimated, based upon a Black Scholes model, that the fair value of the purchase option on the date of sale was approximately \$4.46 per unit (a total value of \$468,300), using an expected life of five years, volatility of 47.60% and a risk-free rate of 4.75%. The volatility calculation is based on the average volatility of 12 companies in the U.S. homeland security and defense industries during the period from March 14, 2002 to March 15, 2007. Because the Company did not have a trading history, the Company needed to estimate the potential volatility of its unit price, which depended on a number of factors which could not be ascertained at the time. The Company used these companies because management believed that the volatility of these companies was a reasonable benchmark to use in estimating the expected volatility for the Company's units. Although an expected life of five years was used in the calculation, if the Company does not consummate a business combination within the prescribed time period and it liquidates, the option will become worthless.

The Company has engaged the representative of the underwriters, on a non-exclusive basis, as its agent for the solicitation of the exercise of the warrants. To the extent not inconsistent with the guidelines of the NASD and the rules and regulations of the Securities and Exchange Commission, the Company has agreed to pay the representative for bona fide services rendered a cash commission equal to 5% of the exercise price for each warrant exercised more than one year after the effective date of the prospectus if the exercise was solicited by the representative. In addition to soliciting, either orally or in writing, the exercise of the warrants, the representative's services may also include disseminating information,

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NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**4. Commitments (continued)**

either orally or in writing, to warrant holders about the Company or the market for the Company's securities, and assisting in the processing of the exercise of the warrants. No compensation will be paid to the representative upon the exercise of the warrants if:

- the market price of the underlying shares of common stock is lower than the exercise price;
- the holder of the warrants has not confirmed in writing that the representative solicited the exercise;
- the warrants are held in a discretionary account;
- the warrants are exercised in an unsolicited transaction; or
- the arrangement to pay the commission is not disclosed in the prospectus provided to warrant holders at the time of exercise.

**5. Income Taxes**

The Company's provision for (benefit from) income taxes is as follows:

|                        | <b>3 months ended<br/>March 31, 2008</b> | <b>Year ended<br/>December 31, 2007</b> |
|------------------------|------------------------------------------|-----------------------------------------|
| <b>Current:</b>        |                                          |                                         |
| Federal                | \$ 148,009                               | \$ 574,837                              |
| State                  | 89,691                                   | 348,047                                 |
| <b>Total Current</b>   | <b>\$ 237,700</b>                        | <b>\$ 922,884</b>                       |
| <b>Deferred:</b>       |                                          |                                         |
| Federal                | \$ (29,823)                              | \$ (93,658)                             |
| State                  | (18,072)                                 | (56,562)                                |
| <b>Total deferred</b>  | <b>\$ (47,895)</b>                       | <b>\$ (150,220)</b>                     |
| <b>Total provision</b> | <b>\$ 189,805</b>                        | <b>\$ 772,664</b>                       |



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Significant components of the Company's deferred tax asset are as follows:

|                                           | March 31, 2008    | December 31, 2007 |
|-------------------------------------------|-------------------|-------------------|
| Expenses deferred for income tax purposes | \$ 246,010        | \$ 193,878        |
| Valuation allowance                       | (47,895)          | (43,658)          |
| <b>Total deferred tax asset</b>           | <b>\$ 198,115</b> | <b>\$ 150,220</b> |

A reconciliation of the Company's income tax provision (benefit) at the federal statutory rate to the actual income tax provision (benefit) is as follows:

|                           | March 31, 2008 | December 31, 2007 |
|---------------------------|----------------|-------------------|
| Federal income tax rate   | 34.00%         | 34.00%            |
| State & local tax rate    | 10.90%         | 10.90%            |
| Valuation Allowance       | 3.70%          | 3.70%             |
| <b>Effective Tax Rate</b> | <b>48.60%</b>  | <b>48.60%</b>     |

Deferred income taxes represent the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for income tax purposes. The Company had net deferred tax assets of approximately \$198,115 on March 31, 2008 and \$150,220 on December 31, 2007 partially offset by valuation allowances. A valuation allowance was established for the realizability of certain tax benefits considering the expected future taxable income of the Company.

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NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**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. Stockholders' Equity**

On September 8, 2006, the Company redeemed 20,000 shares of its common stock at a price of \$0.0125 per share.

On September 15, 2006, the Company effected a 0.80 for 1 reverse stock split. All share numbers herein reflect this adjustment.

On January 16, 2007, the Company filed its Third Amended and Restated Certificate of Incorporation with the State of Delaware, reducing its authorized capitalization from 100,000,000 shares of common stock, par value \$.0001 per share, and 1,000,000 shares of preferred stock, par value \$.0001 per share, to 30,000,000 shares of common stock, par value \$.0001 per share, and 1,000,000 shares of preferred stock, par value \$.0001 per share. Such reduction has been given retroactive effect in these financial statements.

On February 7, 2007, the Company filed its Fourth Amended and Restated Certificate of Incorporation with the State of Delaware, amending the restriction against the Company proceeding with a business combination from disallowing such a transaction if the holders of less than 30% of the number of shares sold in the Public Offering vote against a business combination and subsequently exercise their dissolution rights, increasing such percentage to 35%.

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **Forward Looking Statements**

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "should," "could," "would," "expect," "plan," "anticipate," "believe," "estimate," "continue," or the negative of such terms or other similar expressions. Factors that might cause or contribute to such a discrepancy include, but are not limited to, those described under "Risk Factors" (pages 16-36) in our final prospectus dated March 23, 2007, as amended, relating to the Public Offering, and in our other Securities and Exchange Commission filings. The following discussion should be read in conjunction with our Financial Statements and related Notes thereto included elsewhere in this report.

### **Overview**

We were formed on April 20, 2005, to serve as a vehicle to acquire one or more domestic or international operating businesses in the U.S. homeland security or defense industries or a combination thereof, through a merger, capital stock exchange, asset acquisition or other similar business combination. Our initial business combination must be with a target business or businesses whose fair market value is equal to at least 80% of our net assets at the time of such acquisition. Since our offering, we have been actively searching for a suitable business combination candidate. We currently have not entered into any definitive agreement with any potential target businesses. We are not engaged in, and will not engage in, any substantive commercial business until we consummate an initial transaction. We intend to utilize cash derived from the proceeds of our recently completed public offering and private placement, our capital stock, debt or a combination thereof, in effecting a business combination. restricting our ability to obtain additional financing while such securities were outstanding.

We cannot assure investors that we will find a suitable business combination in the allotted time.

### **Results of Operations for The Three-Month Periods Ended March 31, 2008 and March 31, 2007**

We reported net income of \$192,418 for the three-month period ended March 31, 2008. Net income consisted of interest income of \$540,574 reduced by of \$158,351 of operating expenses. Operating expenses consisted of consulting and professional fees of \$43,867, insurance expense of \$16,113, travel expense of \$38,990, Delaware franchise fees of \$15,563 and other operating costs of \$43,818.

The trust account earned interest of \$540,574 during the three months ended March 31, 2008, none of which is attributable to common stock subject to possible redemption. We had \$60,933,914 in trust as of March 31, 2008.

Until we enter into a business combination, we will not generate operating revenues.

We reported net income of \$11,938 for the three-month period ended March 31, 2007. Net income consisted of interest income of \$37,660 reduced by of \$25,722 of operating expenses. Operating expenses consisted of travel expense of \$12,508, Delaware franchise fees of \$10,552 and other operating costs of \$2,662.

The trust account earned interest of \$37,660 during the three months ended March 31, 2007, none of which is attributable to common stock subject to possible redemption. We had \$60,036,134 in trust as of March 31, 2007.

## Liquidity and Capital Resources

On March 21, 2007, we sold to Steven M. Wasserman (500,000 warrants), our Chief Executive Officer, President and Co-Chairman of the board of directors, and Constantinos Tsakiris (2,700,000 warrants), a former director, an aggregate of 3,200,000 warrants in a private placement for \$1.00 per warrant or aggregate consideration of \$3,200,000. The warrants in the private placement have identical terms to the warrants included in the units offered as part of the public offering. On March 28, 2007, we consummated our initial public offering of 6,000,000 units at a purchase price of \$10.00 per unit or gross proceeds of \$60,000,000. Each unit in the public offering consisted of one share of common stock 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 per share. Prior to the closing, Steven M. Wasserman loaned us \$250,000 for expenses of the public offering, which loan will be repaid within 90 days of the closing.

On March 28, 2007, the closing date of our public offering, \$60,002,831 was placed in the Trust Account at JP Morgan Chase New York, New York. This amount includes net proceeds of the public offering of \$54,628,431 and the private placement of \$3,200,000 plus interest of \$2,831 thereon. The funds in the Trust Account will be invested until the earlier of (i) consummation of a business combination or (ii) the liquidation of the Trust Account as part of a plan of distribution and liquidation approved by our stockholders.

In addition to the net proceeds from the sale of the units in this offering and the sale of warrants in our private placement, on the closing date of the public offering the trust account included \$1,800,000 of deferred underwriting compensation to be paid to Maxim Group LLC with accrued interest if and only if a business combination is consummated, and \$90,000 of deferred legal fees to be paid, without contingency, from interest income earned on the trust account released to us.

While funds are held in the trust account, they will only be invested in Treasury Bills issued by the United States government having a maturity of 180 days or less or money market funds meeting the criteria under Rule 2a-7 under the 1940 Act. Interest earned will be applied in the following order of priority:

- payment of taxes on trust account interest income;
- payment of State of Delaware franchise taxes;
- repayment of up to \$250,000 of an additional officer loan made prior to the closing of this offering by Steven M. Wasserman;
- our working capital requirements before we complete a business combination and, if necessary, funding the costs of our potential dissolution and liquidation;
- solely if we complete a business combination, interest on the amount of deferred underwriters' compensation payable to the underwriters; and
- the balance, if any, to us if we complete a business combination or to our public stockholders if we do not complete a business combination.

We believe that the interest income earned on trust account funds in the period before we effect a business combination will be sufficient to fund the costs and expenses relating to our liquidation and dissolution if we do not consummate a business combination.

We will use substantially all of the net proceeds of the public offering and from the private placement, and interest income earned on the funds in the trust account, to acquire a target business, including identifying and evaluating prospective acquisition candidates, selecting the target business, and structuring, negotiating and consummating the business combination. Costs and expenses incurred prior to the consummation of a business combination, including those that relate to a business combination that is not consummated, will be paid from the interest earned on funds held in the trust account (to the extent such interest is released to us). 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 that the funds available to us from interest income earned on the trust account (\$1,825,000) will be sufficient to allow us to operate for at least 24 months or March 2009, assuming that a business combination is not consummated during that time. Over this time period, the following estimated expenditures are anticipated: \$400,000 of expenses for legal, accounting and other expenses attendant to the structuring, negotiating and consummation of a business combination, \$500,000 of expenses for identification, evaluation and due diligence investigation of a target business, \$180,000 for administrative services and support payable to an affiliated third party (\$7,500 per month for 24 months), \$100,000 of expenses in legal and accounting fees relating to our SEC reporting obligations, \$150,000 for directors' and officers' liability insurance and \$495,000 for general working capital that will be used for miscellaneous expenses and reserves, deferred legal fees of \$90,000, costs of dissolution and liquidation and reserves, if any, which we currently estimate to be approximately \$50,000 to \$75,000, potential deposits, down payments or funding of a "no-shop" provision in connection with a particular business combination and key-man insurance.

We do not believe we will need to raise additional funds in order to meet the expenditures required for operating our business prior to consummating a business combination. 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.

In addition to the above described allocation of interest accrued on the trust account, at March 31, 2008, we had funds aggregating \$16,351 held outside of the trust account.

#### **Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements.

#### **Contractual Obligations**

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

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

This information has been omitted based on the Company's status as a smaller reporting company.

### **ITEM 4T. CONTROLS AND PROCEDURES**

An evaluation of the effectiveness of our disclosure controls and procedures as of March 31, 2008 was made under the supervision and with the participation of our management, including our principal executive and principal financial officer. Based on that evaluation, our chief executive officer and principal financial officer 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.

#### **Compliance with Section 404 of the Sarbanes-Oxley Act of 2002**

This quarterly report does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of our registered public accounting firm due to a transition period established by the rules of the Securities and Exchange Commission for newly public companies.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 (the "Act"), beginning with our Annual Report on Form 10-K for the fiscal year ending December 31, 2008, we will be required to furnish a report by our management on our internal control over financial reporting. This report will contain, among other matters, an assessment of the effectiveness of our internal control over financial reporting as of the end of our fiscal year, including a statement as to whether or not our internal control over financial reporting is effective. This assessment must include disclosure of any material weaknesses in our internal control over financial reporting identified by management. If we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert our internal control over financial reporting is effective. This report will also contain a statement that our independent registered public accountants have issued an attestation report on management's assessment of such internal controls and conclusion on the operating effectiveness of those controls.

Management acknowledges its responsibility for internal controls over financial reporting and seeks to continually improve those controls. In order to achieve compliance with Section 404 of the Act within the prescribed period, we are currently performing the system and process documentation and evaluation needed to comply with Section 404, which is both costly and challenging. We believe our process, which began in 2007 and continues in 2008 for documenting, evaluating and monitoring our internal control over financial reporting is consistent with the objectives of Section 404 of the Act.

## **PART II- OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

None.

### **ITEM 1A. RISK FACTORS**

This information has been omitted based on the Company's status as a smaller reporting company.

### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

### **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**

| Exhibit No. | Description                                                                                                                                                                                                            |
|-------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 31.1        | Certification of the Chief Executive Officer and Chief Financial Officer (Principal Executive and Financial Officer) pursuant to Rule 13a-14(a) of the Securities Exchange Act, as amended.                            |
| 32.1        | Certification of the Chief Executive Officer and Chief Financial Officer (Principal Executive and Financial Officer) pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

**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.

ALPHA SECURITY GROUP CORPORATION

May 20, 2008

By: /s/ Steven M. Wasserman  
Steven M. Wasserman  
Chief Executive Officer and Chief Financial Officer  
(Principal Executive and Financial Officer)

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