CIS Acquisition Ltd.
Form F-1/A
December 03, 2012
As filed with the Securities and Exchange Commission on November 30, 2012

Registration No. 333-180224

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

FORM F-1
Amendment No. 5

REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

CIS ACQUISITION LTD.

(Exact name of registrant as specified in its charter)

British Virgin Islands	6770	N/A
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

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Moscow, Russia 119607
(917) 514-1310

(Address, including zip code, and telephone number,
including area code, of registrant s principal executive offices)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

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CALCULATION OF REGISTRATION FEE

Title of each Class of Security being Registered	Amount being Registered	Proposed Maximum Offering Price Per Security(1)	Proposed Maximum Offering Price(1)	Amount of Registration Fee
Units, each consisting of one callable Class A Share and one redeemable warrant(2)	5,450,000	$ 10.00	$54,500,000.00	$7,433.80
Callable Class A Shares included in the Units(2)	5,450,000			(3)
Redeemable warrants included in the Units(3)	5,450,000			(3)
Ordinary shares underlying the redeemable warrants included in the Units(2)(4)	5,450,000	10.00	54,500,000.00	7,433.80
Callable Class B Shares issuable upon automatic conversion of the callable Class A Shares(2)(4)	5,450,000			(5)
Ordinary shares issuable upon automatic conversion of the callable Class B Shares(4)	5,450,000			(5)
Underwriters unit purchase option(6)	1	100.00	100.00	0.01
Units underlying the underwriters unit purchase option(4)	350,000	12.00	4,200,000.00	572.88
Ordinary shares included as part of the Units underlying the underwriters unit purchase option(4)	350,000			(3)
Warrants included as part of the Units underlying the underwriters unit purchase option(4)	350,000			(3)
Ordinary shares underlying the redeemable warrants included in the Units underlying the underwriters unit purchase option(4)	350,000	10.00	3,500,000.00	477.40
Total			$116,700,100.00	$15,917.89(7)

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(a) of Regulation C under the Securities Act of 1933, as amended.

(2) Includes 450,000 units, consisting of 450,000 callable Class A Shares and 450,000 redeemable warrants, which may be issued upon exercise of a 45-day option granted to the underwriters to cover over-allotments, if any.

(3) No fee required pursuant to Rule 457(g) under the Securities Act of 1933, as amended.

(4) Pursuant to Rule 416 under the Securities Act, there are also being registered such additional securities as may be issued to prevent dilution resulting from share splits, share dividends or similar transactions.

(5) No fee required pursuant to Rule 457(i) under the Securities Act of 1933, as amended.

(6) Represents an option granted to the representative of the underwriters to purchase up to 350,000 units, consisting of 350,000 shares and 350,000 redeemable warrants.

(7) Previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS

SUBJECT TO COMPLETION, DATED NOVEMBER 30, 2012

$50,000,000

CIS ACQUISITION LTD.

5,000,000 Units

CIS Acquisition Ltd. is a newly formed company established under the laws of the British Virgin Islands. We were formed to acquire, through a merger, stock exchange, asset acquisition, stock purchase or similar acquisition transaction, one or more operating businesses. Although we are not limited to a particular geographic region or industry, we intend to focus on operating businesses with primary operations in Russia and Eastern Europe. We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act.

This is the initial public offering of our units. Each unit has a public offering price of $10.00 per unit and consists of one callable Class A Share, par value $0.0001, and one redeemable warrant. Each redeemable warrant included in the units entitles the holder to purchase one ordinary share at a price of $10.00. Each redeemable warrant will become exercisable on the later of the consolidation of each class of our ordinary shares into one class of ordinary shares and [___________], 2013 **[one year from the date of this prospectus]**, and expire on the earlier of [___________], 2017 **[five years from the date of this prospectus]** or the date of our dissolution and the liquidation of the trust account, unless redeemed by us as described below.

We have granted the underwriters a 45-day option to purchase up to 450,000 additional units at the public offering price less underwriting discounts and commissions (in addition to the 5,000,000 units referred to above) solely to cover over-allotments, if any. We have also agreed to sell to Chardan Capital Markets, LLC, the representative of the underwriters of this offering, for $100, as additional compensation, an option to purchase up to a total of 350,000 units at $12.00 per unit. The underwriters option is exercisable at any time, in whole or in part, from the later of (i) the consolidation of each class of our ordinary shares into one class of ordinary shares, or (ii) [_______], 2013, and expiring on the earlier of [_______], 2017 **[five years from the effective date of the registration statement of which this prospectus forms a part]** and the day immediately prior to the day on which we and all of our successors have been dissolved. The units issuable upon exercise of this option are identical to those offered by this prospectus, except that the warrants underlying the unit purchase option will not be redeemable by us. We have also agreed to sell to Chardan Capital Markets, LLC, the representative of the underwriters of this offering, The PrinceRidge Group LLC, an underwriter, and Maxim Group LLC, the qualified independent underwriter, for $3,400, as additional compensation, an aggregate of 170,000 Class A Shares. Such shares will be placed in escrow until two years from the effective date of the registration statement of which this prospectus forms a part and Chardan Capital Markets, LLC, The PrinceRidge Group LLC and Maxim Group LLC have agreed to waive their rights to participate in any distribution from the trust account.

Our founding shareholders and their designees have committed to purchase 4,500,000 warrants at a price of $0.75 per warrant, for an aggregate purchase price of $3,375,000, in a private placement that will occur immediately prior to the closing of this offering. We refer to these warrants as the placement warrants. All of the proceeds we receive from the purchases will be placed in the trust account described below. The placement warrants will be identical to the redeemable warrants being offered by this prospectus, except for certain differences in redemption rights, transfer restriction and exercise rights as described in this prospectus.

There is presently no public market for our units, callable Class A Shares, or redeemable warrants. We have applied to list our units, callable Class A Shares and redeemable warrants on the NASDAQ Capital Market under the symbols CISAU, CISAA and CISAW, with the units to be listed on the NASDAQ Capital Market on or promptly after the date of this prospectus. The callable Class A Shares and warrants comprising the units will begin separate trading on the earlier of the 90th day after the date of this prospectus or the announcement by the underwriters of the decision to allow earlier separate trading, subject, however, to our filing a Report of Foreign Private Issuer on Form 6-K with the Securities and Exchange Commission containing an audited balanced sheet reflecting our receipt of the gross proceeds of this offering and issuing a press release announcing when such separate trading will begin. We anticipate that once separate trading commences, the callable Class A Shares and redeemable warrants will be listed on the NASDAQ Capital Market. However, we cannot assure you that our application to list our units, callable Class A Shares and redeemable warrants on the NASDAQ Capital Market will be approved or that, if approved, our units, callable Class A Shares or redeemable warrants will continue to be listed on the NASDAQ Capital Market.

Investing in our securities involves a high degree of risk. See Risk Factors beginning on page 21 for a discussion of information that should be considered in connection with investing in our securities. Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Unit	Total Proceeds
Public offering price	$10.00	$50,000,000
Underwriting discounts and commissions	$0.18	$900,000 (1)(2)
Proceeds, before expenses, to us	$9.82	$49,100,000

(1) The underwriters will receive an underwriting discount equal to 1.8% of the gross proceeds from the sale of units in the firm commitment offering, and 1.75% of the gross proceeds from the sale of units pursuant to an exercise of the over-allotment option.

(2) Does not include other items of value payable to the underwriters. See Underwriting for a description of all compensation payable to the underwriters.

As of the date hereof, Chardan Capital Markets, LLC, an underwriter of this offering and a member of the Financial Industry Regulatory Authority, or FINRA, beneficially owns 10.56% of our share capital. Chardan Capital Markets, LLC, is, therefore, deemed to have a conflict of interest under the applicable provisions of Rule 5121 of FINRA. Accordingly, this offering will be made in compliance with the applicable provisions of FINRA Rule 5121, which requires that a qualified independent underwriter, as defined by the FINRA rules, participate in the preparation of the prospectus and exercise the usual standards of due diligence in respect thereto. Maxim Group LLC is acting as the qualified independent underwriter. We have agreed to indemnify Maxim Group LLC in its capacity as the qualified independent underwriter against liabilities under the Securities Act, or contribute to payments that it may be required to make in that respect.

We will deposit into a trust account at J.P. Morgan, with Continental Stock Transfer & Trust Company as trustee, $51,500,000 (or $10.30 per unit sold to the public in the offering). Such amount includes the proceeds that we will receive from the purchase of placement warrants described above. Prior to an acquisition transaction, the completion

of a post-acquisition tender offer, our liquidation if we are unable to consummate an acquisition transaction or the liquidation of our trust account if we fail to commence or complete an issuer tender offer within the allotted time, amounts in trust may not be released, except for (i) interest earned on the trust account that may be released to us to pay any taxes we incur, (ii) interest earned by the trust account that may be released to us from time to time to fund our working capital and general corporate requirements (any amounts in the trust account in excess of $10.30 per share) and (iii) a pro rata share of the trust account that may be released to us for each callable Class A Share converted to a Class C Share upon completion of an acquisition transaction.

We are offering the units on a firm commitment basis. The underwriters expect to deliver the units to purchasers on or about , 2012.

Chardan Capital Markets, LLC

Maxim Group LLC

The PrinceRidge Group LLC

Euro Pacific Capital, Inc.

The date of this prospectus is , 2012

CIS ACQUISITION LTD.

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You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different or additional information. If such information is provided to you, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front cover of this prospectus, as our business, financial condition, results of operations and prospects may have changed since that date.

This prospectus contains forward-looking statements that involve substantial risks and uncertainties as they are not based on historical facts, but rather are based on current expectations, estimates and projections about markets in the United States or abroad, our beliefs, and our assumptions. These statements are not guarantees of future performance and are subject to risks, uncertainties, and other factors, some of which are beyond our control and difficult to predict

and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. You should not place undue reliance on any forward-looking statements, which apply only as of the date of this prospectus.

CONVENTIONS THAT APPLY TO THIS PROSPECTUS

Unless the context requires otherwise, all references to the Company , we, us, our company and our refer to C Acquisition Ltd.

All share and per share amounts reflect the contribution by our founders of: (i) an aggregate of 1,437,500 shares of our outstanding ordinary shares to our capital at no cost to us and our subsequent cancellation of such shares on October 18, 2012, and (ii) an aggregate of 75,000 of our outstanding ordinary shares to our capital at no cost to us and our subsequent cancellation of such shares on November 30, 2012.

Unless otherwise indicated, our financial information presented in this prospectus has been prepared in accordance with United States Generally Accepted Accounting Principles, or U.S. GAAP. All references to U.S. dollars and $ are to the legal currency of the United States. Any discrepancies in the tables included in this prospectus between the total and sum of constituent items are due to rounding. Unless otherwise indicated, the information in this prospectus assumes that the underwriters have not exercised their over-allotment option.

Our shareholders prior to this offering are: Kyle Shostak, our Chief Financial Officer, Secretary and a director, Levan Vasadze, a director, David Ansell, a director, CIS Acquisition Holding Co. Ltd., an entity controlled by Zelda Finance Ltd. and SPAC Investments Ltd., which in turn are controlled by Anatoly Danilitskiy, our Chairman and Chief Executive Officer, and Taras Vazhnov, a director, respectively, Chardan Capital Markets, LLC, the representative of the underwriters of this offering, The PrinceRidge Group LLC, an underwriter, and Maxim Group LLC, the qualified independent underwriter. We refer to these shareholders collectively as our initial shareholders. We refer to our initial shareholders, together with Messrs. Danilitskiy and Vazhnov, but excluding Chardan Capital Markets, LLC, The PrinceRidge Group LLC and Maxim Group LLC, as our founders, and the ordinary shares and warrants our founders collectively own prior to this offering as the founders shares and placement warrants, respectively. We collectively refer to the founders shares and placement warrants as the founders securities. We refer to the shares acquired by Chardan Capital Markets, LLC, The PrinceRidge Group LLC and Maxim Group LLC in a private placement that will occur immediately prior to the closing of this offering as the underwriter shares.

A number of individuals may from time to time, serve on our Advisory Board to advise and assist us in our search for a target business. We collectively refer to the members of our Advisory Board as our special advisors. As of the date of this prospectus, Alexey Chuykin serves as a special advisor.

We refer to holders of units and underlying securities sold in this offering (whether purchased in this offering or in the aftermarket) as public shareholders or public warrant holders, as the case may be. We refer to the units and underlying securities being sold in this public offering as the public units, public shares (including the callable Class A Shares and the callable Class B and Class C Shares into which the callable Class A Shares may convert) and public warrants, as the case may be. Our founders may acquire public units or the underlying securities (whether purchased in this offering or in the aftermarket) and would, with respect to such securities only, be public shareholders or public warrant holders, as the case may be. The Class C Shares issuable upon conversion of the Class A Shares are not being offered and are not being registered in connection with this offering.

Unless the context requires otherwise, all references to the trust account refer to the trust account at J.P. Morgan with Continental Stock Transfer & Trust Company as trustee, into which we will deposit $51,500,000 (or $10.30 per unit sold to the public in the offering). If the over allotment option is exercised in full, an aggregate of $56,135,000 will be deposited into the trust account. Such amounts include the aggregate proceeds of $3,375,000 that we will receive from the purchase of the placement warrants referenced above.

All references to a pro rata portion of the trust account refer to a pro rata share of the trust account determined by dividing the total amount in the trust account as of two business days prior to the liquidation of the trust, including accrued but undistributed interest, net of (i) interest earned on the trust account that may be released to us to pay any taxes we incur, (ii) interest earned by the trust account that may be released to us from time to time to fund our working capital and general corporate requirements (any amounts in the trust account in excess of $10.30 per share) and (iii) a pro rata share of the trust account that may be released to us for each callable Class A Share converted to a Class C Share upon completion of an acquisition transaction, by the number of callable Class A or Class B Shares outstanding as of such date. We estimate that the amount of interest we will earn on the trust account will be negligible (between $6,500 for 18 months and $8,000 for 21 months at current interest rates), and will therefore not be a significant source of working capital for us.

References to an FPI or FPI status are references to a foreign private issuer as defined by and determined pursuant to Rule 3b-4 of the Exchange Act.

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PROSPECTUS SUMMARY

This summary highlights certain information appearing elsewhere in this prospectus. For a more complete understanding of this offering, you should read the entire prospectus carefully, including the information under Risk Factors and our financial statements and the related notes and schedules thereto included elsewhere in this prospectus.

Overview

We are a newly formed company established under the laws of the British Virgin Islands that has conducted no operations and has generated no revenues to date. Until we complete an acquisition transaction, we will have no operations and will generate no operating revenues. We are an innovated public acquisition company, or IPAC^{SM}, formed to acquire, through a merger, share exchange, asset acquisition, share purchase or similar acquisition transaction, one or more operating businesses. An IPAC is a blank check company that permits the company to return funds from the trust account to redeeming shareholders after the acquisition transaction is completed, as described further below, which is different from most other blank check companies that are required to return funds from the trust account prior to, or at the time, the acquisition transaction is completed. IPAC is a service mark of Loeb & Loeb LLP.

Although our Amended and Restated Memorandum and Articles of Association do not limit us to a particular geographic region or industry, we intend to focus on operating businesses with primary operations in Russia and Eastern Europe. We do not have any specific acquisition transaction under consideration or contemplation, and we have not, nor has anyone on our behalf, contacted any prospective target business or had any discussions, formal or otherwise, with respect to such a transaction. We have not, in any capacity (nor has any of our agents or affiliates) been approached by, any candidates (or representative of any candidates), with respect to a possible acquisition transaction with our company. Additionally, we have not, nor has anyone on our behalf, taken any measure, directly or indirectly, to identify or locate any suitable acquisition candidate, nor have we engaged or retained any agent or other representative to identify or locate any such acquisition candidate.

The foregoing notwithstanding, in the course of their other business activities, our management team has had contact with or gained familiarity with many businesses that may meet our investment criteria and, therefore, could be a target business. However, any such discussions were in the ordinary course of the business activities of the members of our management team, and no discussions of any kind have taken place with any such business, whether directly or indirectly, regarding the potential for a transaction between us and such business.

We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act, or the JOBS Act, and will continue to be an emerging growth company until: (i) the last day of our fiscal year following the fifth anniversary of the date of this prospectus, (ii) the date on which we become a large accelerated filer, or (iii) the date on which we have issued an aggregate of $1 billion in non-convertible debt during the preceding 3 years. As an emerging growth company, we are entitled to rely on certain scaled disclosure requirements and other exemptions, including an exemption from the requirement to provide an auditor attestation to management s assessment of its internal controls as required by Section 404(b) of the Sarbanes-Oxley Act of 2002. We have elected to use the extended transition period for complying with new or revised accounting standards under Section 7(a)(2)(B) of the Securities Act of 1933, as amended, or the Securities Act, and we may continue to utilize such extended transition period for as long as we qualify as an emerging growth company, or until such time as we affirmatively and irrevocably opt out of such extended transition period. See the risk factor entitled We have elected to use the extended transition period for complying with new or revised accounting standards under Section 7(a)(2)(B) of the Securities

Act, which allows us to delay the adoption of new or revised accounting standards that have different effective dates for public and private companies until those standards apply to private companies. As a result of this election, our financial statements may not be comparable to companies that comply with public company effective dates.

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Management Expertise

Our management team has a track record of finding, valuing, operating, consolidating, acquiring, restructuring, building, and disposing of various operating businesses in multiple industries in Russia and Eastern Europe.

We believe our management is uniquely positioned to source, execute, operate and exit large and middle-market business opportunities and possesses the experience needed to meet the unique reporting and relational demands of the investors in an IPAC. We consider middle market companies to be businesses that have reached a scale of at least $150 million of revenue and at least $20 million of earnings before interest, taxes, depreciation and amortization.

Our management team expects to bring value to a target company by selecting and supporting effective leadership, providing strategic guidance, and assisting with enterprise improvement, sales and marketing.

The team is led by Mr. Anatoly Danilitskiy, who has a track record of establishing and building successful businesses. From 2004 to 2009, Mr. Danilitskiy established and led National Reserve Corporation, or NRC, consolidating its strategic non-banking investment assets and building it into what became one of Russia s largest private holding companies with assets totaling over $5 billion. While at NRC, Mr. Danilitskiy oversaw all major investments and the asset management business. He was also responsible for the group s investments in energy companies such as Gazprom and transportation companies (including a 30% stake in Aeroflot International Airlines) and various debt restructurings and distressed workouts. From 2006 to 2009, Mr. Danilitskiy served as a member of the board of directors of Aeroflot, where he was instrumental in launching and implementing its fleet modernization program.

Mr. Danilitskiy has served as a foreign diplomat, initially to the Soviet Ministry of Foreign Affairs and later to the Russian Ministry of Foreign Affairs, having been posted at the embassies in India, Australia and Great Britain. He retired in 1993 with a rank of Senior Counselor.

Since 2007, Mr. Danilitskiy has served as Chairman and Member of the Board of Energobank and is a majority shareholder of the bank. Mr. Danilitskiy has also served as Chairman of the Board of RETN, an international telecommunications network, since 2010. In addition, other members of the management team, Mr. Kyle Shostak, Mr. Taras Vazhnov, Mr. Levan Vasadze and David Ansell, are experienced investment banking and management professionals, with track records of deal origination, structuring and execution as well as business management.

Each member of the our management team has experience identifying and acquiring or financing businesses of similar scale as the middle-market companies that we will target; however, our management does not have prior blank check company experience, and the prior experience of our management is not a guarantee that we will be able to successfully complete an initial business combination. Furthermore, our executive officers and directors are not required to, and will not, commit their full time to our affairs. If our executive officers and directors other business affairs require them to devote time in excess of their current commitment levels to such affairs, it could limit their ability to devote time to our affairs, which may have a negative impact on our ability to consummate our initial acquisition transaction.

Business Objective

Based on the collective business and acquisition experiences of our management team, our management will seek to identify and target businesses in Russia or Eastern Europe in which our management can assist in the growth and development. Our management intends to acquire a target cash-positive operating business or businesses that it believes can achieve long-term appreciation. Given our management team s collective track record of transactions and

industry contacts, we believe we can identify potential targets and successfully negotiate and consummate our initial acquisition transaction, although we cannot provide any assurance that an acquisition transaction will be consummated.

While we intend to focus on potential acquisition targets with primary operations in Russia and Eastern Europe, we are not committed to do so. We may attempt to acquire an acquisition target in another region if an attractive acquisition opportunity is identified in such other region prior to the time we identify an acquisition opportunity in Russia or Eastern Europe and if we believe that such opportunity is in the best interest of our shareholders.

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Business Philosophy

We currently intend to target our search in the following manner:

We will seek to acquire one or more businesses that have the potential for significant revenue and earnings growth through a combination of new product development, increased production capacity, increased operating leverage, expense reduction and synergistic follow-on acquisitions;
We will seek to acquire one or more businesses that have the potential to generate strong, stable, and increasing free cash flow. We will focus on one or more businesses that have predictable revenue streams and definable working capital and capital expenditure requirements. We may also seek to leverage cash flow from a target business by obtaining external sources of financing, such as a credit line secured against this cash flow, in order to enhance shareholder value in the post-acquisition company;
We intend to only acquire a company that will benefit from being publicly traded and can effectively utilize the broader access to capital and public profile that are associated with being a publicly traded company;
Although we are not limited to acquiring a target business from such regions, markets or industries, we intend to focus on operating businesses with primary operations in Russia and Eastern Europe and on markets and industries in which our management team and our board of directors have first-hand experience. Notwithstanding the foregoing, we will review any attractive opportunity presented to us; and
We currently expect that some members of our management team will become a part of the management of the combined entity, or that we will work with existing management to augment the management team in areas where additional capabilities are required.

Business Insight and Competitive Advantage

We will look for businesses that have one or more of the following characteristics:

Motivated owners that are seeking liquidity as a result of having their stock in a public company;
Businesses that are ready to be public;
Businesses that can effectively use the additional capital that a transaction with us will provide;
Companies that are being divested by conglomerates or multinational companies; and
Under-valued public companies that can benefit from our management s experience and expertise.

Potential Disadvantages

Although our management has a number of competitive advantages in acquiring businesses through blank check companies, we cannot assure you that an investment in our units will not ultimately prove to be less favorable to investors in this offering than a direct investment, if an opportunity were available, in a target business if, for example, no member of our management remains with the combined company after an acquisition transaction.

Since 2008 and through October 15, 2012, a total of 46 blank check companies have completed their initial public offering, but only 16 (or approximately 35%) have completed an initial acquisition transaction. Of the remaining 30, 21 (or approximately 46%) are still seeking to complete an acquisition transaction and 9 (or approximately 20%) have dissolved and liquidated their trust to public shareholders.

While we believe that acquiring a target business in Russia and Eastern Europe presents significant opportunities, there are significant potential disadvantages and risks to acquiring a target in this region, including the greater vulnerability of emerging markets to economic crises, political and governmental instability in the region, lack of necessary infrastructure, uncertainty resulting from a developing legal system, concerns associated with bribery and

corruption, restrictions on foreign ownership, and difficulty in enforcing judgments, among others. While we will seek to minimize the potential impact of these factors in identifying a target business, many of these risk factors are inherent in our proposed business or beyond our control.

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Accordingly, no assurance can be given that these factors will not significantly negatively impact our business and results of operations. For a full discussion of these potential disadvantages and risks, please see Risk Factors Risks associated with acquiring and operating a target business in Russia or Eastern Europe.

Our Acquisition Transaction Plans

We do not have any specific acquisition transaction under consideration, and we have not (nor has anyone on our behalf) contacted any prospective acquisition target or had any discussions, formal or otherwise, with respect to such a transaction with us. From the period prior to our formation through the date of this prospectus, there have been no communications or discussions between any of our officers and directors and any of their potential contacts or relationships regarding a potential acquisition transaction with us. Additionally, we have not, nor has anyone on our behalf, taken any measure, directly or indirectly, to identify or locate any suitable acquisition candidate, nor have we engaged or retained any agent or other representative to identify or locate any such acquisition candidate.

The foregoing notwithstanding, in the course of their other business activities, our management team has had contact with or gained familiarity with many businesses that may meet our investment criteria and, therefore, could be a target business. However, any such discussions were in the ordinary course of the business activities of the members of our management team, and no discussions of any kind have taken place with any such business, whether directly or indirectly, regarding the potential for a transaction between us and such business. We will not, therefore, automatically disregard any such potential target solely on the basis that a member of our management team was previously aware of the target or had some level of contact with it prior to the effective date of our prospectus. To do so would only be to the disadvantage of our shareholders by depriving them of the opportunity to consummate what might be an attractive acquisition transaction. Should we propose a transaction with such a business to our shareholders, we will disclose any such prior knowledge or contacts, and we will reaffirm that no discussion of an acquisition transaction with us occurred prior to the effective date of this prospectus.

If we are unable to consummate an acquisition transaction within the allotted time (18 months, or 21 months pursuant to the automatic extension period described herein, from the consummation of this offering), we will liquidate and distribute our trust account, as well as any remaining net assets, to the holders of shares sold in this offering, or the public shareholders. Following the liquidation of our trust account, our corporate existence will cease.

Risks

We are a newly formed company established under the laws of the British Virgin Islands that has conducted no operations and has generated no revenues. Until we complete an acquisition transaction, we will have no operations and will generate no operating revenues. In deciding whether to invest in our securities, you should take into account not only the background of our officers and directors, but also the special risks we face as a blank check company, including:

Reliance on our management s ability to choose an appropriate target business, either conduct due diligence or monitor due diligence conducted by others and negotiate a favorable price;
Existing and possible conflicts of interest of our directors and officers described under Management Conflicts of Interest below;
If we do not consummate an acquisition, you will only be entitled to receive the amount in trust on our liquidation, which may be 18 months, 21 months pursuant to the automatic period extension, or longer after the termination event;
If third parties bring claims against us, the amount in trust may be reduced;

We have a redemption threshold of 90.0%, which means that a significant portion of the trust account could be returned to shareholders even if we consummate an acquisition transaction and the liquidity of our shares could be significantly reduced;

We may engage in an acquisition transaction with a target business in any industry;

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We currently have limited resources outside of the trust account and may expend significant amounts of money pursuing transactions that do not close, which may leave us with limited resources to continue seeking a target business;

The offering price of our units was set in an arbitrary fashion; and

You will experience immediate and substantial dilution from the purchase of our securities.

In addition, this offering is not being conducted in compliance with Rule 419 promulgated under the Securities Act, in order to give us greater flexibility in structuring an acquisition transaction and to avoid the restrictions associated with Rule 419. Accordingly, you will not be entitled to protections afforded to investors in Rule 419 blank check offerings. You should carefully consider these and the other risks set forth in the section entitled Risk Factors beginning on page 21 of this prospectus.

Effecting an Acquisition Transaction; Shareholder Redemption Rights

Unlike many other blank check companies, we are not required to have a shareholder vote to approve our initial acquisition transaction, unless the nature of the acquisition transaction would require shareholder approval under applicable British Virgin Islands law. Accordingly, we will have a high degree of flexibility in structuring and consummating our initial acquisition transaction, and currently intend to structure our initial acquisition transaction so that a shareholder vote is not required. Notwithstanding, our Amended and Restated Memorandum and Articles of Association provide that public shareholders will be entitled to redeem or will have their shares automatically redeemed for cash equal to the pro rata portion of the trust account (initially $10.30 per unit) in connection with our initial acquisition transaction, regardless of how it is structured.

To consummate an acquisition transaction we may need to issue additional equity securities and/or incur additional debt financing. The mix of debt or equity would be dependent on the nature of the potential target business, including its historical and projected cash flow and its projected capital needs and the number of our shareholders who exercise or may exercise their redemption rights. It would also depend on general market conditions at the time including prevailing interest rates and debt to equity coverage ratios. For example, capital intensive businesses usually require more equity and mature businesses with steady historical cash flow may sustain higher debt levels than growth companies.

The manner in which public shareholders may redeem their shares or will have their shares automatically redeemed will depend on the structure of the transaction. We intend to structure our initial acquisition transaction and shareholder redemption rights in one of the following ways:

Pre-acquisition tender offer: If we structure the acquisition transaction in this manner, then prior to the consummation of such an acquisition transaction, we would initiate a tender offer for all outstanding callable Class A Shares at a price equal to a pro rata share of the trust account. Public shareholders will be entitled to tender all or a portion of their callable Class A Shares in a pre-acquisition tender offer, and we will not pro-rate any shares tendered.

Post-acquisition tender offer: If we structure the acquisition transaction in this manner, we will file a Report of Foreign Private Issuer on Form 6-K with the SEC disclosing that we have entered into a definitive acquisition transaction agreement, that we intend to consummate the transaction without a shareholder vote or a pre-acquisition tender offer. After such Form 6-K is on file with the SEC, we would close the acquisition transaction upon satisfaction of all closing conditions and within 30 days of the closing, commence a tender offer for all outstanding callable Class B Shares by filing tender offer documents with the SEC in accordance with Rule 13e-4 and Regulation 14E of the Exchange Act. The tender offer documents would include the same information about the target business as was contained in the Form 6-K discussed above. Public shareholders will be entitled to tender all or a portion of

their callable Class B Shares in a post-acquisition tender offer, and we will not pro-rate any shares tendered. In addition, in order to ensure that we maintain the 90.0% redemption threshold, we may seek that certain shareholders (holders of 5% or more of the public shares who are also accredited investors) elect to convert all of their callable Class A Shares into Class C Shares on a one-for-one basis, with any remaining callable Class A Shares other than founders shares and the underwriter shares automatically converting to callable Class B Shares immediately following consummation of the acquisition transaction. The founder s shares and the underwriter shares will

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also automatically convert into Class C shares on a one-for-one basis immediately following consummation of an acquisition transaction. We will contact the accredited investors to seek conversion of our Class A Shares through contacts that investment bankers or other service providers that we engage have. It is not anticipated that such accredited investors will receive any information greater than that released to the public unless such accredited investors sign a non-trading and non-disclosure agreement with us. We will determine who we can solicit by examining a non-objecting beneficial owner list and public filings relating to beneficial ownership in order to determine the stockholders who own greater than 5% of our ordinary shares. Unlike the Class A Shares, the Class C Shares would not be eligible to participate in any post-acquisition tender offer and would not be redeemable for a pro rata portion of the trust account. If we (i) fail to commence the post-acquisition tender offer within 30 days of consummation of the acquisition transaction, (ii) fail to complete the post-acquisition tender offer within 6 months of consummation of the acquisition transaction or (iii) in any event, fail to consummate a post-acquisition tender offer within 21 months of the consummation of this offering, then within 5 business days thereafter, we will automatically liquidate the trust account and release to our public shareholders, except for holders of Class C Shares, a pro rata portion of the trust account. The Class C Shares issuable upon conversion of the Class A Shares are not being offered and are not being registered in connection with this offering.

The way we structure our transaction will be determined by circumstances at the time and the requirements of our target business, so we cannot provide any definitive guidance on which structure we will use, other than that we will use the structure that we believe will allow us to complete a successful acquisition. However, for example, we expect that:

If the target business wanted to complete the transaction quickly, we would try to structure the transaction to make use of a post-acquisition tender offer; or

If the target business wanted to know exactly how much money would remain in trust prior to closing, we would try to structure the transaction as a pre-acquisition tender offer.

If we are no longer an FPI and shareholder approval of the transaction is required by British Virgin Islands law or the NASDAQ Capital Market or we decide to obtain shareholder approval for business reasons, we will:

conduct the redemptions in conjunction with a proxy solicitation pursuant to Regulation 14A of the Exchange Act, which regulates the solicitation of proxies, and not pursuant to the tender offer rules, and

file proxy materials with the SEC.

The redemption rights described above are only available to holders of callable Class A Shares or callable Class B Shares, as the case may be. If we are required to offer redemption rights to all holders of our ordinary shares, our founders have agreed to not tender their securities for redemption. For more information about how we may structure our initial acquisition transaction please see Proposed Business Effecting an Acquisition Transaction.

We may be required to obtain shareholder approval in connection with an acquisition transaction if, for example, we are the entity directly participating in a merger or required to amend our Amended and Restated Memorandum and Articles of Association to alter the rights of our shareholders.

We will proceed with an acquisition transaction only if public shareholders owning not more than 90.0% of the shares sold in this offering exercise their redemption rights. The redemption threshold was set at 90.0% so that we would have a minimum of $5,000,000 in net tangible assets post initial public offering, which permits us to not comply with Rule 419 of the Securities Act. See the section entitled Proposed Business Comparison of This Offering to those Blank Check Companies Subject to Rule 419. In addition, a potential target may make it a closing condition to our acquisition transaction that we have a certain amount of cash in excess of the minimum amount we are required to have pursuant to our organizational documents available at the time of closing.

If an acquisition transaction is not consummated, the proceeds held in the trust account, including accrued but undistributed interest, net of (i) interest earned on the trust account that may be released to us to pay any

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taxes we incur, (ii) interest earned by the trust account that may be released to us from time to time to fund our working capital and general corporate requirements (any amounts in the trust account in excess of $10.30 per share) and (iii) a pro rata share of the trust account that may be released to us for each callable Class A Share (excluding the founders shares) converted to a Class C Share upon completion of an acquisition transaction, will be distributed to our public shareholders. We estimate that the amount of interest we will earn on the trust account will be negligible (between $6,500 for 18 months and $8,000 for 21 months at current interest rates), and will therefore not be a significant source of working capital for us.

Time to Complete an Initial Acquisition Transaction

We will have 18 months following the consummation of this offering to consummate our initial acquisition transaction. In addition, if we have entered into a letter of intent, agreement in principle or definitive agreement with respect to an acquisition transaction within 18 months following the consummation of this offering, the time period within which we must complete our initial acquisition transaction will be automatically extended to 21 months following the consummation of this offering (which we refer to as the automatic period extension in this prospectus) if an initial filing with the SEC of a tender offer, proxy, or registration statement is made, but the acquisition transaction is not completed, within 18 months of the consummation of this offering. If we do not consummate our initial acquisition transaction within 18 months (or 21 months pursuant to the automatic period extension) after the completion of this offering, we will promptly dissolve and liquidate and release only to our public shareholders a pro rata share of the trust account, plus any remaining net assets.

Conflicts of Interest

Certain of our officers and directors may in the future become affiliated with entities, including other blank check companies, that are engaged in business activities similar to those intended to be conducted by us. Furthermore, each of our principals may become involved with subsequent blank check companies similar to us. Additionally, our officers and directors may become aware of business opportunities that may be appropriate for presentation to us and the other entities to which they owe fiduciary duties. For a list of the entities to which our officers and directors owe fiduciary duties, see Management Conflicts of Interest. Accordingly, they may have conflicts of interest in determining to which entity time should be allocated or a particular business opportunity should be presented. We cannot assure you that these conflicts will be resolved in our favor. As a result, a potential target business may be presented to another entity with which our officers and directors have a pre-existing fiduciary obligation and we may miss out on a potential transaction.

Our executive officers and directors are not required to, and will not, commit their full time to our affairs, which may result in a conflict of interest in allocating their time between our operations and the search for an acquisition transaction on the one hand and their other businesses on the other hand. We do not intend to have any full-time employees prior to the consummation of our initial acquisition transaction. While each of our executive officers has indicated that they intend to devote approximately 20% of their time to affairs, each of our executive officers is engaged in several other business endeavors for which such officer is entitled to substantial compensation and our executive officers are not obligated to contribute any specific number of hours per week to our affairs. See Management Directors and Executive Officers. If our executive officers and directors other business affairs require them to devote substantial amounts of time to such affairs in excess of their current commitment levels, it could limit their ability to devote time to our affairs which may have a negative impact on our ability to consummate our initial acquisition transaction.

Other Information

Because we are incorporated under the laws of the British Virgin Islands, you may face difficulty protecting your interests, and your ability to protect your rights through the U.S. federal courts may be limited. Please refer to the section entitled Risk Factors Because we are incorporated under the laws of the British Virgin Islands, you may face difficulty protecting your interests, and your ability to protect your rights through the U.S. federal courts may be limited for more information.

Our executive offices are located at 89 Udaltsova Street, Suite 84, Moscow, Russia 119607, and our dedicated U.S. telephone number is (917) 514-1310.

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THE OFFERING

In making your decision on whether to invest in our securities, you should take into account not only the backgrounds of the members of our management team, but also the special risks we face as a blank check company and the fact that this offering is not being conducted in compliance with Rule 419 promulgated under the Securities Act of 1933, as amended, or the Securities Act. You will not be entitled to protections afforded to investors in Rule 419 blank check offerings. You should carefully consider these and other risks set forth under Risk Factors beginning on page 21 of this prospectus.

Securities offered:

5,000,000 units, at $10.00 per unit, each unit consisting of:

one callable Class A Share, par value $0.0001 per share; and

one redeemable warrant to purchase one ordinary share at an exercise price of $10.00.

Trading commencement and separation of ordinary shares and warrants:

The units offered by this prospectus will begin trading on or promptly after the date of this prospectus. The callable Class A Shares and redeemable warrants comprising the units shall begin separate trading on the earlier of the 90th day after the date of this prospectus or the announcement by the underwriters of the decision to allow earlier separate trading, subject, however, to our filing a Report of Foreign Private Issuer on Form 6-K with the SEC containing an audited balance sheet reflecting our receipt of the gross proceeds of this offering and issuing a press release announcing when such separate trading will begin. See Description of Securities Units Public Shareholders Units.

We will file a Report of Foreign Private Issuer on Form 6-K with the SEC, including an audited balance sheet, within 4 business days after the consummation of this offering. The audited balance sheet will reflect our receipt of the proceeds of this offering, including our receipt of the proceeds from the exercise of the over-allotment option if the over-allotment option is exercised prior to the filing of the Form 6-K. If the over-allotment option is exercised after our initial filing of a Form 6-K, we will file an amendment to the Form 6-K or a new Form 6-K to provide updated financial information to reflect the exercise and consummation of the over-allotment option.

Once the callable Class A Shares and redeemable warrants commence separate trading, holders will have the option to continue to hold units or separate their units into the callable Class A Shares and redeemable warrants.

The callable Class A Shares will continue to trade until we consummate an acquisition transaction, at which time they will either: (i) automatically be consolidated with all our other classes of ordinary shares into one class of ordinary shares, if we have granted shareholders redemption rights prior to, or concurrently with, the consummation of the acquisition transaction; or (ii) automatically separate from the units and convert to callable Class B Shares, if we complete the acquisition transaction prior to a post-acquisition tender offer. Callable Class B Shares will automatically be consolidated with all our other classes of ordinary shares into one class of ordinary shares following consummation of a post-acquisition tender offer or converted into the right to receive a pro rata share of the trust account in the event that we (i) fail to commence the post-acquisition tender offer within 30 days of consummation of the acquisition transaction, (ii) fail to

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complete the post-acquisition tender offer within 6 months of consummation of the acquisition transaction or (iii) in any event, fail to consummate a post-acquisition tender offer within 21 months of the consummation of this offering.

Warrants:

Exercisability:
Each redeemable warrant is exercisable to purchase one ordinary share.

Exercise price:
$10.00 per share.

Exercise period:
The redeemable warrants offered hereby will become exercisable on the later of:

the consolidation of each class of our ordinary shares into one class of ordinary shares; and

one year from the date of this prospectus.

Although the redeemable warrants and the ordinary shares underlying them will be registered pursuant to this prospectus, redeemable warrants will only be exercisable by paying the exercise price in cash if an effective registration statement relating to the exercise of the redeemable warrants covering the ordinary shares issuable upon exercise of the redeemable warrants is effective and a prospectus relating to the ordinary shares issuable upon exercise of the redeemable warrants is available for use by the holders of the redeemable warrants.

In the event that there is no effective registration statement or prospectus covering the ordinary shares issuable upon exercise of the redeemable warrants, holders of the redeemable warrants may elect to exercise them on a cashless basis. We would not receive additional proceeds to the extent the redeemable warrants are exercised on a cashless basis.

The redeemable warrants will expire five years from the date of this prospectus at 5:00 p.m., New York time, on , 2017 or earlier upon redemption by us or our dissolution and liquidation of the trust account in the event we are unable to consummate an initial acquisition transaction.

Redemption:

Once the redeemable warrants become exercisable, we may redeem the outstanding warrants (excluding both the placement warrants and the warrants included in the units underlying the underwriters unit purchase option):

in whole but not in part;

at a price of $0.01 per warrant;

upon a minimum of 30 days prior written notice of redemption; and

if, and only if, the last sale price of our ordinary shares on the NASDAQ Capital Market, or other exchange on which our securities may be traded, equals or exceeds $15.00 per share for any 20 trading days within a 30 trading day period ending on the third day prior to the day on which notice is given.

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Number of securities to be outstanding:

	Prior to this Offering[(1)]	After this Offering[(1)]
Units	0	5,000,000
Callable Class A Shares	1,420,000 [(2)]	6,420,000 [(2)]
Callable Class B Shares	0	0
Class C Shares	0	0
Warrants	4,500,000 [(3)]	9,500,000 [(4)]

(1) Does not include 350,000 units underlying the underwriters unit purchase option and assumes the over-allotment option has not been exercised. Does not include up to 112,500 Class A Shares sold to our founders that are subject to redemption by us for no consideration to the extent the underwriters over-allotment option is not exercised in full.

(2) Includes 170,000 Class A Shares to be sold to the underwriters in a private placement that will occur immediately prior to the closing of this offering.

(3) Consists of 4,500,000 placement warrants.

(4) Consists of (i) 5,000,000 redeemable warrants included in the units offered by this prospectus, and (ii) 4,500,000 placement warrants.

Founders shares:

Our founders own an aggregate of 1,362,500 of our Class A Shares, of which up to 112,500 shares will be redeemed by us for no consideration to the extent that the underwriters do not exercise their over-allotment option in full. See Description of Securities Units Founders Shares.

Warrants purchased through private placement:

Our founders and certain of their designees have committed to purchase 4,500,000 warrants at a price of $0.75 per warrant for an aggregate purchase price of $3,375,000 in a private placement that will occur immediately prior to the completion of this offering. The placement warrants will be purchased separately and not in combination with ordinary shares in the form of units. The proceeds from the sale of the placement warrants will be added to the proceeds from this offering to be held in the trust account pending our consummation of an acquisition transaction on the terms described in this prospectus. The placement warrants to be purchased will be identical to the redeemable warrants, except for certain differences in redemption rights, transfer restrictions and that they may be exercised during the applicable exercise period, on a for cash or cashless basis, at any time after the consolidation of each class of our ordinary shares into one class of ordinary shares after consummation of an acquisition transaction or post-acquisition tender offer, as the case may be, even if there is not an effective registration statement relating to the shares underlying the warrants, so long as such warrants are held by the founders or their affiliates. See Description of Securities Warrants Placement Warrants.

Underwriters unit purchase option:

Concurrently with the closing of this offering, we will sell to Chardan Capital Markets, LLC, the representative of the underwriters, or its designees, for an aggregate of $100, an option to purchase 350,000 units comprised of 350,000 ordinary shares and warrants to purchase 350,000 ordinary shares (an amount that is equal to 7% of the total number of units sold in this offering). The underwriters unit purchase option will be exercisable at any time, in whole or in part, from the later of (i) the consolidation of each class of our ordinary shares into one class of

ordinary shares, or (ii) [_______], 2013 **[six months from the effective date of the registration statement of which this prospectus forms a part],** and expiring on the earlier of [_______], 2017 **[five years from the effective date of the registration statement of which this prospectus forms a part]** and the day immediately prior to the day on which we and all of our successors have been dissolved at a price per unit of $12.00 (120% of the public offering price). The units issuable upon exercise of this option are identical to those offered by this prospectus, except that the warrants underlying the unit purchase option will not be redeemable by us.

Underwriter shares:

We have agreed to sell to Chardan Capital Markets, LLC, the representative of the underwriters, The PrinceRidge Group LLC, an underwriter, and Maxim Group LLC, the qualified independent underwriter, for $3,400, as additional compensation, an aggregate of 170,000 Class A Shares in a private placement that will occur immediately prior to the closing of this offering. Such shares will be placed in escrow until two years from the effective date of the registration statement of which this prospectus forms a part, and Chardan Capital Markets, LLC, The PrinceRidge Group LLC and Maxim Group LLC have agreed to waive their rights to participate in any distribution from the trust account.

Qualified Independent Underwriter:

As of the date hereof, Chardan Capital Markets, LLC, an underwriter of this offering and a FINRA member, beneficially owns 10.56% of our share capital. Chardan Capital Markets, LLC, is, therefore, deemed to have a conflict of interest under the applicable provisions of Rule 5121 promulgated by FINRA. Accordingly, in order for this offering to be made in compliance with the applicable provisions of FINRA Rule 5121, a qualified independent underwriter, as defined in the FINRA rules, must participate in the preparation of the prospectus and exercise the usual standards of due diligence in respect thereto. Maxim Group LLC is acting as the qualified independent underwriter. We have agreed to indemnify Maxim Group LLC in its capacity as the qualified independent underwriter against liabilities under the Securities Act, or contribute to payments that it may be required to make in that respect.

Proposed NASDAQ symbols for our Units, Callable Class A Shares and Warrants:

CISAU, CISAA, CISAW

Offering proceeds and proceeds from placement warrants to be held in the trust account and amounts payable prior to trust account distribution or liquidation:

$51,500,000, or $10.30 per unit (or $56,135,000 if the over-allotment option is exercised in full) of the proceeds of this offering and the private placement of placement warrants will be placed in a trust account maintained by Continental Stock Transfer & Trust Company acting as trustee. The trust assets will be held in an account located outside of the United States.

Other than as described below, proceeds in the trust account will not be released until (i) the consummation of an acquisition transaction if holders

of our callable Class A or callable Class B shares have been given the opportunity to redeem their shares in connection with the acquisition transaction, (ii) the completion of a post-acquisition tender offer, (iii) our dissolution and liquidation if we are unable to consummate an acquisition transaction within the allotted time, or (iv) liquidation of the trust account if we are unable to commence or complete our post-acquisition tender offer within the allotted time. Prior to an acquisition transaction, the completion of a post-acquisition tender offer, our liquidation if we are unable to consummate an acquisition transaction or the liquidation of our trust account if we fail to commence or complete an issuer tender offer within the allotted time, amounts in trust may not be released, except for (i) interest earned on the trust account that may be released to us to pay any taxes we incur, (ii) interest earned by the trust account that may be released to us from time to time to fund our working capital and general corporate requirements (any amounts in the trust account in excess of $10.30 per share) and (iii) a pro rata share of the trust account that may be released to us for each callable Class A Share (excluding the founders shares) converted to a Class C Share upon completion of an acquisition transaction. We estimate that the amount of interest we will earn on the trust account will be negligible (between $6,500 for 18 months and $8,000 for 21 months at current interest rates), and will therefore not be a significant source of working capital for us.

See Use of Proceeds.

Limited payments to insiders:

There will be no compensation, fees, reimbursements or other payments made to our officers, directors, or any of their respective affiliates, other than:

- the principal and interest pursuant to the unsecured promissory note for $180,155 to Intercarbo Holding AG, an affiliated company controlled by Taras Vazhnov, our director, to fund a portion of the organizational and offering expenses owed by us to third parties;

- the principal and interest pursuant to certain unsecured promissory notes for an aggregate of $222,000 to Intercarbo Holding AG, an affiliated company controlled by Taras Vazhnov, our director, to fund a portion of the organizational and offering expenses owed by us to third parties;

- payment of an aggregate of $7,500 per month to CIS Acquisition Holding Co. Ltd., an affiliate of our officers and directors, for office space, administrative services and secretarial support until the earlier of consummation of an acquisition transaction and our liquidation; and

- reimbursement of out-of-pocket expenses reasonably incurred by our officers, directors, special advisors, consultants, or any of their respective affiliates, in connection with identifying, investigating and consummating an acquisition transaction. There are no limitations on the amount of expenses for which they can seek reimbursement, provided such expenses were incurred for our benefit.

All amounts held in the trust account that are not distributed to redeem shares, released to us to pay taxes, fund our working capital or upon conversion of callable Class A Shares to Class C Shares will be released to us on closing of our initial acquisition transaction:

All amounts held in the trust account that are not released as described above will be released to us on the consolidation of each class of our ordinary shares into one class of ordinary shares after consummation of an acquisition transaction or post-acquisition tender offer, as the case may be.

Foreign Private Issuer status

As a new registrant with the SEC, we are required to determine our status as an FPI under Rule 3b-4(d) of the Exchange Act, 30 days prior to the filing of our initial registration statement with the Commission. If we make a determination that we qualify as an FPI, we will be required to comply with the tender offer rules in connection with our initial acquisition transaction. We are required to determine our status as an FPI on an ongoing basis and for the 2012 fiscal year, we will determine our FPI status as of the last day of our most recently completed second fiscal quarter, or April 30, 2012. On such date, if we no longer qualify as an FPI (as set forth in Rule 3b-4 of the Exchange Act), we will then become subject to the U.S. domestic issuer rules as of the first day of our 2013 fiscal year following the determination date, or November 1, 2013. As a result, should we determine on April 30, 2012, that we are no longer an FPI, commencing on November 1, 2013 we will be subject to the U.S. domestic issuer rules and we will have the option of conducting redemptions like other blank check companies in conjunction with a proxy solicitation pursuant to the proxy rules and not pursuant to the tender offer rules. In addition, once we fail to qualify as an FPI, we will remain so unless we meet the requirement for an FPI as of the last business day of the second fiscal quarter following the end of the fiscal year that we lost our FPI status. We may voluntarily lose our status as an FPI so that we can avail ourselves of the flexibility provided to U.S. domestic issuers. In determining whether to voluntarily obtain U.S. domestic issuer status, we will consider among other factors, the time required to complete an acquisition transaction pursuant to the proxy rules and tender offer rules and whether we believe we are more likely to consummate an acquisition transaction if we have the flexibility afforded to U.S. domestic issuers.

Redemption rights for our public shareholders in connection with our initial acquisition transaction:

Unlike many other blank check companies, we are not required to have a shareholder vote to approve our initial acquisition transaction, unless the nature of the acquisition transaction would require shareholder approval under applicable British Virgin Islands law. Accordingly, we will have a high degree of flexibility in structuring and consummating our initial acquisition transaction, and currently intend to structure our initial acquisition transaction so that a shareholder vote is not required. Notwithstanding, our Amended and Restated Memorandum and Articles of

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Association provide that public shareholders will be entitled to redeem or will have their shares automatically redeemed for cash equal to the pro rata portion of the trust account (initially $10.30 per unit) all or a portion of their shares in connection with our initial acquisition transaction, regardless of how it is structured.
The manner in which public shareholders may redeem their shares or will have their shares automatically redeemed will depend on the structure of the transaction. We intend to structure our initial acquisition transaction and shareholder redemption rights in one of the following ways:

Pre-acquisition tender offer: If we structure the acquisition transaction in this manner, then prior to the consummation of such an acquisition transaction, we would initiate a tender offer for all outstanding callable Class A Shares at a price equal to a pro rata share of the trust account. Public shareholders will be entitled to tender all or a portion of their callable Class A Shares in a pre-acquisition tender offer, and we will not pro-rate any shares tendered.

Post-acquisition tender offer: If we structure the acquisition transaction in this manner, we will file a Report of Foreign Private Issuer on Form 6-K with the SEC disclosing that we have entered into a definitive acquisition transaction agreement, that we intend to consummate the transaction without a shareholder vote or a pre-acquisition tender offer. After such Form 6-K is on file with the SEC, we would close the acquisition transaction upon satisfaction of all closing conditions and within 30 days of the closing, commence a tender offer for all outstanding callable Class B Shares by filing tender offer documents with the SEC in accordance with Rule 13e-4 and Regulation 14E of the Exchange Act. The tender offer documents would include the same information about the target business as was contained in the Form 6-K discussed above. Public shareholders will be entitled to tender all or a portion of their callable Class B Shares in a post-acquisition tender offer, and we will not pro-rate any shares tendered. In addition, in order to ensure that we maintain the 90.0% redemption threshold, we may seek that certain shareholders (holders of 5% or more of the public shares who are also accredited investors) elect to convert all of their callable Class A Shares into Class C Shares on a one-for-one basis, with any remaining callable Class A Shares other than founders shares and the underwriter shares automatically converting to callable Class B Shares immediately following consummation of the acquisition transaction. The founder s shares and the underwriter shares will also automatically convert into Class C shares on a one-for-one basis immediately following consummation of an acquisition transaction. We will contact the accredited investors to seek conversion of our Class A Shares through contacts that investment bankers or other service providers that we engage have. It is not anticipated that such accredited investors will receive any information greater than that released to the public unless such accredited investors sign a non-trading and non-disclosure agreement with us. We will determine who we can solicit by examining a non-objecting beneficial owner list and

public filings relating to beneficial ownership in order to determine the stockholders who own greater than 5% of our ordinary shares. Unlike the Class A Shares, the Class C Shares would not be eligible to participate in any post-acquisition tender offer and would not be redeemable for a pro rata portion of the trust account. If we (i) fail to commence the post-acquisition tender offer within 30 days of consummation of the acquisition transaction, (ii) fail to complete the post-acquisition tender offer within 6 months of consummation of the acquisition transaction or (iii) in any event, fail to consummate a post-acquisition tender offer within 21 months of the consummation of this offering, then within 5 business days thereafter, we will automatically liquidate the trust account and release to our public shareholders, except for holders of Class C Shares, a pro rata portion of the trust account. The Class C Shares issuable upon conversion of the Class A Shares are not being offered and are not being registered in connection with this offering.

The way we structure our transaction will be determined by circumstances at the time and the requirements of our target business, so we cannot provide any definitive guidance on which structure we will use, other than that we will use the structure that we believe will allow us to complete a successful acquisition. However, for example, we expect that:

If the target business wanted to complete the transaction quickly, we would try to structure the transaction to make use of a post-acquisition tender offer; or

If the target business wanted to know exactly how much money would remain in trust prior to closing, we would try to structure the transaction as a pre-acquisition tender offer.

If we are no longer an FPI and shareholder approval of the transaction is required by British Virgin Islands law or the NASDAQ Capital Market or we decide to obtain shareholder approval for business reasons, we will:

conduct the redemptions in conjunction with a proxy solicitation pursuant to Regulation 14A of the Exchange Act, which regulates the solicitation of proxies, and not pursuant to the tender offer rules, and

file proxy materials with the SEC.

The redemption rights described above are only available to holders of callable Class A Shares or callable Class B Shares, as the case may be. If we are required to offer redemption rights to all holders of our ordinary shares, our founders have agreed to not tender their securities for redemption. For more information about how we may structure our initial acquisition transaction please see Proposed Business Effecting an Acquisition Transaction.

We may be required to obtain shareholder approval in connection with an acquisition transaction if, for example, we are the entity directly participating in a merger or required to amend our Amended and Restated Memorandum and Articles of Association to alter the rights of our shareholders.

We will proceed with an acquisition transaction only if public shareholders owning not more than 90.0% of the shares sold in this offering exercise their

redemption rights. The redemption threshold was set at 90.0% so that we would have a minimum of $5,000,000 in net tangible assets post initial public offering, which permits us to not comply with Rule 419 of the Securities Act. See the section entitled Proposed Business Comparison of This Offering to those Blank Check Companies Subject to Rule 419. A potential target may make it a closing condition to our acquisition transaction that we have a certain amount of cash in excess of the minimum amount we are required to have pursuant to our organizational documents available at the time of closing.

Time to complete an initial acquisition transaction:

We will have 18 months following the consummation of this offering to consummate our initial acquisition transaction. In addition, if we have entered into a letter of intent, agreement in principle or definitive agreement with respect to an acquisition transaction within 18 months following the consummation of this offering, the time period within which we must complete our initial acquisition transaction will be automatically extended to 21 months following the consummation of this offering (which we refer to as the automatic period extension in this prospectus) if an initial filing with the SEC of a tender offer, proxy, or registration statement is made, but the acquisition transaction is not completed, within 18 months of the date of this prospectus.

Dissolution and liquidation if no acquisition transaction occurs:

Pursuant to our Amended and Restated Memorandum and Articles of Association (the article that contains all of the special provisions applicable to us prior to and in connection with our initial acquisition transaction), if we are unable to complete an acquisition transaction within the allotted time, we will automatically go into a voluntary liquidation procedure and as promptly as practicable liquidate the trust account and release only to our public shareholders a pro rata share of the trust account, plus any remaining net assets. If we elect to effect a post-acquisition tender offer and complete an acquisition transaction prior to such time period, but have not completed a post-acquisition tender offer within the applicable period, we will not be required to wind up our affairs; however, the release of the funds to us in the case of a post-acquisition tender offer will be conditioned upon completion of such tender offer. Our founders have agreed with respect to the founders shares to waive their rights to participate in any distribution from the trust account, but not with respect to any units or callable Class A Shares they acquire in this offering or in the aftermarket.

Prior to consummation of our initial acquisition transaction, we will seek to have all prospective target businesses we enter into agreements with and all vendors and service providers that we contract to provide services to us, which we collectively refer to as the contracted parties, execute agreements with us waiving any right, title, interest or claim of any kind in or to any monies held in the trust account for the benefit of our public shareholders. If we are unable to complete an acquisition transaction and are forced to wind-up our affairs and liquidate, our founders, by agreement, will jointly and severally indemnify us for all claims of contracted parties, to the extent we fail to obtain valid and enforceable waivers from such parties.

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Determination of offering amount:

In determining the size of this offering, our management concluded, based on their collective experience, that an offering of this size, together with the proceeds from the sale of the placement warrants, would provide us with sufficient equity capital to execute our business plan. Although we made this determination assuming a minimal number of redemptions, we believe that this amount of equity capital, plus our ability to finance an acquisition using shares or debt in addition to the cash held in the trust account, will give us substantial flexibility in selecting an acquisition target and structuring our initial acquisition transaction, even if significant redemptions should occur. This belief is not based on any research, analysis, evaluations, discussions, or compilations of information with respect to any particular investment or any such action undertaken in connection with our organization.

Escrow of the founders shares and underwriter shares, and transfer limitations of the placement warrants:

On the date of this prospectus, all of our officers, directors and shareholders will place the founders shares, and the underwriters will place the underwriter shares, into an escrow account maintained by Continental Stock Transfer & Trust Company, acting as escrow agent pursuant to an escrow agreement. Subject to certain limited exceptions for transfers, these securities will not be transferable during the escrow period. The founders shares and underwriter shares will not be released from escrow until two years after the effective date of the registration statement of which this prospectus forms a part. The placement warrants will not be transferable until the consummation of our initial acquisition transaction or post-acquisition tender offer, as the case may be.

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SELECTED FINANCIAL AND OPERATING DATA

The following selected consolidated financial data, other than selected operating data, have been derived from our audited financial statements as of October 31, 2012 and for the period from November 28, 2011 (Inception) to October 31, 2012, which are included elsewhere in this prospectus. The financial statements are prepared and presented in accordance with U.S. GAAP. Our results of operations in any period may not necessarily be indicative of the results that may be expected for any future period. See Risk Factors included elsewhere in this prospectus. The selected financial information should be read in conjunction with those financial statements and the accompanying notes and Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus.

	As of October 31, 2012	
Balance sheet data:	Actual	As Adjusted
Working capital (deficiency)	$ (322,217)	$ 51,973,628
Total assets	374,782	51,973,628
Total liabilities	354,655	
Value of shares which may be redeemed for cash		46,350,000
Shareholders equity	$ 20,127	$ 5,623,628

	For the period November 28, 2011 (Inception) to February 17, 2012
Selected statement of operation data:	Actual
Formation costs	$ 4,873
Total operating expenses	$ (4,873)
Net loss	$ (4,873)
Weighted average shares outstanding	1,250,000
Basic and diluted net loss per share	$ (0.00)

The as adjusted information gives effect to the sale of the units we are offering, including the application of the related gross proceeds, the receipt of $3,375,000 from the sale of the placement warrants, the receipt of $3,400 from the sale of the underwriter shares and the payment of the estimated remaining expenses of this offering.

The as adjusted working capital and total assets amounts include net proceeds of approximately $450,000 not held in the trust account and $51,500,000 of cash to be held in the trust account for the benefit of our public shareholders (not including the exercise of the over-allotment option), which will be distributed (i) to public shareholders pro rata who exercise their redemption rights in connection with our initial acquisition transaction (assuming that our initial acquisition transaction is consummated), and (ii) to us upon the consolidation of each class of our ordinary shares into one class of ordinary shares, in the amount remaining in the trust account following the payment to any public shareholders who exercise their redemption rights. All such proceeds will be distributed from the trust account only as described in this prospectus. If an acquisition transaction is not consummated, the proceeds held in the trust account, including accrued but undistributed interest, net of (i) interest earned on the trust account that may be released to us to pay any taxes we incur, (ii) interest earned by the trust account that may be released to us from time to time to fund

our working capital and general corporate requirements (any amounts in the trust account in excess of $10.30 per share) and (iii) a pro rata share of the trust account that may be released to us for each callable Class A Share (excluding the founders shares) converted to a Class C Share upon completion of an acquisition transaction, will be distributed to our public shareholders. We estimate that the amount of interest we will earn on the trust account will be negligible (between $6,500 for 18 months and $8,000 for 21 months at current interest rates), and will therefore not be a significant source of working capital for us.

We may effect an acquisition transaction only if public shareholders owning no more than 90.0% of the 5,000,000 ordinary shares sold in this offering (4,500,000 shares, or 4,905,000 shares if the over-allotment option is exercised in full) exercise their redemption rights, except that we may complete an acquisition transaction prior to completing a post-acquisition tender offer if after giving effect to such tender offer (assuming all eligible shares are redeemed) we would satisfy the 90.0% threshold requirement.

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Depending on the number of shareholders who choose to exercise their redemption rights in connection with our initial acquisition transaction, we could be required to redeem for cash up to 90.0% of the shares sold in this offering, or 4,500,000 shares (4,905,000 if the underwriters exercise their over-allotment option in full). The per share redemption price paid to redeeming public shareholders will be $10.30 per share for an aggregate of approximately $46,350,000 (or approximately $50,521,500 in the aggregate if the underwriters exercise their over-allotment option in full). The actual per share redemption price will be equal to the aggregate amount then on deposit in the trust account, including accrued but undistributed interest, net of (i) interest earned on the trust account that may be released to us to pay any taxes we incur, (ii) interest earned by the trust account that may be released to us from time to time to fund our working capital and general corporate requirements (any amounts in the trust account in excess of $10.30 per share) and (iii) a pro rata share of the trust account that may be released to us for each callable Class A Share (excluding the founders shares and the underwriter shares) converted to a Class C Share upon completion of an acquisition transaction, as of two business days prior to the liquidation of the trust, divided by the number of shares included in the units sold in this offering. The underwriters are entitled to receive the full underwriting discounts and commissions regardless of the number of ordinary shares that are redeemed.

A potential target may make it a closing condition to our acquisition transaction that we have a certain amount of cash in excess of the minimum amount we are required to have pursuant to our organizational documents available at the time of closing. If so, we will effectively be required to adjust the redemption threshold to reduce the number of shares that can be redeemed (thereby reducing the 90.0% threshold) in connection with such acquisition transaction or obtain an alternative source of funding. If the number of our shareholders electing to exercise their redemption rights has the effect of reducing the amount of money available to us to consummate an acquisition transaction below such minimum amount and we are not able to locate an alternative source of funding, we will not be able to consummate such acquisition transaction and we may not be able to locate another suitable target within the applicable time period, if at all. As a result, public shareholders may have to wait for longer than 18 months (or 21 months pursuant to the automatic period extension) in order to be able to receive a pro rata portion of the trust account in connection with our dissolution and liquidation. See Risk Factors Even though we have a redemption threshold of 90.0%, we may be unable to consummate an acquisition transaction if a target business requires that we have cash in excess of the minimum amount we are required to have at closing, and public shareholders may have to remain shareholders of our company and wait until our liquidation to receive a pro rata share of the trust account or attempt to sell their shares in the open market.

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RISK FACTORS

An investment in our securities involves a high degree of risk. You should consider carefully all of the material risks described below, together with the other information contained in this prospectus, before making a decision to invest in our units. If any of the following events occur, our business, financial condition and operating results may be materially adversely affected. In that event, the trading price of our securities could decline, and you could lose all or part of your investment.

Risks associated with our business

We are a recently formed blank check company in the development stage with no operating history and no revenues and, accordingly, there is doubt about our ability to continue as a going concern.

We are a newly formed blank check company in the development stage established under the laws of the British Virgin Islands with no operating results to date. Therefore, our ability to begin operations is dependent upon obtaining financing through the public offering of our securities. The report of our independent registered public accounting firm on our financial statements includes an explanatory paragraph stating that our ability to continue as a going concern is dependent on the consummation of this offering. As of October 31, 2012, we had $32,438 in cash and a working capital deficit of $(322,217). Further, we have incurred and expect to continue to incur significant costs in pursuit of our acquisition plans. Management s plans to address this need for capital through this offering are discussed in the section of this prospectus titled Management s Discussion and Analysis of Financial Condition and Results of Operations. We cannot assure you that our plans to raise capital or to consummate an initial business combination will be successful. These factors, among others, raise substantial doubt about our ability to continue as a going concern. The financial statements do not include any adjustments that might result from our inability to consummate this offering or our ability to continue as a going concern.

We may not be able to consummate an acquisition transaction within the required time frame, in which case we would automatically dissolve and liquidate our assets, and you may not be able to recover your full investment.

Pursuant to our trust agreement with Continental Stock Transfer & Trust Company and our Amended and Restated Memorandum and Articles of Association, we must enter into a letter of intent or definitive agreement to complete an acquisition transaction with a fair market value of at least 80% of the balance of the trust account at the time of the acquisition transaction (excluding taxes payable) within 18 months after the consummation of this offering (or within 21 months pursuant to the automatic period extension). If we fail to consummate an acquisition transaction within the required time frame, we will, in accordance with our Amended and Restated Memorandum and Articles of Association, automatically dissolve, liquidate and wind up. The foregoing requirements are set forth in Clause 6(3) of our Amended and Restated Memorandum and Articles of Association and may not be eliminated without the vote of our board of directors and the vote of at least 80% of the voting power of the total number of ordinary shares that are

issued in this offering. We may not be able to find suitable target businesses within the required time frame. In addition, our negotiating position and our ability to conduct adequate due diligence on any potential target may be reduced as we approach the deadline for the consummation of our initial acquisition transaction. We do not have any specific acquisition transaction under consideration, and neither we, nor any representative acting on our behalf, has had any contacts with any target businesses regarding an acquisition transaction, nor taken any direct or indirect actions to locate or search for a target business. Although $10.30 per share is initially placed in trust, we may incur liabilities which are satisfied from the funds held in trust. If so, you will not be able to recover your full investment in the event we do not consummate an acquisition transaction and are forced to enter into an automatic voluntary liquidation procedure our company and liquidate our trust account.

You will not have any rights or interest in funds from the trust account, except under certain limited circumstances, and therefore may not have access to such funds for the duration that they are held in the trust account.

Our public shareholders will be entitled to receive funds from the trust account only (i) in the event of our liquidation, or (ii) if they seek to redeem their respective shares for cash in connection with an acquisition transaction that is consummated by us. In no other circumstances will a shareholder have any right or interest of any kind in the trust account. Therefore, you may not be able to obtain access to such funds for up to 21 months following the initial public offering. Pursuant to the terms of the trust agreement between us and Continental Stock Transfer & Trust Company, the time period that funds would remain in the trust account and not be released could only be extended with the approval of the holders of 80% of the shares sold in our initial public offering. If we elect to effect a post-acquisition tender offer and complete an acquisition transaction prior to such time period, but have not completed a post-acquisition tender offer within the applicable period, we will not be required to liquidate and wind up our affairs; however, the release of the funds to us in the case of a post-acquisition tender offer will be conditioned upon completion of such tender offer. Our Amended and Restated Memorandum and Articles of Association provide that we are required to commence a post-acquisition tender offer within 30 days of consummation of an acquisition transaction, and we are required to use reasonable efforts to complete such tender offer; however, there can be no assurance of how long it will take to complete the post-acquisition tender offer. If we commence a post-acquisition tender offer, but are unable to complete it within the earlier of 6 months of consummation of an acquisition transaction or 21 months of the completion of this offering, then we will be required to complete a post-acquisition trust liquidation, which process may not be commenced until up to 21 months from this offering.

Under British Virgin Islands law, the requirements and restrictions relating to this offering contained in our Amended and Restated Memorandum and Articles of Association may be amended, which could reduce or eliminate the protection afforded to our shareholders by such requirements and restrictions.

Our Amended and Restated Memorandum and Articles of Association set forth certain requirements and restrictions relating to this offering that apply to us until the consolidation of each class of our ordinary shares into one class of ordinary shares. Specifically, our Amended and Restated Memorandum and Articles of Association provide that:

if we have entered into a letter of intent, agreement in principle or definitive agreement with respect to an acquisition transaction within 18 months of the completion of this offering, the period of time to consummate an acquisition transaction will be automatically extended by an additional three months;
we may consummate our initial acquisition transaction only if public shareholders owning no more than 90.0% of the ordinary shares sold in this offering exercise, or may exercise, their redemption rights;
if we have not completed an initial acquisition transaction within 18 months (or 21 months pursuant to the automatic period extension), we will liquidate the trust account and distribute to public shareholders a pro rata share of the trust account determined by dividing the total amount in the trust account by the number of shares sold in this offering

(initially $10.30 per share), plus any remaining net assets;

our management will take all actions necessary to distribute our trust account to our public shareholders as part of our plan of liquidation, prior to entering into an automatic voluntary liquidation procedure, if an acquisition transaction is not consummated within the time periods specified in this prospectus;

our public shareholders rights to receive a portion of the trust account is limited to the extent that they may receive only a portion of the trust account and only upon liquidation of our trust account in the event we do not consummate an acquisition transaction within 18 months (or 21 months pursuant to the automatic period extension) following the consummation of this offering or upon the exercise of their redemption rights in connection with the consummation of an acquisition transaction;

following this offering and prior to the time that we liquidate the trust account, we will not issue any securities that participate in the proceeds of our initial public offering that are held in the trust account or that have a vote in connection with any matter related to our initial acquisition transaction;
the board of directors shall review and approve all payments made to our founders, officers, directors, special advisors, consultants, and their respective affiliates with any interested director abstaining from such review and approval, other than the payment of an aggregate of $7,500 per month to CIS Acquisition Holding Co. Ltd. for office space, administrative services and secretarial support, to begin to accrue immediately after this offering and to be paid at the time of an acquisition transaction, or in the event of our liquidation, only out of interest earned on the trust account or assets not held in trust, if any,
we may not to enter into any transaction with any of our officers, directors or any of our or their respective affiliates without the prior approval by a majority of our disinterested directors, who had access, at our expense, to our attorneys or independent legal counsel, and unless our disinterested directors determine that the terms of such transaction are no less favorable to us than those that would be available to us with respect to such a transaction from unaffiliated third parties; and
we may not (i) consummate an acquisition transaction with a target business that is a portfolio company of, or has otherwise received a financial investment from, our founders or their affiliates, or that is affiliated with our founders or our directors, or officers, or (ii) consummate an acquisition transaction with any underwriter, or underwriting selling group member, or any of their affiliates, unless in each case we obtain an opinion from an unaffiliated, independent investment banking firm that is a member of the Financial Industry Regulatory Authority, or FINRA, that an acquisition transaction with such target business is fair to our shareholders from a financial point of view.

Pursuant to our Amended and Restated Memorandum and Articles of Association, the foregoing provisions may be amended by at least 80% of the voting power of the total number of ordinary shares that are issued in this offering. In addition, the relevant portions of the agreement governing the trust account can only be amended with the consent of 80% of the voting power of the callable Class A Shares or the callable Class B Shares. The agreement governing the trust account does not require consent of 100% of the voting power of the callable Class A Shares or the callable Class B Shares because we believe that it is in the best interest of our shareholders to allow a substantial majority of our public shareholders to amend the terms of the agreement if they so desire. Except for the shares issued immediately prior to this offering and the callable Class A Shares underlying the units issued in connection with this offering, we will not issue securities with voting rights to vote on any proposals to amend our Amended and Restated Memorandum and Articles of Association prior to the time that we liquidate the trust account. These provisions could also be eliminated by our completing a very small acquisition with minimal assets and operations. If any of these provisions are amended or eliminated, our shareholders:

may not have all of the rights they previously had;
might not receive the amount anticipated in connection with a redemption or liquidation; and
might not receive amounts from the trust account in the time frames specified in this prospectus.

In addition, our Amended and Restated Memorandum and Articles of Association provide shareholders with redemption rights only in connection with an acquisition transaction. In the event that a vote is called not in connection with an acquisition transaction to consider other amendments to our Amended and Restated Memorandum and Articles of Association no redemption rights will be granted.

In the recent past, other blank check companies have amended various provisions of their governing charter documents in order to allow or facilitate the consummation of an acquisition transaction. If we amend our Amended and Restated Memorandum and Articles of Association in connection with our initial acquisition transaction, it could have the effect of reducing or eliminating the protections afforded to our shareholders contained therein.

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You will not receive protections afforded to investors in blank check companies subject to Rule 419, which results in our having access to the interest earned on the trust and a longer period of time to complete an acquisition transaction.

Since the net proceeds of this offering are intended to be used to complete an acquisition transaction with a target business that has not been identified, we may be deemed to be a blank check company under the U.S. securities laws. However, since we will have net tangible assets in excess of $5,000,000 upon the successful consummation of this offering and will file a Report of Foreign Private Issuer on Form 6-K, including an audited balance sheet, demonstrating this fact, we are exempt from rules promulgated by the SEC to protect investors of blank check companies, such as Rule 419. Accordingly, investors will not be afforded the benefits or protections of those rules such as completely restricting the transferability of our securities, requiring us to complete an acquisition transaction within 18 months from the consummation of this offering and restricting the use of interest earned on the funds held in the trust account. Because we are not subject to Rule 419, our units will be immediately tradable, we will be entitled to withdraw a certain amount of interest earned on the funds held in the trust account prior to the completion of an acquisition transaction, and we have a longer period of time to complete an acquisition transaction than we would if we were subject to such rule. For a more detailed comparison of this offering to offerings under Rule 419, see the section entitled Proposed Business Comparison of This Offering to Those of Blank Check Companies Subject to Rule 419.

As a foreign private issuer, we are exempt from certain rules that are applicable to U.S. companies, and while we have agreed with the underwriters in this offering to comply with certain of these requirements, such agreement can be waived without your consent and you may receive less information about us and our operations than you would receive if such agreements were not waived or we were a U.S. company.

As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing the furnishing and content of proxy statements to shareholders, and our executive officers, directors and principal shareholders are exempt from certain of the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we will not be required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. Therefore you may receive less information about us than you would receive if we were a U.S. company.

We may lose our status as an FPI if we acquire a business in the United States, which will make us subject to additional regulatory disclosures which may require substantial financial and management resources.

If we acquire a business in the United States and we determine thereafter that we are no longer an FPI, we will become subject to the following requirements, among others:

The filing of our quarterly reports on Form 10-Q or current reports on Form 8-K with the SEC;
Preparing our financial statements in accordance with GAAP rather than the ability to use any of GAAP, the International Accounting Standards Board (IASB IFRS) or local GAAP;
Being subject to the U.S. proxy rules;
Being subject to Regulation FD which requires issuers to make public disclosures of any material non-public information that has been selectively disclosed to securities industry professionals (for example, analysts) or shareholders;
Being subject to the Sarbanes-Oxley Act (although the Sarbanes-Oxley Act generally does not distinguish between domestic U.S. issuers and FPIs, the SEC has adopted a number of significant exemptions for the benefit of FPIs in the application of its rules adopted under the Sarbanes-Oxley Act, such as: (1) audit committee independence; and (2) black-out trading restrictions (Regulation BTR)); and
Being subject to a more detailed executive compensation disclosure.

We may be forced to expend significant management and financial resources to meet our disclosure obligations to the extent we are required to comply with the foregoing requirements.

Our one-third quorum threshold may make it easier for our founders to influence actions requiring a shareholder vote.

In accordance with our Amended and Restated Memorandum and Articles of Association, two shareholders representing at least one-third of our issued and outstanding ordinary shares (whether or not held by public shareholders) will constitute a quorum at a shareholders meeting. Following this offering, our founders will hold 20% of the total of the founder shares and the number of shares sold in this offering. Accordingly, if only a small proportion of public shareholders participate in a shareholders meeting and all of our founders participate, the quorum requirement may be satisfied and our founders could cast a majority of the votes at such meeting.

If third parties bring claims against us, the proceeds held in the trust account may be reduced and the per share liquidation price received by you will be less than $10.30 per share.

Our placing of funds in the trust account may not protect those funds from third-party claims against us. Although we will seek to have all prospective target businesses we enter into agreements with and all vendors and service providers that we contract to provide services to us, which we collectively refer to as the contracted parties, execute agreements with us waiving any right, title, interest or claim of any kind in or to any monies held in the trust account for the benefit of our public shareholders. There is no guarantee that we will be able to get waivers from the contracted parties and there is no guarantee that even if the contracted parties executed such agreements with us that such waivers will be enforceable or that the contracted parties would be prevented from bringing claims against the trust account. In the event that a potential contracted party were to refuse to execute such a waiver, we will execute an agreement with that person only if our management first determines that we would be unable to obtain, on a reasonable basis, substantially similar services or opportunities from another person willing to execute such a waiver. Although we believe the risk is small because we will have any target business we acquire waive any rights to the trust account, it is possible that creditors from the target business would try to make claims against the trust account. Accordingly, the proceeds held in the trust account may be subject to claims which would take priority over the claims of our public shareholders and, as a result, the per share liquidation price could be less than $10.30 per share due to claims of such creditors. If we are unable to complete an acquisition transaction and are forced to enter into an automatic voluntary liquidation procedure, our founders, by agreement, will jointly and severally indemnify us for all claims of contracted parties, to the extent we fail to obtain valid and enforceable waivers from such parties. Under these circumstances, our board of directors would have a fiduciary obligation to our shareholders to bring a claim against our founders to enforce their indemnification obligations. We have questioned our founders on their financial net worth and reviewed their financial information and believe they will be able to satisfy any indemnification obligations that may arise, although there can be no assurance of this. Our founders are under no obligation to us to preserve their assets or provide us with information regarding changes in their ability to satisfy these obligations. Notwithstanding, if we become aware of a material change in the ability of any of our founders to satisfy such obligations, we will make such information public by filing a Report of Foreign Private Issuer on Form 6-K.

Additionally, if we are forced to enter into an insolvency liquidation, or a petition to wind up the company is filed against us which is not dismissed, the funds held in our trust account will be subject to applicable insolvency law, and may be included in our insolvent estate and subject to claims of third parties with priority over the claims of our public shareholders. To the extent insolvency claims deplete the trust account, we cannot assure you we will be able to return to our public shareholders the liquidation amounts due them. Additionally, a liquidator or a creditor of our company might seek to hold our shareholders liable to contribute to our estate to the extent of distributions received by the

shareholders from the trust account, and third parties may seek to recover from our shareholders amounts owed to them by us.

Creditors may, in a pre-trial, ex-parte action, seek to freeze the distribution of funds from which they may seek payment upon a successful conclusion to a claim. There can be no assurance that the trust account will not become subject to such a freeze action by a creditor or potential creditor of ours.

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Unlike other blank check offerings, we allow up to 90.0% of our public shareholders to exercise their redemption rights. This higher threshold will make it easier for us to consummate an acquisition transaction with which you may not agree and could result in more money from the trust account being used to pay for redemptions than in other blank check offerings, and very little money remaining in trust for the post-transaction company.

When we seek to consummate our initial acquisition transaction, we will offer each shareholder the right to have his, her or its shares converted to cash if the initial acquisition transaction is consummated. Our founders have agreed not to redeem any founders shares held by them. We will consummate the initial acquisition transaction only if public shareholders owning no more than 90.0% of the shares sold in this offering exercise their redemption rights. However, regardless of the requirements of our amended and restated memorandum and articles of association, a potential target may make it a closing condition to our acquisition transaction that we have a certain amount of cash in excess of the minimum amount we are required to have at the time of closing. In the past, many blank check companies have had redemption thresholds of between 20% and 40%, which makes it more difficult for such companies to consummate their initial acquisition transaction. Thus, because we permit a larger number of shareholders to exercise their redemption rights and, in the case where redemption rights are given other than through a tender offer, it will be easier for us to consummate an initial acquisition transaction with a target business in the face of strong shareholder dissent. Depending on the number of shares that are redeemed in connection with our initial acquisition transaction, we may have very little money in our trust account with which to consummate our initial acquisition transaction, which may result in our having to obtain additional financing to consummate our initial acquisition transaction, result in less money being available for use as working capital post-acquisition transaction, or result in our failure to consummate an initial acquisition transaction.

Since we have a redemption threshold of 90.0%, we may be unable to consummate an acquisition transaction.

A potential target may make it a closing condition to our business transaction that we exceed a certain minimum net asset valuation at the time of closing. If the number of our shareholders electing to exercise their redemption rights has the effect of reducing the amount of money available to us to consummate an acquisition transaction below such minimum net asset valuation, we will not be able to consummate our acquisition transaction and we may not be able to locate another suitable target within the applicable time period, if at all. As a result, public shareholders may have to remain shareholders of our company and wait the full 18 months (or 21 months pursuant to the automatic period extension) in order to be able to receive a pro rata portion of the trust account in connection with our dissolution and liquidation, or attempt to sell their shares in the open market prior to such time, in which case they may receive less than a pro rata share of the trust account for their shares.

Our redemption threshold of 90.0% may reduce the liquidity of our securities in the open market.

Since we have a redemption threshold of 90.0%, a high number of public shares may be redeemed in connection with our initial acquisition transaction, which would result in significantly fewer shares issued and outstanding, and which would in turn significantly reduce the liquidity of our securities, including our shares that are not redeemed.

At the time of an acquisition transaction public shareholders will be entitled to redeem up to 90.0% of the shares, as a result of which our public shareholders will have limited information regarding the combined company s capital structure prior to the acquisition transaction.

Depending on the number of shareholders who choose to exercise their redemption rights in connection with our initial acquisition transaction, we could be required to redeem for cash up to 90.0% of the shares sold in this offering, or 4,500,000 shares (4,905,000 if the underwriters exercise their over-allotment option in full) at an initial per share redemption price of $10.30 per share for approximately $46,350,000 in the aggregate (or approximately $50,521,500 in the aggregate if the underwriters exercise their over-allotment option in full).

In the registration statement/proxy materials and/or tender offer materials we will prepare in connection with the acquisition transaction, we will only provide pro forma financial information assuming no redemption and full redemptions by public shareholders in order to provide our shareholders with the range of possible capital structures for the combined company. Given the relatively high redemption threshold the difference in capital

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structure assuming no redemptions and full redemptions will be significant. Furthermore, we will not be able to provide shareholders with any assurance of where, within the possible range disclosed, the combined company will fall following consummation of an acquisition transaction. As a result, our public shareholders will have limited information regarding the combined company s capital structure at the time of the acquisition transaction.

Even though we have a redemption threshold of 90.0%, we may be unable to consummate an acquisition transaction if a target business requires that we have cash in excess of the minimum amount we are required to have at closing, and public shareholders may have to remain shareholders of our company and wait until our liquidation to receive a pro rata share of the trust account or attempt to sell their shares in the open market.

A potential target may make it a closing condition to our acquisition transaction that we have a certain amount of cash in excess of the minimum amount we are required to have pursuant to our organizational documents available at the time of closing. If so, we will effectively be required to adjust the redemption threshold to reduce the number of shares that can be redeemed (thereby reducing the 90.0% threshold) in connection with such acquisition transaction or obtain an alternative source of funding. If the number of our shareholders electing to exercise their redemption rights has the effect of reducing the amount of money available to us to consummate an acquisition transaction below such minimum amount and we are not able to locate an alternative source of funding, we will not be able to consummate such acquisition transaction and we may not be able to locate another suitable target within the applicable time period, if at all. As a result, public shareholders may have to remain shareholders of our company and wait for longer than 21 months in order to be able to receive a pro rata portion of the trust account in connection with our dissolution and liquidation, or attempt to sell their shares in the open market prior to such time, in which case they may receive less than a pro rata share of the trust account for their shares. Furthermore, in the event that public shareholders must wait until our liquidation, they may not receive a full pro rata portion of the trust account to the extent that third party creditors have a claim to such funds. See Proposed Business Effecting an Acquisition Transaction Dissolution and liquidation if no acquisition transaction.

The ability of our public shareholders to exercise their redemption rights may not allow us to effectuate the most desirable acquisition transaction or optimize our capital structure.

We will offer each public shareholder the right to have all or a portion of his, her or its shares redeemed for cash in connection with our initial acquisition transaction, as long as our initial acquisition transaction is consummated. So long as we maintain our status as an FPI, and are required to comply with the FPI rules, we will conduct the redemptions pursuant to the tender offer rules and a public shareholder will not be required to vote in connection with our initial acquisition transaction to redeem his, her or its shares for cash. Accordingly, if our initial acquisition transaction requires us to use substantially all of our cash to pay the purchase price, because we will not know how many shareholders may exercise such redemption rights, we may either need to reserve part of the trust account for possible payment upon such redemption, or we may need to arrange third-party financing to help fund the acquisition

of our initial acquisition transaction in case a larger percentage of shareholders exercise their redemption rights than we expect. Because we have no specific acquisition transaction under consideration, we have not taken any steps to secure third-party financing. Therefore, we may not be able to consummate an initial acquisition transaction that requires us to use all of the funds held in the trust account as part of the purchase price unless we obtain third-party financing, and if such financing involves debt, our leverage ratio may not be optimal for our initial acquisition transaction. This may limit our ability to effectuate the most attractive acquisition transaction available to us.

If we complete an acquisition transaction but fail to commence a post-acquisition tender offer within 30 days, or fail to complete the issuer tender offer within the earlier of 6 months of consummation of the acquisition transaction or within 21 months of completion of this offering as required by our Amended and Restated Memorandum and Articles of Association, then we will automatically liquidate the trust account and release to our public shareholders, except for holders of Class C Shares, a pro rata portion of the trust account in exchange for their callable Class B Shares, without giving such shareholders the ability to choose to keep their shares.

If we (i) fail to commence a tender offer within 30 days after the consummation of the acquisition transaction, (ii) fail to complete a post-acquisition tender offer within 6 months of consummation of the acquisition transaction or (iii) in any event, fail to consummate a post-acquisition tender offer within 21 months of the

consummation of this offering, we will automatically liquidate the trust account and release to our public shareholders, except for holders of Class C Shares, a pro rata portion of the trust account in exchange for all of their callable Class B Shares. Accordingly, an investment in our callable Class A Shares may result solely in a return equal to the pro rata portion of the trust account without interest for up to 21 months (plus the time it takes to liquidate the trust, which we anticipate will be less than 40 days) without the ability to choose to keep your shares in the combined company. While the holders of callable Class B Shares will automatically have their callable Class B Shares converted into the right to receive a pro-rata portion of a trust account, the holders of Class C Shares and public warrant holders will continue to hold those securities. Upon such automatic conversion, holders of callable Class B Shares will cease to have any rights as shareholders of our company, other than the right to receive a pro rata portion of the trust account, without interest accruing thereon.

Because we are incorporated under the laws of the British Virgin Islands, you may face difficulty protecting your interests, and your ability to protect your rights through the U.S. federal courts may be limited.

We are a company incorporated under the laws of the British Virgin Islands and administered from outside the United States, and a majority of our assets will be located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States in a way that will permit a U.S. court to have jurisdiction over us.

Our corporate affairs will be governed by our Amended and Restated Memorandum and Articles of Association, the Business Companies Act 2004 of the British Virgin Islands, referred to herein as the Act , as the same may be supplemented or amended from time to time, or the common law of the British Virgin Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us under British Virgin Islands law are to a large extent governed by the Act and the common law of the British Virgin Islands. The common law of the British Virgin Islands is derived in part from comparatively limited judicial precedent in the British Virgin Islands, as well as from English common law, the decisions of whose courts are considered persuasive authority but are not binding on a court in the British Virgin Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under British Virgin Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the British Virgin Islands has a less developed body of securities laws as compared to the United States, and some states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law. In addition, British Virgin Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States.

The British Virgin Islands courts are also unlikely:

to recognize or enforce against us judgments of U.S. courts based on certain civil liability provisions of U.S. securities laws; and

to impose liabilities against us, in original actions brought in the British Virgin Islands, based on certain civil liability provisions of U.S. securities laws that are penal in nature.

We have been advised by Forbes Hare that there is no statutory recognition in the British Virgin Islands of judgments obtained in the United States, although the courts of the British Virgin Islands will in certain circumstances recognize and enforce a non-penal judgment of a foreign court and treat it as a cause of action in itself which may be sued upon as a debt at common law so that no retrial of the issues would be necessary provided that: (i) the U.S. court issuing the

judgment had jurisdiction in the matter and the company either submitted to such jurisdiction or was resident or carrying on business within such jurisdiction and was duly served with process; (ii) the judgment given by the U.S. court was not in respect of penalties, taxes, fines or similar fiscal or revenue obligations of the company; (iii) in obtaining judgment there was no fraud on the part of the person in whose favor judgment was given or on the part of the court; (iv) recognition or enforcement of the judgment would not be contrary to public policy in the British Virgin Islands; and (v) the proceedings pursuant to which judgment was obtained were not contrary to natural justice. In appropriate circumstances, a British Virgin Islands Court may give effect in the British Virgin Islands to other kinds of final foreign judgments such as declaratory orders, orders for performance of contracts and injunctions.

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As a result of all of the above, public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as public shareholders of a U.S. company.

Because some of our directors and officers reside, and all of the trust account assets will be held, outside of the United States, it may be difficult for you to enforce your rights against them or to enforce U.S. court judgments against them outside the United States.

Some of our directors and officers reside outside of the United States and, after the consummation of our initial acquisition transaction, substantially all of our assets will be located outside of the United States. We believe that certain countries do not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States. As a result, it may be necessary to comply with local law in order to obtain an enforceable judgment against certain directors and officers and certain assets. It may therefore be difficult for investors in the United States to enforce their legal rights, to effect service of process upon our directors or officers outside of the United States or to enforce judgments of U.S. courts predicated upon civil liabilities and criminal penalties of our directors and officers under U.S. federal securities laws. Further, it is unclear if extradition treaties now in effect between the United States and certain countries would permit effective enforcement of criminal penalties of the U.S. federal securities laws.

Since we have not yet selected a particular industry, or target business with which to complete an acquisition transaction, you are unable to currently ascertain the merits or risks of the geographic area, industry or business in which we may ultimately operate.

We intend to consummate an acquisition transaction with a company in Russia or Eastern Europe in any industry we choose that we believe will provide significant opportunities for growth. We are not limited to any particular industry or type of business. Because we have not yet identified or approached any specific target business with respect to an acquisition transaction, there is no current basis for you to evaluate the possible merits or risks of the particular geographic area or industry in which we may ultimately operate or the target business or businesses with which we may ultimately enter an acquisition transaction. Although we will endeavor to evaluate the risks inherent in a particular target business, we cannot assure you that we will properly ascertain or assess all of the significant risks present in that target business. Even if we properly assess those risks, some of them may be outside of our control or ability to affect. We also cannot assure you that an investment in our units will not ultimately prove to be less favorable to investors in this offering than a direct investment, if an opportunity were available, in a target business.

Your only opportunity to evaluate and affect the investment decision regarding a potential acquisition transaction may be limited to exercising your redemption rights in connection with

our initial acquisition transaction.

You will be relying on the ability of our officers and directors, with the assistance of employees, advisors and consultants, to choose a suitable acquisition transaction. At the time of your investment in us, you will not be provided with an opportunity to evaluate the specific merits or risks of any potential target businesses, and we do not intend on holding a shareholder vote to approve our initial acquisition transaction, unless the nature of the acquisition transaction would require shareholder approval under applicable British Virgin Islands law or NASDAQ rules. Accordingly, your only opportunity to evaluate and affect the investment decision regarding a potential acquisition transaction may be limited to exercising your redemption rights in connection with our initial acquisition transaction.

Because of our limited resources and the significant competition for acquisition transaction opportunities, we may not be able to consummate an attractive acquisition transaction.

Identifying, executing and realizing attractive returns on acquisition transactions is highly competitive and involves a high degree of uncertainty. We expect to encounter competition for potential target businesses from other entities having a business objective similar to ours. Some of these competitors may be well established and have extensive experience in identifying and consummating acquisition transactions directly or through affiliates. Some of these competitors may possess greater technical, human and other resources than we do, and our financial resources will be relatively limited when contrasted with those of our competitors. Furthermore, over the past several years, other blank check companies have been formed, and a number of such companies have grown in size. Additional blank check companies with business objectives similar to

ours may be formed in the future by other unrelated parties and these companies may have substantially more capital and may have access to and be able to utilize additional financing on more attractive terms. While we believe that there are numerous potential target businesses with which we could combine using the net proceeds from this offering and the placement warrants, together with additional financing, if available, our ability to compete in combining with certain sizeable target businesses will be limited by our available financial resources. This inherent competitive limitation gives others an advantage in pursuing an acquisition transaction with certain target businesses. In addition, the redemption of ordinary shares held by our shareholders into cash may reduce the resources available to us to fund our initial acquisition transaction and may require us to raise additional funds through additional sales of our securities or incur indebtedness in order to enable us to effect such an acquisition transaction. Additionally, the requirement to acquire an operating business or businesses, or a portion of such business or businesses, that have a fair market value, individually or collectively, of at least equal to 80% of the balance in the trust account (less taxes payable) at the time of the initial acquisition transaction could require us to acquire several or closely related operating businesses at the same time, all of which acquisitions would be contingent on the closings of the other acquisitions, which could make it more difficult to consummate our initial acquisition transaction.

Any of these factors may place us at a competitive disadvantage in consummating our initial acquisition transaction on favorable terms or at all.

We will not be required to obtain a fairness opinion from an independent investment banking firm as to the fair market value of the target business unless the board of directors is unable to independently determine the fair market value.

Our initial acquisition transaction must be with one or more target businesses whose fair market value, individually or collectively, is equal to at least 80% of the balance in the trust account (excluding taxes payable) at the time of such acquisition. The fair market value of the target will be determined by our board of directors based upon an analysis conducted by them (which may include an analysis of actual and potential sales, earnings, cash flow and/or book value), and we will not be required to obtain an opinion from an unaffiliated, independent investment banking firm that is a member of FINRA, except, (i) if our initial acquisition transaction is with a target business that is a portfolio company of, or has otherwise received a financial investment from, our founders or their affiliates, or that is affiliated with any of our founders, directors, or officers, or (ii) if our initial acquisition transaction is with any underwriter, or underwriting selling group member or any of their affiliates. In all other instances, we will have no obligation to obtain or provide you with a fairness opinion. Investment banking firms providing fairness opinions typically place limitations on the purposes for which the opinion may be used, and there can be no assurances that, as a result of such limitations or applicable law, shareholders will be entitled to rely on the opinion. We expect to require that any firm selected by us to provide a fairness opinion will adhere to general industry practice in stating the purposes for which its opinion may be used. If no opinion is obtained or if shareholders are not permitted to rely on the opinion, our shareholders will be relying solely on the judgment of our board of directors with respect to the determination of the fair market value of our initial acquisition transaction.

A significant portion of blank check companies with business objectives similar to ours have historically been unable to complete an initial acquisition transaction, and there can be no

assurance that we will be successful in completing an acquisition transaction.

Since 2008 and through October 15, 2012, a total of 46 blank check companies have completed their initial public offering, but only 16 (or approximately 35%) have completed an initial acquisition transaction. Of the remaining 30, 21 (or approximately 46%) are still seeking to complete an acquisition transaction and 9 (or approximately 20%) have dissolved and liquidated their trust to public shareholders. Although we believe that we have a strong acquisition strategy and a capable management team to execute our objectives, we may encounter difficulties in identifying viable acquisition targets, negotiating an acquisition transaction on favorable terms, and consummating an acquisition transaction within the time period required by our Amended and Restated Memorandum and Articles of Association. As a result, there can be no assurance that we will be successful in completing an acquisition transaction within the allotted time and may be forced to dissolve our company and liquidate our trust account.

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If we issue capital securities or redeemable debt securities to consummate our initial acquisition transaction, your equity interest in us could be diluted or there may be a change in control of our company.

Our Amended and Restated Memorandum and Articles of Association authorizes the issuance of up to 150,000,000 ordinary shares, par value $0.0001 per share and 5,000,000 shares of preferred shares, par value $0.0001 per share. Immediately after this offering, there will be 132,367,500 authorized but unissued ordinary shares available for issuance (after appropriate reservation for the issuance of shares upon (i) full exercise of the underwriter s over-allotment option, (ii) full exercise of the underwriter s unit purchase option and (iii) our outstanding warrants, including the redeemable warrants to be issued in this offering and the placement warrants) and 5,000,000 authorized but unissued preferred shares. We have no other commitments as of the date of this offering to issue any additional securities. We may issue a substantial number of additional ordinary shares, including redeemable debt securities, as consideration for or to finance an acquisition transaction, particularly as we intend to focus primarily on acquisitions of middle market companies. We consider middle market companies to be businesses that have reached a scale of at least $150 million of revenue and at least $20 million of earnings before interest, taxes, depreciation and amortization. Our issuance of additional ordinary shares, including upon redemption of any debt securities, may:

- significantly reduce your percentage equity interest in us;
- subordinate the rights of holders of ordinary shares if preferred shares are issued with rights senior to those afforded to our ordinary shares;
- cause a change in control if a substantial number of our ordinary shares are issued, which may affect our ability to use any net operating loss carry forwards, if any, and result in the resignation or removal of our current officers and directors;
- in certain circumstances, have the effect of delaying or preventing a change in control of us by diluting the share ownership or voting rights of a person seeking to obtain control of us; and
- adversely affect the then-prevailing market price for our ordinary shares.

The value of your investment in us may decline if any of these events occur.

The underwriting agreement and our Amended and Restated Memorandum and Articles of Association prohibit us, prior to our initial acquisition transaction, from issuing additional units, additional ordinary shares, preferred shares, additional warrants, or any options or other securities convertible or exchangeable into ordinary shares, or preferred shares, that participate in any manner in the proceeds of the trust account, or which votes as a class with the ordinary shares on an acquisition transaction.

If we acquire a company by issuing debt securities, our post-combination operating results may decline due to increased interest expense or our liquidity may be adversely affected by an acceleration of our indebtedness.

We may elect to enter into an acquisition transaction that requires us to incur debt to finance an acquisition transaction, particularly as we intend to focus primarily on acquisitions of middle market companies. We consider middle market companies to be businesses that have reached a scale of at least $150 million of revenue and at least

$20 million of earnings before interest, taxes, depreciation and amortization. Such incurrence of debt may:

lead to default and foreclosure on our assets if our operating cash flow after an acquisition transaction were insufficient to pay our debt obligations;
cause an acceleration of our obligation to repay debt, even if we are then current in our debt service obligations, if we breach the covenants contained in the terms of any debt documents, such as covenants that require us to meet certain financial ratios or maintain designated reserves, without a waiver or renegotiation of such covenants;
create an obligation to repay immediately all principal and accrued interest, if any, upon demand to the extent any debt is payable on demand;

limit our ability to obtain additional financing, if necessary, if the debt securities contain covenants restricting our ability to obtain additional financing;
require us to dedicate a substantial portion of our cash flow to pay principal and interest on our debt, which will reduce the funds available for dividends on our ordinary shares, working capital, capital expenditures, acquisitions and other general corporate purposes;
limit our flexibility in planning for and reacting to changes in our business and in the industry in which we operate;
make us more vulnerable to adverse changes in general economic, industry, and competitive conditions and adverse changes in government regulation; and
place us at a disadvantage compared to our competitors who have less debt.

Certain of our officers and directors may in the future become affiliated with entities engaged in business activities similar to those intended to be conducted by us and, accordingly, may have conflicts of interest in allocating their time and determining to which entity a particular business opportunity should be presented.

Our officers and directors may in the future become affiliated with entities, including other blank check companies that are engaged in business activities similar to those intended to be conducted by us. Furthermore, each of our principals may become involved with subsequent blank check companies similar to our company. Additionally, our officers and directors may become aware of business opportunities that may be appropriate for presentation to us and the other entities to which they owe fiduciary duties. For a list of the entities to which our officers and directors owe fiduciary duties, see Management Conflicts of Interest. Accordingly, they may have conflicts of interest in determining to which entity time should be allocated or a particular business opportunity should be presented. We cannot assure you that these conflicts will be resolved in our favor. As a result, a potential target business may be presented to another entity with which our officers and directors have a pre-existing fiduciary obligation and we may miss out on a potential transaction.

It is possible that, concurrently with our initial acquisition transaction, some of the entities with which our officers and directors are affiliated could purchase a minority interest in the target company, which may result in conflicts of interest.

It is possible that, concurrently with our initial acquisition transaction, some of the entities with which our officers and directors are affiliated could purchase a minority interest in the target company, subject to the requirement that we must acquire a portion of the business with a value that is equal to at least 80% of the amount in the trust account (excluding taxes payable) and that we acquire a majority of the voting rights of the target company and control of the majority of any governing body of the target company. An investment by one of these entities would result in a conflict of interest for our officers and directors since they would be determining what portion of the target company we would be purchasing and the amount that these other companies would purchase. In connection with any co-investment in a target business, the entity or entities affiliated with our officers and/or directors will be required to pay the same price per share or unit for their interest in the target company as we pay, the other terms of the investment of such affiliated entity or entities will be required to be no more favorable than the terms of our

investment and such investment will require the prior approval by a majority of our disinterested directors. In addition, the registration statement, proxy materials and/or tender offer materials disclosing the acquisition transaction would disclose the terms of the co-investment by the affiliated entity or entities.

Some of our executive officers and directors may remain with us following our initial acquisition transaction, which may result in a conflict of interest in determining whether a particular target business is appropriate for an acquisition transaction and in the public shareholders best interests.

We intend that at least some of our executive officers and directors will continue to be involved in our management following our initial acquisition transaction. Therefore, the personal and financial interests of our executive officers and directors may influence them to condition an acquisition transaction on their retention by us and to view more favorably target businesses that offer them a continuing role, either as an officer, director, consultant, or other third-party service provider, after the acquisition transaction. Our executive officers and directors could be negotiating the terms and conditions of the acquisition transaction on our behalf

It is possible that, concurrently with our initial acquisitiontransaction, some of the entities with which our officers and

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at the same time that they, as individuals, were negotiating the terms and conditions related to an employment, consulting or other agreement with representatives of the potential acquisition transaction candidate. As a result, there may be a conflict of interest in the negotiation of the terms and conditions related to such continuing relationships as our executive officers and directors may be influenced by their personal and financial interests rather than the best interests of our public shareholders.

Our executive officers and directors may allocate their time to other businesses, thereby causing conflicts of interest in their determination as to how much time to devote to our affairs. This could have a negative impact on our ability to consummate our initial acquisition transaction.

Our executive officers and directors are not required to, and will not, commit their full time to our affairs, which may result in a conflict of interest in allocating their time between our operations and the search for an acquisition transaction on the one hand and their other businesses on the other hand. We do not intend to have any full-time employees prior to the consummation of our initial acquisition transaction. While our each of our executive officers has indicated that they intend to devote approximately 20% of their time to affairs, each of our executive officers is engaged in several other business endeavors for which such officer is entitled to substantial compensation and our executive officers are not obligated to contribute any specific number of hours per week to our affairs. See Management Directors and Executive Officers. If our executive officers and directors other business affairs require them to devote substantial amounts of time to such affairs in excess of their current commitment levels, it could limit their ability to devote time to our affairs, which may have a negative impact on our ability to consummate our initial acquisition transaction.

Rental payments to CIS Acquisition Holding Co. Ltd. may present a conflict of interest for certain of our officers and directors.

We have agreed to pay to CIS Acquisition Holding Co. Ltd. a total of $7,500 per month for office space, administrative services and secretarial support for a period commencing on the date of this prospectus and ending on the earlier of our consummation of an acquisition transaction or our liquidation. Payment of such fees shall begin to accrue immediately after this offering and shall be paid at the time of an acquisition transaction, or in the event of our liquidation, only out of interest earned on the trust account or assets not held in trust, if any. CIS Acquisition Holding Co. Ltd. is an affiliate of Anatoly Danilitskiy, our Chairman and Chief Executive Officer, and Taras Vazhnov, our director. This arrangement was agreed to by the Board of Directors for our benefit and is not intended to provide Messrs. Danilitskiy or Vazhnov compensation in lieu of a management fee or other remuneration because it is anticipated that the expenses to be paid by CIS Acquisition Holding Co. Ltd. will approximate the amount of accrued reimbursement. Upon consummation of an acquisition transaction or our liquidation, we will cease to accrue these monthly fees.

Our founders currently control us and may influence certain actions requiring a shareholder vote.

Immediately following this offering, our founders will beneficially own, in the aggregate, approximately 20% of our issued and outstanding ordinary shares. In connection with a shareholder vote to amend Clause 6(3) of our Amended and Restated Memorandum and Articles of Association (the article that contains all of the special provisions applicable to us prior to and in connection with our initial acquisition transaction) prior to consummation of our initial acquisition transaction, our founders have agreed to vote the founders shares in the same manner as a majority of the public shareholders who vote at the special or annual meeting called for such purpose. In addition, each of our founders, directors, and officers has agreed that if he, she or it acquires units or ordinary shares in or following this offering, he, she or it will vote all such acquired units or shares in favor of any acquisition transaction presented to our shareholders by our board of directors, and not to exercise redemption rights in connection with any shares held by such person.

Because our founders and their designees, will hold, in the aggregate, warrants to purchase 4,500,000 ordinary shares included in the placement warrants after an acquisition transaction, the exercise of those warrants may increase the ownership of our founders. This increase could allow our founders to influence the outcome of matters requiring shareholder approval, including the election of directors and executive officers, approval of benefits plans, mergers and significant corporate transactions after consummation of our initial acquisition transaction. Likewise, the ability of our founders, officers, and directors to acquire our units or callable Class A Shares in the open market could allow our founders to influence the outcome of matters requiring shareholder approval that otherwise would not have been approved, but for the purchases by our founders,

officers, and directors in the open market. Moreover, except to the extent shareholder proposals are properly and timely submitted, our directors will determine which matters, including prospective acquisition transactions, to submit to a shareholder vote. As a result, they will exert substantial control over actions requiring a shareholder vote both before and following our initial acquisition transaction.

Certain obligations of our initial shareholders are memorialized in agreements between the initial shareholders, the underwriters of this offering and us and these agreements may be amended to change these obligations or eliminate them entirely.

In connection with this offering, our initial shareholders have agreed to certain obligations, including:

to accept transfer restrictions on the founders shares, placement warrants and underwriter shares and underlying securities and the placement in escrow of the founders shares and underwriter shares;
in connection with a shareholder vote to amend Clause 6(3) of our Amended and Restated Memorandum and Articles of Association (the article that contains all of the special provisions applicable to us prior to and in connection with our initial acquisition transaction) prior to consummation of our initial acquisition transaction, to vote the founders shares in the same manner as a majority of the public shareholders;
if he, she or it acquires units or ordinary shares in or following this offering, he, she or it will not exercise redemption rights in connection with such units or shares;
to waive their rights to participate in any liquidation distribution with respect to the founders shares and underwriter shares if we fail to consummate an initial acquisition transaction;
that he, she or it will not exercise redemption rights with respect to the founders shares and underwriter shares and have agreed not to tender their shares in an issuer tender offer in connection with our initial acquisition transaction;
to advance us the funds necessary to complete a liquidation in the event we do not consummate an acquisition transaction and not to seek repayment for such expenses;
to maintain priority with respect to the fiduciary obligations they owe us as compared to other blank check companies, until such time as we have entered into a definitive agreement with our target business;
if we are unable to complete an acquisition transaction and are forced to dissolve and liquidate, our founders will jointly and severally indemnify us for all claims of contracted parties, to the extent we fail to obtain valid and enforceable waivers from such parties and such claims reduce the amount to be distributed to public shareholders upon our dissolution and the liquidation of our trust account; and
not to participate in a co-investment in a target business unless the terms of such co-investment are no more favorable than the terms of our investment and such investment will require the prior approval by a majority of our disinterested directors.

These obligations are included in one or more of the following agreements, each of which is filed with the registration statement of which this prospectus forms a part: the letter agreements with the representative of the underwriters and each founder, the share purchase agreement with Chardan Capital Markets, LLC, The PrinceRidge Group LLC and Maxim Group LLC, the underwriting agreement with the underwriters, and the escrow agreement with our transfer agent and the founders. Each of these agreements, by their terms, are governed by New York law. In addition, each agreement may be amended or terminated with the consent of each of the parties thereto. Accordingly, if each of the parties to an agreement determine that these obligations are no longer in their best interest, then the agreements may be amended or terminated and these obligations may be changed or eliminated entirely.

Certain obligations of our initial shareholders are memorialized in agreements between the initial shareholders, the

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We may expend financial, management and other resources in researching acquisitions that are not consummated, which could result in the loss of the costs incurred or materially adversely affect subsequent attempts to locate and acquire or merge with another business.

It is anticipated that the investigation of each specific target business and the negotiation, drafting, and execution of relevant agreements, disclosure documents, and other instruments will require substantial management time and attention and substantial costs for accountants, attorneys and others. If a decision is made not to complete a specific acquisition transaction, the costs incurred up to that point for the proposed transaction likely would not be recoverable. Furthermore, even if an agreement is reached relating to a specific target business, we may fail to consummate our initial acquisition transaction for any number of reasons, including those beyond our control such as if greater than 90.0% of public shareholders elect to exercise their redemption rights. Any such event will result in a loss to us of the related costs incurred which could materially adversely affect subsequent attempts to locate and acquire or merge with another business.

Because our founders own or will own securities in us that will not participate in liquidating distributions, they may have a conflict of interest in deciding if a particular target business is an attractive candidate for an acquisition transaction.

Our founders own an aggregate of 1,362,500 of our callable Class A Shares. We will redeem up to 112,500 of the founders shares for no consideration to the extent the underwriters do not exercise the over-allotment option in full. Upon our dissolution and liquidation, none of our founders will have the right to receive distributions from the trust account with respect to the founders shares. In addition, our founders and their designees will purchase 4,500,000 placement warrants immediately prior to the completion of this offering. The $3,375,000 purchase price of the placement warrants will be included in the trust account that is distributed to our public shareholders in the event of our dissolution and liquidation. In the event of our dissolution and liquidation, our founders will not receive distributions from the trust account with respect to the placement warrants and the placement warrants will expire worthless. Therefore, our directors and officers personal and financial interests may influence their motivation in identifying and selecting target businesses and consummating our initial acquisition transaction in a timely manner. This may also result in a conflict of interest when they determine whether the terms, conditions and timing of a particular acquisition transaction are appropriate and in our shareholders best interest.

Unless we complete an acquisition transaction, neither our officers, directors, nor any of their respective affiliates, will receive reimbursement for any out-of-pocket expenses they incur if such expenses exceed the amount available to us for working capital and general corporate purposes. Therefore, they may have a conflict of interest in determining whether a

particular target business is appropriate for an acquisition transaction and in the public shareholders best interest.

Neither our officers, directors, nor any of their respective affiliates, will receive reimbursement for any out-of-pocket expenses reasonably incurred by them to the extent that such expenses exceed the amount not required to be retained in the trust account unless the acquisition transaction is consummated. Our officers and directors may, as part of any such combination, negotiate the repayment of some or all of any such expenses. If the target business owners do not agree to such repayment, this could cause our management to view such potential acquisition transaction unfavorably, thereby resulting in a conflict of interest. The financial interest of our officers, directors, or any of their respective affiliates, could influence their motivation in selecting a target business and thus, there may be a conflict of interest when determining whether a particular acquisition transaction is in the shareholders best interest.

We will probably consummate only one acquisition transaction with the proceeds of this offering, which means that our operations will probably depend on a single business.

The net proceeds from this offering and the offering of the placement warrants, after reserving $450,000 of the proceeds for our operating expenses and $1,425,000 for offering expenses, will provide us with approximately $51,500,000 (approximately $56,135,000, after reserving $236,250 of the proceeds for operating expenses, if the underwriters over-allotment option is exercised in full), which we may use to consummate an initial acquisition transaction. Our initial acquisition transaction must be with one or more target businesses whose fair market value, individually or collectively, is equal to at least 80% of the balance in the trust account (excluding taxes payable) at the time of such acquisition. We may not be able to acquire more than one target business because of various factors, including the existence of complex accounting issues and the requirement

that we prepare and file pro forma financial statements with the SEC that present operating results and the financial condition of several target businesses as if they had been operated on a combined basis. Additionally, we may encounter numerous logistical issues if we pursue multiple target businesses, including the difficulty of coordinating the timing of negotiations, registration statement/proxy materials or tender offer disclosure and closings. We may also be exposed to the risk that our inability to satisfy conditions to closing with respect to the initial acquisition transaction with one or more target businesses would not be satisfied, bringing the fair market value of the initial acquisition transaction below the required threshold of 80% of the balance in the trust account (excluding taxes payable). Due to these added risks, we are more likely to choose a single target business with which to pursue an acquisition transaction than multiple target businesses. Accordingly, the prospects for our success may depend solely on the performance of a single business. If this occurs, our operations will be highly concentrated and we will not be able to diversify our operations or benefit from spreading of risks of offsetting of losses, unlike other entities that have the resources to consummate several acquisition transactions in different industries or areas of a single industry so as to diversify risks and offset losses.

Assuming our securities are approved for listing on the NASDAQ Capital Market, NASDAQ may delist our securities, which could limit investors ability to transact in our securities and subject us to additional trading restrictions.

Assuming our securities are approved for listing on the NASDAQ Capital Market upon consummation of this offering, we cannot assure you that our securities will continue to be listed on the NASDAQ Capital Market after the consummation of this offering. Additionally, it is likely that the NASDAQ Capital Market would require us to meet NASDAQ s initial listing requirements, as opposed to its more lenient continued listing requirements, at the time of our initial acquisition transaction. We cannot assure you that we will be able to meet those initial listing requirements at that time.

If the NASDAQ Capital Market delists our securities from trading, we could face significant consequences, including:

- a limited availability for market quotations for our securities;
- reduced liquidity with respect to our securities;
- a determination that our ordinary shares is a penny stock, which will require brokers trading in our ordinary shares to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our ordinary shares;
- limited amount of news and analyst coverage for our company; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

In addition, we would no longer be subject to NASDAQ Capital Market rules, including rules requiring us to have a certain number of independent directors and to meet other corporate governance standards.

We intend to meet the NASDAQ Capital Market s listing standards without making use of the exemptions for foreign private issuers which make the listing standards less stringent than those for U.S. filers, other than the exemption under NASDAQ Listing Rule 5615 to the requirement under NASDAQ Listing Rule 5635 to obtain shareholder approval of a business combination, which exemption the Company plans to utilize. However, in the future we may rely on other exemptions.

If we are unable to comply with the rules applicable to for foreign private issuers, we may be delisted. If we are delisted, then we will no longer be required to meet the NASDAQ Capital Market s listing standards.

We will probably consummate only one acquisition transactionwith the proceeds of this offering, which means that o

Following the acquisition transaction we may discover or otherwise become aware of adverse information regarding our acquired business, and we may be required subsequently to take write-downs or write-offs, restructuring, and impairment or other charges that could have a significant negative effect on our financial condition, results of operations and our share price, which could cause you to lose some or all of your investment.

We intend to conduct a due diligence investigation for any business we consider. Intensive due diligence is time consuming and expensive due to the operations, accounting, finance and legal professionals who must be involved in the due diligence process. Even if we conduct extensive due diligence on a target business with

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which we combine, we cannot assure you that this diligence will identify all material issues that may be present inside a particular target business, or that factors outside of the target business and outside of our control will not later arise. If our diligence fails to discover or identify material issues relating to a target business, industry or the environment in which the target business operates, we may be forced to later write-down or write-off assets, restructure our operations, or incur impairment or other charges that could result in our reporting losses. Even though these charges may be non-cash items and not have an immediate impact on our liquidity, the fact that we report charges of this nature could contribute to negative market perceptions about us or our securities. In addition, charges of this nature may cause us to violate net worth or other covenants to which we may be subject as a result of assuming debt held by a target business or by virtue of our obtaining post-combination debt financing.

We may have insufficient resources to cover our operating expenses and the expenses of consummating our initial acquisition transaction.

We believe that amounts not held in the trust account, together with the interest income on the balance of the trust account (any amounts in the trust account in excess of $10.30 per share) to be released to us from time to time for working capital requirements, will be sufficient to pay the costs and expenses to which such proceeds are allocated for up to 21 months. Our estimates are also based on the belief that in-depth due diligence will be undertaken only after we have negotiated and signed a letter of intent or other preliminary agreement that addresses the terms of an acquisition transaction. However, if our estimate of the costs of undertaking in-depth due diligence and negotiating an acquisition transaction is less than the actual amount necessary to do so, or if the amounts not held in the trust account is insufficient to pay our costs and expenses, we may be required to raise additional capital, the amount, availability and cost of which is currently unascertainable, through loans or additional investments from our founders, officers, directors or third parties. None of our founders, officers or directors is under any obligation to advance funds to, or invest in, us. Accordingly, we may not be able to obtain additional financing. If we do not have sufficient proceeds to fund our initial acquisition transaction and are unable to obtain additional financing, we may be required to dissolve and liquidate prior to consummating our initial acquisition transaction.

We may enter into agreements with consultants or financial advisers that provide for the payment of fees upon the consummation of our initial acquisition transaction, and, therefore, such consultants or financial advisers may have conflicts of interest.

We may enter into agreements with consultants or financial advisers that provide for the payment of fees upon the consummation of our initial acquisition transaction. If we pay consultants or financial advisers fees that are tied to the consummation of our initial acquisition transaction, they may have conflicts of interest when providing services to us, and their interests in such fees may influence their advice with respect to a potential acquisition transaction. For example, if a consultant s or financial advisor s fee is based on the size of the transaction, then they may be influenced to present us larger transactions that may have lower growth opportunities or long-term value versus smaller transactions that may have greater growth opportunities or provide greater value to our shareholders. Similarly, consultants whose fees are based on consummation of an acquisition transaction may be influenced to present potential acquisition transactions to us regardless of whether they provide longer-term value for our shareholders.

While we will endeavor to structure agreements with consultants and financial advisors to minimize the possibility and extent of these conflicts of interest, we cannot assure you that we will be able to do so and that we will not be impacted by the adverse influences they create.

We may be unable to obtain additional financing if necessary to consummate an acquisition transaction or to fund the operations and growth of the target business, which could compel us to restructure or abandon a particular acquisition transaction.

We may consider an acquisition transaction that will require additional financing, particularly as we intend to focus primarily on acquisitions of middle market companies. We consider middle market companies to be businesses that have reached a scale of at least $150 million of revenue and at least $20 million of earnings before interest, taxes, depreciation and amortization. However, we cannot assure you that we will be able to consummate an acquisition transaction or that we will have sufficient capital with which to consummate a combination with a particular target business. If the net proceeds of this offering and from the private placement of the placement warrants are not sufficient to facilitate a particular acquisition transaction because:

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of the price paid for the target business;
of the depletion of offering proceeds not in the trust account or available to us from interest earned on the trust account balance that is expended in search of a target business; or
we must redeem for cash a significant number of shares owned by shareholders who elect to exercise their redemption rights,

we will be required to seek additional financing. We cannot assure you that such financing would be available on acceptable terms, if at all. If additional financing is unavailable to consummate a particular acquisition transaction, we would be compelled to restructure or abandon that particular acquisition transaction and seek an alternative target business or businesses. In addition, if we consummate an acquisition transaction, we may require additional financing to fund the operations or growth of the target business or businesses. If we fail to secure such financing, this failure could have a material adverse effect on the continued development or growth of our combined business or businesses. Neither our founders, directors nor any other party is required to provide any financing to us in connection with, or following, an acquisition transaction.

Our founders paid an aggregate of $25,000 for the founders shares and, accordingly, you will experience immediate and substantial dilution from the purchase of our ordinary shares.

Our founders acquired an aggregate of 1,362,500 Class A Shares (up to 112,500 of which shares will be redeemed by us for no consideration to the extent that the underwriters do not exercise their over-allotment option in full). The difference between the public offering price per share of our ordinary shares (allocating all of the unit purchase price to the ordinary shares and none to the warrant included in the unit) and the pro forma net tangible book value per share of our ordinary shares after this offering constitutes the dilution to you and other investors in this offering. The fact that our founders acquired their founders shares at a nominal price prior to this offering significantly contributed to this dilution. Assuming this offering is completed and no value is ascribed to the placement warrants, you and the other new investors will incur an immediate and substantial dilution of approximately 70.7% or $7.07 per share (the difference between the pro forma net tangible book value per share after this offering of $2.93, and the initial offering price of $10.00 per unit).

There is no net-cash settlement of the redeemable warrants included in the units.

Holders of the redeemable warrants included in the units sold in this offering are not entitled to net cash settlement. Accordingly, the redeemable warrants may only be settled by delivery of ordinary shares and not cash.

The redeemable warrants included in the units may expire unexercised and unredeemed and, as a result, an investor may pay the entire purchase price of the unit for the shares.

If we are unable to complete a business combination within the allotted time (18 months, or 21 months pursuant to the automatic extension period described herein, from the consummation of this offering), and are forced to liquidate, the warrants will expire and there will be no distribution with respect to our outstanding warrants. In addition, even if we are able to complete an acquisition transaction, there can be no assurance that the price of the ordinary shares

underlying the redeemable warrants will exceed the exercise price of $10.00 or the redemption price of $15.00. Accordingly, the redeemable warrants included in the units may expire unexercised and unredeemed and, as a result, an investor may pay the entire purchase price of the unit for the shares.

Our outstanding warrants may adversely affect the market price of our ordinary shares and make it more difficult to effect an acquisition transaction.

The units being sold in this offering include redeemable warrants to purchase an aggregate of 5,000,000 ordinary shares (or 5,450,000 ordinary shares if the over-allotment option is exercised in full). In addition, we will be issuing in a private placement warrants to purchase 4,500,000 ordinary shares to our founders and their designees. The placement warrants are identical to those redeemable warrants sold as part of the units in this offering except (1) for certain restrictions on transfer; (2) they are non-redeemable and (3) that they may be exercised during the applicable exercise period, on a for cash or cashless basis, at any time after the consolidation of each class of our ordinary shares into one class of ordinary shares after consummation of an acquisition transaction or post-acquisition tender offer, as the case may be, even if there is not an effective

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registration statement relating to the shares underlying the warrants, so long as such warrants are held by the founders or their affiliates. We will also issue to the representative of the underwriters, concurrently with this offering, for a purchase price of $100, an option to purchase 350,000 units, each unit consisting of one ordinary share and one warrant To the extent we issue ordinary shares to consummate an acquisition transaction, the potential for the issuance of a substantial number of additional ordinary shares upon exercise of these warrants could make us a less attractive acquisition vehicle to some target businesses. This is because exercise of the redeemable warrants will increase the number of issued and outstanding ordinary shares and reduce the value of the shares that may be issued to consummate the initial acquisition transaction. Accordingly, the existence of our warrants may make it more difficult to consummate our initial acquisition transaction or may increase the cost of a target business if we are unable to consummate our initial acquisition transaction solely with cash. Additionally, the sale or possibility of sale of the shares underlying the redeemable warrants could have an adverse effect on the market price for our ordinary shares or our units or our ability to obtain future financing. If and to the extent these warrants are exercised, you may experience dilution to your holdings.

Since a majority of the public warrant holders may amend all of the public warrants, your warrants may be changed to your disadvantage without your approval.

Amending the public warrants only requires the approval of a majority of the public warrant holders. Therefore, amendments may be made to your warrants without your approval. Such changes could be to your disadvantage.

There is currently no market for our securities and a market for our securities may not develop, which would adversely affect the liquidity and price of our securities.

There is currently no market for our securities. Investors therefore have no access to information about prior market history on which to base their investment decision. Following this offering, the price of our securities may vary significantly due to our reports of operating losses, one or more potential acquisition transactions, the filing of periodic reports with the SEC, and general market or economic conditions. Furthermore, an active trading market for our securities may never develop or, if developed, it may not be sustained. You may be unable to sell your securities unless a market can be established and sustained. The absence of a market for our securities will likely have an adverse effect on the price of our securities.

If we are deemed to be an investment company, we may be required to institute burdensome compliance requirements and our activities may be restricted, which may make it difficult for us to consummate our initial acquisition transaction or operate over the near term or long-term in our intended manner.

We do not plan to operate as an investment fund or investment company, or to be engaged in the business of investing, reinvesting or trading in securities. Our plan is to acquire, hold, operate and grow for the long-term one or more operating businesses or a portion of such business or businesses. We do not plan to operate as a passive investor or as

a merchant bank seeking dividends or gains from purchases and sales of securities. Our founders are experienced as officers and directors of operating companies. However, we may be deemed to be an investment company under the Investment Company Act if, following this offering and prior to the consummation of our initial acquisition transaction, we are viewed as engaging in the business of investing in securities or we own investment securities having a value in exceeding 40% of our total assets, and may be required to register as an investment company or a registered investment adviser under the U.S. securities laws.

If we are deemed to be an investment company under the Investment Company Act, we may be subject to certain restrictions that may make it difficult for us to complete an acquisition transaction, including:

- corporate governance requirements and requirements regarding mergers and share exchanges;
- restrictions on the nature of our investments;
- restrictions on our capital structure and use of multiple classes of securities; and
- restrictions on our use of leverage and collateral;

each of which may make it difficult for us to consummate our initial acquisition transaction.

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In addition, we may have imposed upon us burdensome requirements, including:

- registration as an investment company;
- adoption of a specific form of corporate structure; and
- reporting, record keeping, voting, proxy, and disclosure requirements, and other rules and regulations;

compliance with which would reduce the funds we have available outside the trust account to consummate our initial acquisition transaction.

We do not believe that our anticipated activities will subject us to the Investment Company Act as the net proceeds of this offering and sale of warrants in our private placement offering that are to be held in the trust account may only be invested by the trustee in government securities with specific maturity dates or money market funds that comply with certain regulations promulgated by the SEC. By restricting the investment of the trust account to these instruments, we intend to meet the requirements for the exemption provided in Rule 3a-1 promulgated under the Investment Company Act. If we were deemed to be subject to the Investment Company Act, compliance with these additional regulatory burdens would require additional expense for which we have not allotted.

We are dependent upon each of Messrs. Danilitskiy, Shostak, Vazhnov, Vasadze, and Ansell, and the loss of one or more of them could adversely affect our ability to operate.

Our operations are dependent upon a relatively small group of individuals. We expect that each of these persons will play a key role in our search for a target business, and we believe that our success in identifying and completing an acquisition transaction with an attractive target business depends on the continued service of these persons, at least until we have consummated our initial acquisition transaction.

Each of Messrs. Danilitskiy, Shostak, Vazhnov, Vasadze, and Ansell will assist us in identifying perspective target businesses by sourcing and performing due diligence on target businesses in Russia and Eastern Europe. In addition, each of these individuals will assist us in closing an acquisition transaction and possibly integrating the target business following such closing. We expect that Messrs. Danilitskiy, Shostak, Vazhnov, Vasadze, and Ansell will negotiate deal terms with target businesses and manage and oversee our advisors and consultants, including legal counsel, accounting professionals and investment banking advisors.

We cannot assure you that such individuals will remain with us for the immediate or foreseeable future. In addition, none of Messrs. Danilitskiy, Shostak, Vazhnov, Vasadze, or Ansell are required to commit any specified amount of time to our affairs and, accordingly, they will have conflicts of interest in allocating management time among various business activities, including identifying potential acquisition transactions and monitoring the related due diligence. We do not have employment or consulting agreements with, or key-man insurance on the life of, one or more of these individuals. The unexpected loss of the services of one or more of these individuals could have a detrimental effect on us and impair our ability to identify and complete an acquisition transaction with an attractive target business.

The determination of the offering price of our units and the size of this offering was more arbitrary than typically would be the case if we were an operating company rather than a blank check company.

Prior to this offering, we had no operating history and there was no public market for any of our securities. The public offering price of the units, the terms of the placement warrants, the aggregate proceeds we are raising and the amount to be placed in trust were negotiated between us and the underwriters.

In determining the size of this offering, our management concluded, based on their collective experience, that an offering of this size, together with the proceeds from the sale of the placement warrants, would provide us with sufficient equity capital to execute our business plan. Although we made this determination assuming a minimal number of redemptions, we believe that this amount of equity capital, plus our ability to finance an acquisition using stock or debt in addition to the cash held in the trust account, will give us substantial flexibility in selecting an acquisition target and structuring our initial acquisition transaction, even with significant redemptions. This belief is not based on any research, analysis, evaluations, discussions, or compilations of information with respect to any particular investment or any such action undertaken in

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connection with our organization. We may not be able to identify acquisition candidates successfully, obtain any necessary financing or consummate a transaction with one or more target businesses at the time of the initial acquisition transaction. Accordingly, the determination of our offering price is more arbitrary than the pricing of securities of an operating company in a particular industry since there are no historical operations.

We may require shareholders who wish to redeem their shares in connection with a proposed acquisition transaction to comply with specific requirements for redemption that may make it more difficult for them to exercise their redemption rights prior to the deadline for exercising their rights.

We may require shareholders exercising redemption rights in connection with a proposed acquisition transaction to either tender their certificates to our transfer agent or to deliver their shares to the transfer agent electronically using the Depository Trust Company s DWAC (Deposit/Withdrawal At Custodian) System at any time up until the business day immediately preceding the consummation of our initial acquisition transaction. We will not require shareholders that hold shares electronically to convert their shares into physical certificates prior to tendering them. We may require these certification and delivery requirements because shareholders of blank check companies who elect to redeem sometimes fail to deliver their share certificates, or change their minds about their intention to redeem, and thereby effectively revoke their redemption election after the acquisition transaction, resulting in an administrative burden for the company and uncertainty relating to its capital structure. In order to obtain a physical share certificate, a shareholder s broker and/or clearing broker, the Depository Trust Company and our transfer agent will need to act to facilitate this request. It is our understanding that shareholders should generally allot at least two weeks to obtain physical certificates from the transfer agent. However, because we do not have any control over the process, it may take significantly longer than two weeks to obtain a physical share certificate and you may not be able to redeem your shares in time. While we have been advised that it takes a short time to deliver shares through the DWAC System, we cannot assure you of this fact. If it takes longer than we anticipate for shareholders to deliver their shares, shareholders who wish to exercise their redemption rights may be unable to meet the deadline for exercising their redemption rights and thus may be unable to redeem their shares.

Because we must furnish our shareholders with audited financial statements of the target business prepared in accordance with applicable accounting standards, we may not be able to consummate an acquisition transaction with some prospective target businesses unless their financial statements are first reconciled to applicable accounting standards.

The federal securities laws require that an acquisition transaction meeting certain financial significance tests include historical and pro forma financial statement disclosure in periodic reports, registration statements and other materials submitted to shareholders. Because our initial acquisition transaction must be with one or more target businesses whose fair market value, individually or collectively, is equal to at least to 80% of the balance in the trust account (excluding taxes payable) at the time of such acquisition, we will be required to provide historical and pro forma financial information to our shareholders in connection with their redemption rights pursuant to an acquisition

transaction with one or more target businesses. These financial statements must be prepared in accordance with applicable accounting standards and the historical financial statements must be audited in accordance with the standards of the applicable oversight board. If a proposed target business, including one located outside of the United States, does not have or is unable to prepare financial statements that have been prepared and audited in accordance with applicable accounting standards, we will not be able to acquire that proposed target business. These financial statement requirements may limit the pool of potential target businesses with which we may combine.

We have elected to use the extended transition period for complying with new or revised accounting standards under Section 7(a)(2)(B) of the Securities Act, which allows us to delay the adoption of new or revised accounting standards that have different effective dates for public and private companies until those standards apply to private companies.

We are an emerging growth company, as defined in the JOBS Act, and will continue to be an emerging growth company until: (i) the last day of our fiscal year following the fifth anniversary of this prospectus, (ii) the date on which we become a large accelerated filer, or (iii) the date on which we have issued an aggregate of $1 billion in non-convertible debt during the preceding 3 years. As an emerging growth company, we have elected to use the extended transition period for complying with new or revised accounting standards under

Section 7(a)(2)(B) of the Securities Act. This election allows us to delay the adoption of new or revised accounting standards that have different effective dates for public and private companies until those standards apply to private companies. As a result of this election, our financial statements may not be comparable to companies that comply with public company effective dates.

We may qualify as a passive foreign investment company (PFIC), which could result in adverse U.S. federal income tax consequences to U.S. investors.

In general, we will be treated as a PFIC for any taxable year in which either (1) at least 75% of our gross income (looking through certain 25% or more-owned corporate subsidiaries) is passive income or (2) at least 50% of the average value of our assets (looking through certain 25% or more-owned corporate subsidiaries) is attributable to assets that produce, or are held for the production of, passive income. Passive income generally includes, without limitation, dividends, interest, rents, royalties, and gains from the disposition of passive assets. If we are determined to be a PFIC for any taxable year (or portion thereof) that is included in the holding period of a U.S. Holder (as defined in the section of this prospectus captioned Taxation U.S. Federal Income Taxation General) of our securities, the U.S. Holder may be subject to increased U.S. federal income tax liability and may be subject to additional reporting requirements. Our actual PFIC status for our current taxable year may depend on whether we qualify for the PFIC start-up exception (see the section of this prospectus captioned Taxation U.S. Federal Income Taxation U.S. Holders Passive Foreign Investment Company Rules). Our actual PFIC status for any taxable year, however, will not be determinable until after the end of such taxable year (or after the end of the start-up period, if later). Accordingly, there can be no assurance with respect to our status as a PFIC for our current taxable year or any subsequent taxable year. We urge U.S. Holders to consult their own tax advisors regarding the possible application of the PFIC rules. For a more detailed explanation of the tax consequences of PFIC classification to U.S. Holders, see the section of this prospectus captioned Taxation U.S. Federal Income Taxation U.S. Holders Passive Foreign Investment Company Rules.

An investment in this offering may involve adverse U.S. federal income tax consequences because the redemption or liquidation price per callable Class A Share or callable Class B Share, as the case may be, is greater than an investor s initial tax basis in a callable Class A Share or callable Class B Share, as the case may be.

Although we intend to take a contrary position, if our callable Class A Shares or callable Class B Shares, as the case may be, are not viewed as participating in our corporate growth (i.e., our future earnings or increases in our net asset value) to any significant extent (other than by reason of any conversion feature), due to our limited potential for corporate growth prior to an acquisition transaction or due to an automatic trust liquidation and distribution if a post-acquisition tender offer is not commenced or completed within the allotted time, there is a risk that an investor s entitlement to receive payments upon redemption of its shares or upon our liquidation in excess of the investor s tax basis in our callable Class A Shares or callable Class B Shares, as the case may be, will result in constructive income to the investor (see Taxation U.S. Federal Income Taxation Allocation of Purchase Price and Characterization of a Unit and its Components). This could affect the timing and character of income recognition and result in U.S. federal

income tax liability to the investor without the investor s receipt of cash from us. Prospective investors are urged to consult their own tax advisors with respect to these tax risks, as well as the specific tax consequences to them of acquiring, holding or disposing of our securities.

Our directors may not be considered independent under the policies of the North American Securities Administrators Association, Inc., which could result in restrictions on your ability to resell our shares.

No salary or other compensation will be paid to our directors for services rendered by them on our behalf prior to or in connection with an acquisition transaction. However, under the policies of the North American Securities Administrators Association, Inc., or the NASAA, an international organization devoted to investor protection, because the majority of our directors own shares of our securities and each of our directors may receive reimbursement for out-of-pocket expenses incurred by them in connection with activities on our behalf (such as identifying potential target businesses and performing due diligence on suitable acquisition transactions), state securities administrators could argue that all of such individuals are not independent, as that term is commonly used. If this were the case, they would take the position that we would not have the benefit of any independent directors examining the propriety of expenses incurred on our behalf and subject to

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reimbursement and could disallow the offering. Although we do not believe that the offerings of previous blank check companies with structures similar to ours have been disallowed, if the offering of our securities were disallowed, resales of our securities could not occur in the applicable jurisdiction (even if such resales would otherwise be permitted and in addition to the risk of disallowance pursuant to the immediately subsequent risk factor). Additionally, there is no limit on the amount of out-of-pocket expenses that could be incurred and there will be no review of the reasonableness of the expenses by anyone other than our board of directors, which would include persons who may seek reimbursement, or a court of competent jurisdiction if such reimbursement is challenged. There are no limitations on the amount of expenses for which they can seek reimbursement, provided such expenses were incurred for our benefit. Although we believe that all actions taken by our directors on our behalf will be in our best interests, whether or not they are deemed to be independent, we cannot assure you that this will actually be the case. If actions are taken, or expenses are incurred that are actually not in our best interests, it could have a material adverse effect on our business and operations, and a material adverse effect on the price of the ordinary shares held by the public shareholders. As such, and because none of our directors may be deemed independent, we may not have the benefit of an independent body examining the propriety of expenses incurred on our behalf that are subject to reimbursement (as discussed above).

Because our initial shareholders initial equity investment was only $25,000, our offering may be disallowed by state administrators that follow the NASAA Statement of Policy on development stage companies.

Pursuant to the Statement of Policy Regarding Promoter s Equity Investment promulgated by the NASAA, any state administrator may disallow an offering of a development stage company if the initial equity investment by a company s promoters does not equal a certain percentage of the aggregate public offering price. The NASAA promulgated the policy because it believes that the policy is consistent with investor protection and in the public interest. The policy permits a securities administrator to disallow offerings if the initial equity investment of the promoters is less than the amount resulting from the following formula: 10% of the first $1,000,000 of the offering, plus 7% of the next $500,000 of the offering, plus 5% of the next $500,000 of the offering, plus 2.5% of the balance of the offering over $2,000,000. Our promoters initial investment of $25,000 is less than the required $1,360,000 minimum amount pursuant to this policy. Accordingly, a state administrator would have the discretion to disallow our offering if it wanted to. Although we do not believe that the offerings of previous blank check companies with structures similar to ours have been disallowed, we cannot assure you that our offering would not be disallowed pursuant to this policy (in addition to the disallowance pursuant to the immediately preceding risk factor). If the offering were disallowed, you would not be able to engage in resale transactions with respect to our securities in the applicable jurisdiction (even if such resales would otherwise be permitted). Additionally, if we are unable to complete an acquisition transaction, our promoters loss will be limited to their initial investment. Conversely, if we are able to complete an acquisition transaction, the ordinary shares acquired prior to this offering will be worth significantly more than $25,000.

Risks associated with acquiring and operating a target business in Russia or Eastern Europe

Emerging markets, such as Russia, are generally subject to greater risks than more developed markets from economic crises that may materially adversely affect on our business, financial condition and results of operations.

In the period from 2000 through the first half of 2008, Russia experienced rapid economic growth, a stable and strengthening currency, higher tax collections, a reduction in inflation and positive capital and current account balances. The Russian economy was adversely affected, however, by the global financial and economic crisis, which began in the second half of 2008. In Russia, the crisis led to extreme volatility in the debt and equity markets, reductions in foreign investment, sharp decreases in gross domestic product, reductions in disposable income, a bank liquidity crisis, significant ruble depreciation against the U.S. dollar and the Euro, and the rise of unemployment.

Although economic conditions have improved, we cannot assure you that the recovery of the economy in Russia or the other countries in which we may acquire a target business will be sustained. In addition, the Russian economy is heavily dependent on exports of natural resources, and therefore particularly sensitive to

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fluctuations in the world prices of crude oil, natural gas and other commodities, which reached record high levels in mid-2008 and have since experienced significant decreases. A sustained decline in the price of crude oil, natural gas and other commodities may further disrupt the Russian economy. Any future deterioration of the international economic situation would likely negatively impact the economies in the countries in which we seek to acquire a business and, as a result, adversely affect the profitability of our business, financial condition and results of operation following an acquisition transaction.

Additionally, global financial or economic crises or financial turmoil in any large emerging market country tend to adversely affect prices in equity markets of most or all emerging markets as investors move their money to more stable, developed markets. The Russian equity markets were highly volatile beginning in the second half of 2008, principally due to the impact of the global financial and economic crises on the Russian economy. Future financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment and adversely affect the economies of the countries in which we operate. In addition, during such times, businesses that operate in emerging markets can face severe liquidity constraints as foreign funding sources are withdrawn. For these reasons, our business, financial condition and results of operations may be materially adversely affected by any future global or emerging market financial crises.

Political and governmental instability in Russia could materially adversely affect our business, financial condition, results of operations and prospects and the value of our securities.

Since 1991, Russia has sought to transform itself from a one-party state with a centrally-planned economy to a democracy with a market economy. As a result of the sweeping nature of the reforms, and the failure of some of them, the Russian political system remains vulnerable to popular dissatisfaction, including dissatisfaction with the results of privatizations in the 1990s, as well as to demands for autonomy from particular regional and ethnic groups.

Current and future changes in the government, conflicts between federal government and regional or local authorities, major policy shifts or lack of consensus between various branches of the government and powerful economic groups could disrupt or reverse economic and regulatory reforms, which could lead to political or governmental instability or the occurrence of conflicts among powerful economic groups.

In addition, political, ethnic, religious, historical and other differences have, on occasion, given rise to tensions and, in certain cases, military conflict between Russia and other countries of the Commonwealth of Independent States, or CIS, and in regions of the Russian Federation, such as Chechnya. Moscow experienced terrorist attacks in 2010 and early 2011, for example, that were perceived as being politically motivated. In addition, the relationship between Russia and Ukraine has experienced extended periods of strain. Political tensions, military conflicts or other material disruptions in Russia or between Russia and other CIS countries can adversely affect prices of shares of companies operating in Russia and, as a result, may cause the market price of our securities to decline. Such instability could have an adverse impact on Russia s economy and investment climate, which could have a material adverse effect on our business, financial condition, results of operations and prospects and the value of our securities following an acquisition transaction with a target business in Russia.

The infrastructure in Russia and Eastern Europe needs significant improvement and investment, which could disrupt

normal business activity.

The infrastructure in Russia and Eastern Europe largely dates back to the Soviet era and has not been adequately funded and maintained since the dissolution of the Soviet Union. Particularly affected are the rail and road networks, power generation and transmission systems, communication systems and building stock. The deterioration of the infrastructure in Russia and Eastern Europe harms the national economy, disrupts the transportation of goods and supplies, adds costs to doing business and can interrupt business operations. These factors could have a material adverse effect on our business, financial condition, results of operations and prospects following an acquisition transaction with a target business in Russia or Eastern Europe.

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The legal system in Russia and other Eastern European countries in which we may operate following our initial acquisition transaction can create an uncertain environment for investment and business activity that could have a material adverse effect on the value of our securities, our business, financial condition and results of operations.

The legal framework supporting a market economy remains new and in flux in Russia and the other Eastern European countries in which we operate and, as a result, the relevant legal systems can be characterized by:

- inconsistencies between and among laws and regulations;
- gaps in the regulatory structure resulting from the delay in adoption or absence of implementing regulations;
- selective enforcement of laws or regulations, sometimes in ways that have been perceived as being motivated by political or financial considerations;
- limited judicial and administrative guidance on interpreting legislation;
- relatively limited experience of judges and courts in interpreting recent commercial legislation;
- a perceived lack of judicial and prosecutorial independence from political, social and commercial forces;
- inadequate court system resources;
- a high degree of discretion on the part of the judiciary and governmental authorities; and
- poorly developed bankruptcy procedures that are subject to abuse.

In addition, as is true of civil law systems generally, judicial precedents generally have no binding effect on subsequent decisions. Not all legislation and court decisions are readily available to the public or organized in a manner that facilitates understanding. Enforcement of court orders can in practice be very difficult. All of these factors make judicial decisions difficult to predict and effective redress uncertain. Additionally, court claims and governmental prosecutions may be used in furtherance of what some perceive to be political aims.

The untested nature of much of recent legislation in Russia and other Eastern European and the rapid evolution of their legal systems may result in ambiguities, inconsistencies and anomalies in the application and interpretation of laws and regulations. Any of these factors may affect our ability to enforce our rights under our contracts or to defend ourselves against claims by others, or result in our being subject to unpredictable requirements, and could have a material adverse effect on the value of our securities and our business, financial condition and results of operations following the acquisition of a target business in Russia or Eastern Europe.

Any U.S. or other foreign judgments that may be obtained against us may be difficult to enforce against us in Russia or Eastern Europe.

Although we are a British Virgin Islands corporation, subject to suit in the British Virgin Islands and other courts, following an initial acquisition transaction to acquire a target business in Russia or Eastern Europe, our assets will be primarily located in Russia or Eastern Europe, and most of our directors and their assets will likely be located outside the United States. Although arbitration awards are generally enforceable in Russia, judgments obtained in the U.S. or in other foreign courts, including those with respect to U.S. federal securities law claims, may not be enforceable in Russia or Eastern Europe. There is no mutual recognition treaty between the United States and the Russian Federation,

and no Russian federal law provides for the recognition and enforcement of foreign court judgments. Similarly, we are not aware of any such treaty or law between the U.S. and other countries in Eastern Europe. Therefore, following the acquisition of a target business in Russia or Eastern Europe, it may be difficult to enforce any U.S. or other foreign court judgment obtained against us or any of our directors in Russia or Eastern Europe.

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Russian securities law may require us to list our securities on a stock exchange in Russia, which could impose additional administrative burdens on us and decrease the liquidity of trading in our securities on NASDAQ.

Russian companies that list their securities on an exchange outside of Russia are required by law to first list their securities concurrently on a licensed Russian stock exchange and to offer their securities in Russia. Since we are incorporated in the British Virgin Islands, we would not be covered by such requirement if we were to acquire a target business in Russia. However, the Russian securities regulator, the Federal Service for Financial Markets, has at various times officially emphasized that foreign issuers with substantial assets in Russia should undertake concurrent listings in Russia, and has proposed to change the securities regulations with the view to making such requirement mandatory. As a result, we can provide no assurance that following the acquisition of a Russian target business, we will not experience pressure to list our shares in Russia, which may impose additional administrative burdens on us and may result in a reduction of the liquidity of trading in our securities if and when they are listed on the NASDAQ Capital Market.

Businesses in Russia and Eastern Europe, especially high-profile companies may be subject to aggressive application of contradictory or ambiguous laws or regulations, or to politically motivated actions, which could materially adversely affect our business, financial condition and results of operations.

Many commercial laws and regulations in Russia and Eastern Europe are relatively new and have been subject to limited interpretation. As a result, their application can be unpredictable. In addition, government authorities have a high degree of discretion in Russia and Eastern Europe and have at times exercised their discretion in ways that may be perceived as selective or arbitrary, and sometimes in a manner that is seen as being influenced by political or commercial considerations. Such actions have included the termination or invalidation of contracts, withdrawal of licenses, sudden and unexpected tax audits, criminal prosecutions and civil actions. Federal and local government entities have also used common defects in documentation as pretexts for court claims and other demands to invalidate and/or to void transactions, possibly for political purposes. We cannot assure you that regulators, judicial authorities or third parties will not challenge our compliance with applicable laws, decrees and regulations. The Russian government has taken various actions in recent years against business people and companies operating in Russia that have been perceived as having been politically motivated, including actions for technical violations of law or violations of laws that have been applied retroactively, such as violations of tax laws. In 2008, for example, government officials publicly criticized transfer pricing arrangements used by a Russian-based company that is publicly traded in the United States, claiming that such arrangements constituted tax evasion. These claims resulted in a steep decline in that company s stock price. Government officials may apply contradictory or ambiguous laws or regulations in ways that have a material adverse effect on our business, financial condition and results of operations. Such actions have on occasion resulted in significant fluctuations in the market prices of the securities of businesses operating in Russia and Eastern Europe, a weakening of investor confidence in Russia and Eastern Europe and doubts about the progress of market and political reforms in Russia and Eastern Europe.

High-profile businesses in Russia can be particularly vulnerable to politically motivated actions. Some Russian television broadcasters, for example, have experienced what some would characterize as politically motivated actions, including efforts to effect changes of control. We cannot guarantee that, following the acquisition of a target business in Russia, we will not be affected by politically motivated actions that could materially adversely affect our operations.

Corruption and negative publicity could negatively impact our business and the value of our securities

The local press and international press have reported high levels of corruption in Russia, including unlawful demands by government officials and the bribery of government officials for the purpose of initiating investigations by government agencies. Press reports have also described instances in which government officials engaged in selective investigations and prosecutions to further the commercial interests of certain government officials or certain companies or individuals. Additionally, there are reports of the Russian media publishing disparaging articles in return for payment. If we are accused of involvement in government corruption, the resulting negative publicity could disrupt our ability to successfully acquire a business or conduct our business following our initial acquisition transaction and impair our relationships with customers, suppliers and other parties, which could have a material adverse effect on our business, financial condition and results of operations and the value of our securities following the acquisition of a target business in Russia.

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Restrictions on foreign ownership imposed by Russian legislation may hinder or prevent us as a non-Russian party from acquiring a target business.

In May 2008, the Federal Law On the Procedure for Foreign Investments in Companies which are Strategically Important for the State Defense and National Security (the Strategic Companies Law) came into force in Russia, which restricts foreign ownership of companies involved in certain strategically important activities in Russia.

In accordance with the Strategic Companies Law, a strategically important company is a Russian registered commercial entity which engages in at least one activity of strategic importance. The list of the activities of strategic importance set forth in the Strategic Companies Law includes, among other things, military, nuclear and space operations, aviation, TV and radio broadcasting, telephone operations, conducting geological surveys, exploration and development of subsoil resources on subsoil plots of federal importance.

Russian law sets forth certain other limitations on foreign investments in Russian legal entities:

The Federal Law On Banks and Banking Activity authorizes the Central Bank of the Russian Federation to prohibit transfers of shares or participation interests in Russian banks to non-residents; and
The Federal Law On Organization of Insurance Activity in the Russian Federation prohibits insurance companies engaged in certain types of insurance activity to have more than 49% of the charter capital belonging to foreign investors.

Under the provisions of the Strategic Companies Law, the direct or indirect acquisition of more than 25% of the voting power of a strategically important company by a foreign state, foreign governmental organization, international organization or entity controlled by a foreign government, or international organization, or the acquisition of more than 50% of the voting power of such a company by any other foreign investor or any of its affiliated companies, requires the prior approval of a Russian government committee chaired by the Prime Minister. In addition, it is our understanding that foreign investors or their group companies that are controlled by a foreign state or a foreign government or international organization are prohibited from owning more than 50% of the voting power of a strategically important company. Moreover, it is our understanding that the acquisition of 5% or more of the shares of a strategically important company triggers a notification requirement to the Federal Antimonopoly Service. Failure to obtain the required governmental approval prior to an acquisition would render the acquisition null and void.

Because we must acquire a controlling interest in a target business, if we seek to acquire a target business in Russia that is deemed to be a strategically important company, we may be subject to the Strategic Companies Law. Such approval process is likely to be time-consuming and may, in any event, ultimately result in a rejection of a proposed transaction. As a result, we may lose out on acquisition opportunities to competitors, and our ability to grow our business through acquisitions in Russia may be limited. Even if the authorities approve such a transaction, they may do so subject to conditions regarding the operation of the company including, for example, the composition of its management that may limit our effective control and operational flexibility.

Additionally, following a successful acquisition of a target business in Russia, we may be subject to the Strategic Companies Law if the target business was either a strategically important company at the time of acquisition or that becomes strategically important in the future. We believe that if we become subject to the Strategic Companies Law, then any foreign state, foreign governmental organization, international organization or entity controlled by a foreign government, or international organization, that seeks to acquire more than 25% of our outstanding securities, or any other foreign investor or its affiliated entities that seeks to acquire more than 50% of our voting securities would be

subject to prior approval by the Russian government. Moreover, a non-Russian government entity would be prohibited from acquiring more than 50% of the voting power of our outstanding securities.

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If we acquire a target business that is determined to hold a dominant position in our markets, Russian authorities could impose limitations on our operational flexibility which may adversely affect our business, financial condition and results of operations following such acquisition.

The Russian anti-monopoly authorities impose various requirements on companies that occupy a dominant position in their markets. If we acquire a target business in Russia that is a dominant player in one or more of the markets in which it operates, the Russian authorities could impose limitations on our future acquisitions and a requirement that we pre-clear with the authorities any changes to our material agreements with our business partners. In addition, if we were to decline to conclude a contract with a third party this could, in certain circumstances, be regarded as abuse of a dominant market position. Any abuse of a dominant market position could lead to administrative penalties and fines. These limitations may reduce our operational and commercial flexibility and responsiveness, which may adversely affect our business, financial condition and results of operations following the acquisition of a target business in Russia.

Businesses in Russia and Eastern Europe can be subject to aggressive actions by financial groups seeking to obtain control through the exercise of economic or political influence or government connections.

Well-funded, well-connected financial groups and so-called oligarchs have, from time to time, sought to obtain operational control and/or controlling or minority interests in attractive businesses in Russia and Eastern Europe by means that have been perceived as relying on economic or political influence or government connections. Should we acquire a target business in Russia or Eastern Europe, we may be subject to such efforts in the future and, depending on the political influence of the parties involved, our ability to thwart such efforts may be limited.

Characteristics of and changes in the Russian tax system or unpredictable or unforeseen application of existing rules could materially adversely affect our business, financial condition, results of operations and prospects and the value of our securities following acquisition of a target business in Russia.

Generally, Russian companies are subject to numerous taxes. These taxes include, among others:

- profits tax;
- value-added tax, or VAT;
- unified social tax;
- mineral extraction tax; and
- property and land taxes.

Laws related to these taxes have been in force for a short period relative to tax laws in more developed market economies and few precedents with regard to the interpretation of these laws have been established. Global tax reforms commenced in 1999 with the introduction of Part One of the Tax Code of the Russian Federation, as amended, or the Russian Tax Code, which sets general taxation guidelines. Since then, Russia has been in the process of replacing legislation regulating the application of major taxes such as corporate profits tax, VAT and property tax with new chapters of the Russian Tax Code.

In practice, the Russian tax authorities generally interpret the tax laws in ways that rarely favor taxpayers, who often have to resort to court proceedings to defend their position against the tax authorities. Events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretations of the legislation and assessments. Differing interpretations of tax regulations exist both among and within government ministries and organizations at the federal, regional and local levels, creating uncertainties and inconsistent enforcement. Tax declarations, together with related documentation such as customs declarations, are subject to review and investigation by a number of authorities, each of which may impose severe fines, penalties and interest charges. Generally, in an audit, taxpayers are subject to inspection with respect to the three calendar years which immediately preceded the year in which the audit is carried out. Previous audits do not completely exclude subsequent claims relating to the audited period because Russian tax law authorizes upper-level tax inspectorates to re-audit taxpayers which were audited by subordinate tax inspectorates. In addition, on July 14, 2005, the Russian Constitutional Court issued a decision that allows the statute of limitations for tax liabilities to be extended beyond the three-year term set forth in the tax laws if a court determines that a taxpayer has obstructed or hindered a tax audit. We believe that, as a result of the fact

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that none of the relevant terms are defined, tax authorities may have broad discretion to argue that a taxpayer has obstructed or hindered an audit and ultimately seek back taxes and penalties beyond the three year term. In some instances, new tax regulations have been given retroactive effect.

Moreover, it is our understanding that financial results of Russian companies cannot be consolidated for tax purposes. Therefore, following our acquisition of a Russian target business, we believe that each of the Russian subsidiaries of the target business will pay its own Russian taxes and may not offset its profit or loss against the loss or profit of any of our other subsidiaries. In addition, it is our understanding that intercompany dividends paid by Russian companies are subject to a withholding tax of: (1) 0%, if distributed to company which has continuously held not less than a 50% share in the charter capital of the company paying dividends and the cost of acquisition of this share exceeded 500 million rubles (the latter condition expired on January 1, 2011, and does not apply to dividends accrued for 2010 and subsequent periods); (2) 9%, if distributed to other Russian companies and/or individuals who are Russian tax residents; and (3) 15%, if distributed to foreign companies and individuals who are not Russian tax residents. Dividends from foreign companies to Russian companies are subject to a tax of 9%. Taxes paid in foreign countries by Russian companies may be offset against payment of these taxes in the Russian Federation up to the maximum amount of the Russian tax liability. We believe that in order to apply the offset, a company is required to confirm the payment of taxes in the foreign country. The confirmations must be authorized by the tax authority of the foreign country if taxes were paid by the company itself, and the confirmation must be authorized by the tax agent if taxes were withheld by the tax agent under foreign tax law or an international tax agreement.

In addition, application of current Russian thin capitalization rules could affect our ability to deduct interest on certain borrowings that we would otherwise be able to deduct. In particular, following acquisition of a target business in Russia, we may not be able to deduct interest on loans we extend to our Russian subsidiaries or on borrowings which our subsidiaries receive from independent banks and which are guaranteed by us.

The foregoing conditions create tax risks in Russia that are more significant than typically found in countries with more developed tax systems, imposing additional burdens and costs on our operations, including management resources. Should we acquire a Russian target business, these risks and uncertainties would complicate our tax planning and related business decisions, potentially exposing us to significant fines and penalties and enforcement measures despite our best efforts at compliance.

Changes in the exchange rate of the ruble (or the local currency if we acquire a target elsewhere) against the U.S. dollar may materially adversely affect our results of operations.

Following an acquisition of a target business in Russia, the ruble (or the local currency if we acquire a target elsewhere) would likely become the functional currency of our principal operating subsidiaries. As a result, our reported revenues and results of operations are impacted by fluctuations in the exchange rate between the U.S. dollar and the Russian ruble (or the local currency if we acquire a target elsewhere). Additionally, if substantially all of our revenues are generated in rubles (or the local currency if we acquire a target elsewhere), we will face exchange rate risk relating to payments that we must make in currencies other than the ruble (or the local currency if we acquire a target elsewhere). If the ruble (or the local currency if we acquire a target elsewhere) depreciates against the U.S. dollar, our revenues and operating results for 2012 or future periods, as reported in U.S. dollars, will be adversely affected.

Limitations on the conversion of rubles into foreign currencies in Russia could cause us to default on our obligations.

Following an acquisition of a target business in Russia, much of our indebtedness and major capital expenditures would likely be denominated and payable in various foreign currencies, including the U.S. dollar and euro. Russian legislation currently permits the conversion of ruble revenues into foreign currency without limitation. However, if the Russian authorities impose limitations on the convertibility of the ruble or other restrictions on operations with rubles and foreign currencies in the event of an economic crisis, there may be delays or other difficulties in converting rubles into foreign currency to make a payment or delays in or restrictions on the transfer of foreign currency. This, in turn, could limit our ability to meet our payment and debt obligations, which could result in the loss of suppliers, acceleration of debt obligations and cross-defaults and, consequently, have a material adverse effect on our business, financial condition, results of operations and prospects.

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In the event the title to the Russian target business we acquire is successfully challenged, we risk losing our ownership interest in that company or its assets.

The Russian statute of limitations for challenging privatization transactions is three years. However, because Russian privatization legislation is vague, internally inconsistent and in conflict with other legislation, including conflicts between federal and local privatization legislation, and the statute of limitations for challenging certain actions related to privatization may be argued to begin to run only upon the discovery of a violation, many privatizations are vulnerable to challenge. In the event that we acquire a privatized company in Russia and we are unable to defeat a claim that challenges our title to, or our ownership stake in, such privatized company, we risk losing our ownership interest in the company or its assets, which could materially adversely affect our business, financial condition, results of operations and prospects.

In addition, it is our understanding that under Russian law, transactions in shares may be invalidated on many grounds, including a sale of shares by a person without the right to dispose of such shares, breach of interested party and/or major transaction rules and/or the terms of transaction approvals issued by government authorities, or failure to register the share transfer in the securities register. As a result, defects in earlier transactions with shares of a target business (where such shares were acquired from third parties) may cause our title to such shares to be subject to challenge.

The assets of a target business in Russia may be nationalized or expropriated despite existing legislation to protect against nationalization and expropriation.

Although the Russian government has enacted legislation to protect property against expropriation and nationalization and to provide fair compensation to be paid if such events were to occur, there can be no certainty that such protections will be enforced. This uncertainty is due to several factors, including the lack of state budgetary resources, the lack of an independent judicial system and the lack of sufficient mechanisms to enforce judgments.

The concept of property rights is not as well established in the Russian Federation as in western economies and there is not a great deal of experience in enforcing legislation enacted to protect private property against nationalization and expropriation. As a result, following acquisition of a target business in Russia, we may not be able to obtain proper redress in the courts, and may not receive adequate compensation if in the future the Russian Government decides to nationalize or expropriate some or all of our assets. Should such expropriation or nationalization occur without fair compensation in the future, it may have a material adverse effect on our business, results of operations, financial condition and prospects.

A target business or its subsidiaries could be forced into liquidation on the basis of formal non-compliance with certain requirements of Russian law, which could materially adversely affect our business, financial condition, results of operations and prospects following acquisition of such target business.

Certain provisions of Russian law may allow a court to order liquidation of a Russian legal entity on the basis of its formal non-compliance with certain requirements during formation, reorganization or during its operation. There have been cases in the past in which formal deficiencies in the establishment process of a Russian legal entity or non-compliance with provisions of Russian law have been used by Russian courts as a basis for liquidation of a legal entity. For example, it is our understanding that under Russian corporate law, if a Russian company s net assets calculated on the basis of Russian accounting standards at the end of its third or any subsequent financial year, fall below its share capital, the company must decrease its share capital to the level of its net assets value or initiate a voluntary liquidation. In addition, if a Russian company s net assets calculated on the basis of Russian accounting standards at the end of its second or any subsequent financial year, fall below the minimum share capital required by law, the company must initiate voluntarily liquidation not later than six months after the end of such financial year. If the company fails to comply with either of the requirements stated above within the prescribed time limits, the company s creditors may accelerate their claims and demand reimbursement of applicable damages, and governmental authorities may seek involuntary liquidation of the company. We believe that many Russian companies have negative net assets due to very low historical asset values reflected on their balance sheets prepared in accordance with Russian accounting standards; however, their solvency, i.e., their ability to pay debts as they become due, is not otherwise adversely affected by such negative net assets.

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Following acquisition of a target business in Russia, if involuntary liquidation of the target or its subsidiaries were to occur, then we may be forced to reorganize the operations we may conduct through the affected subsidiaries. Any such liquidation could lead to additional costs, which could materially adversely affect our business, financial condition, results of operations and prospects.

Failure to comply with existing laws and regulations could result in substantial additional compliance costs or various sanctions which could materially adversely affect our business, financial condition, results of operations and prospects following acquisition of a target business in Russia or Eastern Europe.

Following an acquisition of a target business in Russia or Eastern Europe, our operations and properties will be subject to regulation by various government entities and agencies in connection with obtaining and renewing various licenses, permits, approvals and authorizations, as well as with ongoing compliance with existing laws, regulations and standards. Government authorities in countries where we seek to acquire a target business exercise considerable discretion in matters of enforcement and interpretation of applicable laws, regulations and standards, the issuance and renewal of licenses, permits, approvals and authorizations, and in monitoring licensees compliance with the terms thereof which may result in unexpected audits, criminal prosecutions, civil actions and expropriation of property. Authorities have the right to, and frequently do, conduct periodic inspections of our operations and properties throughout the year.

Our failure to comply with existing laws and regulations or to obtain and comply with all approvals, authorizations and permits required for our operations or findings of governmental inspections may result in the imposition of fines or penalties or more severe sanctions including the suspension, amendment or termination of our licenses, permits, approvals and authorizations or in requirements that we cease certain of our business activities, or in criminal and administrative penalties applicable to our officers. Arbitrary government actions directed against other Russian or Eastern European companies (or the consequences of such actions) may generally impact on the Russian or Eastern European economy, including the securities market. Any such actions, decisions, requirements or sanctions could increase our costs and materially adversely affect our business, financial condition, results of operations and prospects following acquisition of a target business in Russia or Eastern Europe.

Our need to comply with applicable Russian laws and regulations could hamper our ability to offer services that compete effectively with those of our foreign competitors and may adversely affect our business, financial condition and results of operations.

Following an acquisition of a target business located in Russia, we may have global competitors that have their principal operations outside of Russia, putting them generally outside of the jurisdiction of Russian courts and government agencies, even though some of them have offices in Russia. Russian laws and regulations that may be applicable to us, but not to our foreign competitors, may impede our ability to develop and offer products or services that compete effectively with those offered by our foreign-based competitors and generally available worldwide over

the internet. Any inability on our part to offer products or services that are competitive with those offered by our foreign competitors may adversely affect our business, financial condition and results of operations.

Shareholder liability under Russian legislation could cause us to become liable for the obligations of the subsidiaries of a target business.

The Civil Code of the Russian Federation, as amended, or the Civil Code, and the Joint-Stock Companies Law generally provide that shareholders in a Russian joint-stock company are not liable for the obligations of the joint-stock company and bear only the risk of loss of their investment. This may not be the case, however, when one entity is capable of determining decisions made by another entity. The entity capable of determining such decisions is deemed an effective parent. The entity whose decisions are capable of being so determined is deemed an effective subsidiary. We believe that under the Joint-Stock Companies Law, an effective parent bears joint and several responsibility for transactions concluded by the effective subsidiary in carrying out these decisions if:

this decision-making capability is provided for in the charter of the effective subsidiary or in a contract between such entities; and

the effective parent gives obligatory directions to the effective subsidiary based on the above-mentioned decision-making capability.

In addition, an effective parent is secondarily liable for an effective subsidiary s debts if an effective subsidiary becomes insolvent or bankrupt due to the fault of an effective parent resulting from its action or inaction. We believe that this would be the case no matter how the effective parent s ability to determine decisions of the effective subsidiary arises. For example, this liability could arise through ownership of voting securities or by contract. Other shareholders of the effective subsidiary may claim compensation for the effective subsidiary s losses from the effective parent which caused the effective subsidiary to take action or fail to take action knowing that such action or failure to take action would result in losses. Accordingly, while the liability of our individual shareholders who do not have a controlling interest in our company would be limited to their investment, we could be liable in some cases for the debts of the subsidiaries of a target business. This liability could have a material adverse effect on our business, financial condition, results of operations and prospects following acquisition of a Russian target business.

Shareholder rights provisions under Russian law could result in significant additional obligations on us.

It is our understanding that Russian law provides that shareholders that vote against or do not participate in voting on certain matters have the right to request that the company redeem their shares at value determined in accordance with Russian law. The decisions of a general shareholders meeting that trigger this right include:

- decisions with respect to a reorganization;
- the approval by shareholders of a major transaction, which, in general terms, is a transaction involving property worth more than 50% of the gross book value of the company s assets calculated according to Russian accounting standards, regardless of whether the transaction is actually consummated, except for transactions undertaken in the ordinary course of business; and
- the amendment of the company s charter in a manner that limits shareholder rights.

Should we acquire a target business in Russia, our obligation (or obligation of the target s subsidiaries) to purchase shares in these circumstances, which is limited to 10% of our net assets, calculated in accordance with Russian accounting standards at the time the matter at issue is voted upon, could have a material adverse effect on our business, financial condition, results of operations and prospects due to the need to expend cash on such obligatory share purchases.

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ENFORCEABILITY OF CIVIL LIABILITIES

We are a company incorporated under the laws of the British Virgin Islands and administered from outside the United States, and a majority of our assets will be located outside the United States. Our U.S. agent for service of process is National Corp. However, it may be difficult for investors to effect service of process on us or our officers or directors within the United States in a way that will permit a U.S. court to have jurisdiction over us.

Our corporate affairs will be governed by our Amended and Restated Memorandum and Articles of Association, the Act, and the common law of the British Virgin Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us under British Virgin Islands law are to a large extent governed by the Act and the common law of the British Virgin Islands. The common law of the British Virgin Islands is derived in part from comparatively limited judicial precedent in the British Virgin Islands, as well as from English common law, the decisions of whose courts are considered persuasive authority but are not binding on a court in the British Virgin Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under British Virgin Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the British Virgin Islands has a less developed body of securities laws as compared to the United States, and some states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law. In addition, British Virgin Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States.

The British Virgin Islands courts are also unlikely:

to recognize or enforce against us judgments of U.S. courts based on certain civil liability provisions of U.S. securities laws; and
to impose liabilities against us, in original actions brought in the British Virgin Islands, based on certain civil liability provisions of U.S. securities laws that are penal in nature.
We have been advised by Forbes Hare that there is no statutory recognition in the British Virgin Islands of judgments obtained in the United States, although the courts of the British Virgin Islands will in certain circumstances recognize and enforce a non-penal judgment of a foreign court and treat it as a cause of action in itself which may be sued upon as a debt at common law so that no retrial of the issues would be necessary provided that: (i) the U.S. court issuing the judgment had jurisdiction in the matter and the company either submitted to such jurisdiction or was resident or carrying on business within such jurisdiction and was duly served with process; (ii) the judgment given by the U.S. court was not in respect of penalties, taxes, fines or similar fiscal or revenue obligations of the company; (iii) in obtaining judgment there was no fraud on the part of the person in whose favor judgment was given or on the part of the court; (iv) recognition or enforcement of the judgment would not be contrary to public policy in the British Virgin Islands; and (v) the proceedings pursuant to which judgment was obtained were not contrary to natural justice. In appropriate circumstances, a British Virgin Islands Court may give effect in the British Virgin Islands to other kinds of final foreign judgments such as declaratory orders, orders for performance of contracts and injunctions.

As a result of all of the above, public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as public shareholders of a U.S. company.

Following an acquisition transaction we anticipate that a substantial portion of our assets will be located in the Russian Federation. In addition, most of our directors and officers are nationals or residents of the Russian Federation and all or a substantial portion of their assets are located in the Russian Federation.

Judgments rendered by a court in any jurisdiction outside the Russian Federation will generally be recognized by courts in the Russian Federation only if an international treaty providing for recognition and enforcement of judgements in civil cases exists between the Russian Federation and the country where the judgement is rendered or if a federal law is adopted in Russia providing for the recognition and enforcement of court judgements of the country where the judgement is rendered. There is no treaty between the United States and the Russian Federation providing for reciprocal recognition and enforcement of foreign court judgments in civil and commercial matters, and no relevant federal law on enforcement of foreign court judgements has been adopted in the Russian Federation. In two recent instances, however, Russian courts have recognized and

enforced foreign court judgments (an English court judgment in one instance and a Dutch court judgment in the other instance) on the basis of a combination of the principle of reciprocity and the existence of a number of bilateral and multilateral treaties to which both the United Kingdom and the Russian Federation, and both the Netherlands and the Russian Federation, respectively, are parties. The courts determined that such treaties constituted grounds for the recognition and enforcement of the relevant foreign court judgment in Russia. In the absence of an established court practice, however, no assurances can be given that a Russian court would be inclined in any particular instance to recognize and enforce a foreign court judgment on these or similar grounds. In addition, Russian courts have limited experience in the enforcement of foreign court judgments. Moreover, there is doubt regarding whether a Russian court would enforce liabilities predicated upon the civil liability provisions of the federal securities laws of the United States, or the laws of other jurisdictions in which investors may be located, in an original action.

The Russian Federation is a party to the United Nations (New York) Convention of the Recognition and Enforcement of Foreign Arbitral Awards of 1958. But it may be difficult to enforce arbitral awards in the Russian Federation due to a number of factors, including limited experience of Russian courts in international commercial transactions, official or unofficial political resistance to enforcement of awards against Russian companies in favor of foreign investors, Russian courts' inability to enforce such orders, and corruption. The possible need to re-litigate in the Russian Federation a judgment obtained in a foreign court on the merits may also significantly delay the enforcement of such judgment.

Accordingly, it may be difficult or impossible for investors to:

- effect service of process within the United States, or other jurisdictions in which investors may be located, upon us or our directors and officers;
- enforce judgments obtained in courts in the United States, or other jurisdictions in which investors may be located, against us or our directors and officers; or
- enforce, in original actions brought in courts in the Russian Federation, liabilities predicated upon the civil liability provisions of the federal securities laws of the United States, or the laws of other jurisdictions in which investors may be located.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The statements contained in this prospectus that are not purely historical are forward-looking statements. Our forward-looking statements include, but are not limited to, statements regarding our or our management s expectations, hopes, beliefs, intentions or strategies regarding the future. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words anticipates, believe, continue, could, estimate, expect, intend, plan, possible, potential, predict, project, should, would and similar expressions may identify forward statements, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements in this prospectus may include, for example, statements about our:

ability to complete a combination with one or more target businesses;
success in retaining or recruiting, or changes required in, our officers or directors following our initial acquisition transaction;
officers and directors allocating their time to other businesses and conflicts of interest that might arise with our officers and directors with respect to the allocation of business opportunities and the consummation of any acquisition transaction;
expectations regarding the involvement of our management following our initial acquisition transaction;
delisting of our securities from the NASDAQ Capital Market or the ability to have our securities listed on the NASDAQ Capital Market following our initial acquisition transaction;
estimates regarding the operating expenses of our business before the consummation of our initial acquisition transaction and the beliefs that upon completion of the private placement of the placement warrants and this offering, we will have sufficient funds to operate for the next 18 months, or 21 months pursuant to the automatic period extension, assuming that our initial acquisition transaction is not consummated during that time;
potential inability to obtain additional financing to consummate our initial acquisition transaction;
limited pool of prospective target businesses;
ability and the ability of our officers and directors to generate a number of potential investment opportunities;
potential change in control if we acquire one or more target businesses for equity securities;
public shares limited liquidity and trading;
use of proceeds not in the trust account; or
financial performance following this offering.

The forward-looking statements contained in this prospectus are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to, those factors described under the heading Risk Factors. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws and/or if and when management knows or has a reasonable basis on which to conclude that previously disclosed projections are no longer reasonably attainable.

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USE OF PROCEEDS

We estimate that the net proceeds of this offering and the sale of the placement warrants will be as set forth in the following table:

	Without Over-Allotment Option Exercised	With Over-Allotment Option Exercised
Gross proceeds		
Gross proceeds from the offering	$50,000,000	$54,500,000
Gross proceeds from the sale of the placement warrants	3,375,000	3,375,000
Total gross proceeds	$53,375,000	$57,875,000
Underwriting expenses:		
Underwriting discount	$900,000	$978,750
Total underwriting expenses	$900,000	$978,750
Offering expenses:(2),(3)		
Legal fees and expenses	$350,000	$350,000
Printing and engraving expenses	35,000	35,000
Accounting fees and expenses	35,000	35,000
SEC and FINRA registration fees	26,831	26,831
NASDAQ initial listing application fees	75,000	75,000
Miscellaneous expenses (including Blue Sky fees)	3,169	3,169
Total offering expenses	$525,000	$525,000
Total underwriting and offering expenses:	$1,425,000	$1,503,750
Net proceeds from the offering and the sale of the placement warrants:		
Held in trust	$51,500,000	$56,135,000
Not held in trust	450,000	236,250
Total net proceeds	$51,950,000	$56,371,250
Proceeds held in trust for the benefit of our public shareholders	$51,500,000	$56,135,000
Percentage of gross public offering proceeds held in trust account	103.0 %	103.0 %

Working capital funded from net proceeds not held in the trust account and interest earned on monies held in the trust account (assuming the over-allotment option is exercised in full)(4)	Amount(5)	Percentage of Total
Legal, accounting and other non-due diligence expenses, including structuring and negotiating an acquisition transaction	$ 100,000	42.3 %
Due diligence of prospective target businesses by officers, directors, and initial shareholders	25,000	10.6 %
Legal and accounting fees relating to SEC reporting obligations	75,000	31.7 %
Reserve for liquidation expense	10,000	4.2 %
Working capital to cover miscellaneous expenses, D&O insurance, general corporate purposes, liquidation obligations and reserves	26,250	11.1 %
Total	$ 236,250	100.0 %

(1) The underwriters will receive an underwriting discount equal to 1.8% of the gross proceeds from the sale of units in the firm commitment offering, and 1.75% of the gross proceeds from the sale of units pursuant to an exercise of the over-allotment option.

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(2) No discounts or commissions will be paid with respect to the sale of the placement warrants. Excludes the payment of $100 from the underwriters for the unit purchase option, $3,400 from Chardan Capital Markets, LLC, The PrinceRidge Group LLC and Maxim Group LLC for the underwriter shares, and the proceeds from the exercise of any warrants.

(3) These expenses are estimates only. Our actual expenditures for some or all of these items may differ from the estimates set forth herein.

(4) The amount of proceeds not held in the trust account will decrease in the event the over allotment options is exercised in order to ensure that the pro rata share of the trust account remains at $10.30 per public share. We estimate that the amount of interest we will earn on the trust account will be negligible (between $6,500 for 18 months and $8,000 for 21 months at current interest rates), and will therefore not be a significant source of working capital for us. For purposes of presentation, the minimum amount available to us is shown as the total amount of net proceeds available to us.

(5) The amount available to us for expenses and working capital will be the same regardless of whether the over-allotment option is exercised. In the event that our operating expenses exceed the working capital available to us from net proceeds not held in trust account and interest earned on monies held in the trust account (any amounts in the trust account in excess of $10.30 per share), our founders may fund any working capital requirements through loans to be paid back upon the consummation of an acquisition transaction.

In addition to the offering of units by this prospectus, our founders and their designees have committed to purchase the placement warrants from us for an aggregate purchase price of $3,375,000. These purchases will take place on a private placement basis immediately prior to the consummation of this offering. We will not pay any discounts or commissions with respect to the purchase of the placement warrants. All of the proceeds we receive from this purchase will be placed in the trust account described below.

A total of approximately $51,500,000 (or approximately $56,135,000 if the underwriters over-allotment option is exercised in full) of the net proceeds from this offering and the sale of the placement warrants described in this prospectus will be placed in a trust account at J.P. Morgan with Continental Stock Transfer & Trust Company as trustee. We expect that the trust assets will be held in an account located outside of the United States. Net proceeds of this offering in the amount of at least $236,250 will not be held in the trust account. We believe the proceeds of this offering initially available to us outside of the trust account, together with the interest income on the balance of the trust account (any amounts in the trust account in excess of $10.30 per share) to be released to us from time to time for working capital requirements, will be sufficient to allow us to operate for at least the next 21 months, assuming an acquisition transaction is not completed during that time.

Except for any amounts paid to redeeming shareholders in connection with our initial acquisition transaction, the proceeds held in the trust account will not be released from the trust account until (i) the consolidation of each class of our ordinary shares into one class of ordinary shares after consummation of an acquisition transaction or a post-acquisition tender offer, (ii) our liquidation of the trust account in the event we do not consummate an acquisition transaction prior to 18 months (or 21 months pursuant to the automatic period extension) following the consummation of this offering or (iii) our liquidation of the trust account in the event we do not commence a post-acquisition tender offer within 30 days of consummation of the acquisition transaction or consummate the post-acquisition tender offer within the earlier of 6 months of consummating the acquisition transaction or 21 months of consummation of this offering. All amounts held in the trust account that are not:

- distributed to shareholders who exercise redemption rights;
- released to us for working capital purposes and general corporate requirements (any amount in the trust account in excess of $10.30 per public share);
- released to us to pay taxes; or

a pro rata share of the trust account that may be released to us for each callable Class A Share (excluding the founders shares) converted to a Class C Share upon completion of an acquisition transaction;

will be released to us upon the consolidation of each class of ordinary shares into one class of ordinary shares after consummation of an initial acquisition transaction or, post-acquisition tender offer, as the case may be.

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The proceeds held in the trust account may be used as consideration to pay the sellers of a target business with which we complete an acquisition transaction. Any amounts not paid as consideration to the sellers of the target business may be used to finance operations of the target business.

Our initial acquisition transaction must be with one or more target businesses whose fair market value, individually or collectively, is equal to at least 80% of the balance held in our trust account (excluding taxes payable) at the time of such acquisition. The fair market value of the target will be determined by our board of directors based upon an analysis conducted by them (which may include an analysis of actual and potential sales, earnings, cash flow and/or book value). We anticipate structuring an acquisition transaction to acquire 100% of the equity interests or assets of the target business. We may, however, structure an acquisition transaction to acquire less than 100% of such interests or assets of the target business, but we will not acquire less than a controlling interest and will in all instances be the controlling shareholder of the target company. The key factors that we will rely on in determining controlling shareholder status would be our acquisition of more than 50% of the voting rights of the target company and control of the majority of any governing body of the target company. Our Amended and Restated Memorandum and Articles of Association require that we acquire a controlling interest in a target business in connection with an acquisition transaction. We will not consider any transaction that does not meet such criteria.

Upon release of funds from the trust account, and after payment of the redemption price to any shareholders who exercise their redemption rights, the remaining funds will be released to us and can be used to pay all or a portion of the purchase price of the business or businesses with which our initial acquisition transaction occurs. If the initial acquisition transaction is paid for using equity or debt securities or additional funds from a private offering of debt or equity securities or borrowings, we may apply the cash released to us from the trust account for general corporate purposes, including for maintenance or expansion of operations of the acquired business or businesses, the payment of principal or interest due on indebtedness incurred in consummating our initial acquisition transaction, to fund the purchase of other companies, or for working capital.

Intercarbo Holding AG, an entity controlled by one of our founders, Taras Vazhnov, has loaned us a total of $402,155, which amount was used to pay a portion of the expenses of this offering referenced in the line items above related to the SEC registration fee, the FINRA filing fee and a portion of the legal and audit fees and expenses. Of this amount, $180,155 is due promptly after the consummation of this offering, $52,000 is due on the earlier of April 30, 2013 or the date of consummation of this offering, and $170,000 is due on the earlier of July 16, 2013 or the date of consummation of this offering. These loans do not bear any interest. The loans will be repaid out of the proceeds of this offering not placed in the trust account.

We have agreed to pay to CIS Acquisition Holding Co. Ltd. a total of $7,500 per month for office space, administrative services and secretarial support for a period commencing on the date of this prospectus and ending on the earlier of our consummation of an acquisition transaction or our liquidation. Payment of such fees shall begin to accrue immediately after this offering and shall be paid at the time of an acquisition transaction, or in the event of our liquidation, only out of interest earned on the trust account or assets not held in trust, if any. CIS Acquisition Holding Co. Ltd. is an affiliate of Anatoly Danilitskiy, our Chairman and Chief Executive Officer, and Taras Vazhnov, our director. This arrangement was agreed to by our Board of Directors for our benefit and is not intended to provide Messrs. Danilitskiy or Vazhnov compensation in lieu of a management fee or other remuneration because it is anticipated that the expenses to be paid by CIS Acquisition Holding Co. Ltd. will approximate the amount of accrued reimbursement. Upon consummation of an acquisition transaction or our liquidation, we will cease to accrue these monthly fees.

We believe that amounts not held in the trust account and the interest income that may be released to us (all amounts in the trust account in excess of $10.30 per public share) and will be sufficient to pay the costs and expenses to which

such proceeds are allocated for up to 21 months. Our estimates are based on the fact that in-depth due diligence will be undertaken only after we have negotiated and signed a letter of intent or other preliminary agreement that addresses the terms of an acquisition transaction. However, if our estimate of the costs of undertaking in-depth due diligence and negotiating an acquisition transaction is lower than the actual amount necessary to do so, or in the event the amounts not held in the trust account is insufficient to pay our costs and expenses, we may be required to raise additional capital, the amount, availability and cost of which is

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currently unascertainable, through loans or additional investments from our founders or our officers and directors. None of our founders, officers or directors is under any obligation to advance funds to, or invest in, us.

The net proceeds from this offering and the private placement of the placement warrants that are not immediately required for the purposes set forth above will be invested only in U.S. government securities (as such term is defined in the Investment Company Act) and/or one or more money market funds, selected by us, which invest principally in either short-term securities issued or guaranteed by the United States having a rating in the highest investment category granted thereby by a recognized credit rating agency at the time of acquisition or short-term municipal bonds issued by governmental entities located within the United States, so that we are not deemed to be an investment company under the Investment Company Act.

Other than the fee for office space and administrative and secretarial services described above, we will not pay fees of any kind (including finder s and consulting fees) to any of our officers, or directors, or any of their affiliates, for services rendered to us prior to or in connection with the consummation of the acquisition transaction. However, our officers and directors and their respective affiliates will receive reimbursement for any reasonable out-of-pocket expenses incurred by them in connection with identifying, investigating and consummating a potential acquisition transaction with one or more target businesses. There are no limitations on the amount of expenses for which they can seek reimbursement, provided such expenses were incurred for our benefit. We expect that due diligence of prospective target businesses will be monitored or performed by Anatoly Danilitskiy, our Chief Executive Officer and Chairman, and Kyle Shostak, our Chief Financial Officer, Secretary and a director. In addition to our management team, our special advisor, Alexey Chuykin, and our regional mergers and acquisitions consultant, Alex Lyamport, will advise and assist us from time to time in identifying a target business and consummating an acquisition transaction. Additionally, we may engage market research firms and/or third-party consultants. Our board of directors will have the responsibility of reviewing and approving all expense reimbursements made to our founders, officers or directors, and their respective affiliates, with any interested director or directors abstaining from such review and approval. To the extent that such expenses exceed the available proceeds not deposited in the trust account, such out-of-pocket expenses would not be reimbursed by us unless we consummate an acquisition transaction. These expenses would be a liability of the post-combination business and would be treated in a manner similar to any other account payable of the combined business. Our officers and directors may, as part of any such acquisition transaction, negotiate the repayment of some or all of any such expenses. If the target business owners do not agree to such repayment, this could cause our directors to view such potential acquisition transaction unfavorably and result in a conflict of interest. Although we currently expect that the members of our management team will become a part of the management team of the combined entity, since the actual role of each present member of management after an acquisition transaction is uncertain, we have no current ability to determine what remuneration, if any, will be paid to those persons after an acquisition transaction.

A public shareholder will be entitled to receive funds from the trust account only (i) upon our automatic voluntary trust account liquidation if we fail to consummate our initial acquisition transaction within the allotted time, (ii) upon our liquidation of our trust account if we fail to commence or complete our post-acquisition tender offer within the allotted time, or (iii) if the public shareholder seeks to have us redeem their shares for cash in connection with an acquisition transaction that was actually consummated. In no other circumstances will a public shareholder have any right or interest of any kind in or to the funds in the trust account.

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DIVIDEND POLICY

We have not paid any dividend on our ordinary shares to date and we do not intend to pay cash dividends or make any distributions prior to the consummation of our initial acquisition transaction. The payment of dividends in the future will be contingent upon our revenues and earnings, if any, capital requirements and general financial condition subsequent to completion of an acquisition transaction. The payment of any dividends subsequent to an acquisition transaction will be within the discretion of our then board of directors. After an acquisition transaction, we expect to retain all earnings, if any, for use in our business operations and, accordingly, our board does not anticipate declaring any dividends in the foreseeable future.

Immediately prior to this offering, our founders hold an aggregate of 1,362,500 ordinary shares for which they paid an aggregate purchase price of $25,000 (up to 112,500 of which shares will be redeemed by us for no consideration to the extent that the underwriters do not exercise their over-allotment option in full), an amount that is equal to 20% of the total of the founder shares and the number of shares that will be sold in this offering. In addition, if the underwriters determine that the size of the offering should be increased or decreased, a share dividend, share combination or a contribution back to capital, as applicable, would be effectuated in order to maintain our founders ownership at 20% of the total of the founder shares and the number of shares that will be sold in this offering. We will not make or receive any cash payment in respect of any such adjustment.

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DILUTION

The difference between the public offering price per callable Class A Share, assuming no value is attributed to the redeemable warrants included in the units, and the pro forma net tangible book value per ordinary share after this offering and the private placement of the placement warrants constitutes the dilution to investors in this offering. Net tangible book value per share is determined by dividing our net tangible book value, which is our total tangible assets less total liabilities (including the value of the ordinary shares which may be redeemed for cash), by the number of issued and outstanding ordinary shares (including callable Class A Shares). The information below assumes the payment in full of the underwriting discounts and commissions, including amounts held in the trust account, and no exercise of the over-allotment option.

At October 31, 2012, our net tangible book value (excluding offering costs incurred in advance before this offering) was a deficit of $(322,217), or approximately $(0.24) per ordinary share. After giving effect to the sale of 5,000,000 callable Class A Shares included in the units (but excluding shares underlying the redeemable warrants included in the units) in this offering, the sale of 4,500,000 placement warrants and the sale of 170,000 underwriter shares, and the deduction of underwriting discounts and commissions and estimated expenses of this offering, our pro forma net tangible book value (as decreased by the value of 4,500,000 public shares which may be redeemed for cash) at October 31, 2012, would have been $5,623,628 or $2.93 per share, representing an immediate increase in net tangible book value of $3.17 per share to our founders and an immediate dilution of $7.07 per share or 70.7% to new investors not exercising their redemption rights.

For purposes of presentation, our pro forma net tangible book value after this offering and the private placement of the placement warrants is approximately $46,350,000 less than it otherwise would have been because if we effect an acquisition transaction, the redemption rights of the public shareholders, other than our founders, may result in the redemption for cash of up to 4,500,000 shares at a per share redemption price equal to the amount in the trust account, including accrued but undistributed interest, net of (i) interest earned on the trust account that may be released to us to pay any taxes we incur, (ii) interest earned by the trust account that may be released to us from time to time to fund our working capital and general corporate requirements and (iii) a pro rata share of the trust account that may be released to us for each callable Class A Share (excluding the founders shares) converted to a Class C Share upon completion of an acquisition transaction, calculated as of two business days prior to the liquidation of the trust, divided by the number of ordinary shares included in the units sold in this offering. We estimate that the amount of interest we will earn on the trust account will be negligible (between $6,500 for 18 months and $8,000 for 21 months at current interest rates), and will therefore not be a significant source of working capital for us.

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The following table illustrates the dilution to the new investors on a per share basis, assuming no value is attributed to the redeemable warrants included in the units:

Initial public offering price		$ 10.00
Net tangible book value before this offering and the private placement of the placement warrants	$(0.24)	
Increase attributable to new investors	$3.17	
Pro forma net tangible book value after this offering and the private placement of the placement warrants		2.93
Dilution to new investors that do not subsequently exercise their redemption rights		$ 7.07

The following table sets forth information with respect to our founders and the new investors:

	Shares Purchased		Total Consideration		Average Price Per Share
	Number[(1)]	Percentage	Amount	Percentage	
Founders shares	1,250,000	19.47 %	$ 25,000	0.05 %	$ 0.02
Underwriter shares	170,000	2.65 %	3,400	0.01 %	$ 0.02
New investors	5,000,000	77.88 %	50,000,000	99.94 %	$ 10.00
Total	6,420,000	100.00 %	$ 50,028,400	100.00 %	

(1) Does not include (i) 450,000 callable Class A Shares included in the units issuable upon the exercise in full of the over-allotment option, (ii) 112,500 founders shares that we will redeem for no consideration in the event the over-allotment option is not exercised in full, (iii) the 5,000,000 ordinary shares underlying the redeemable warrants comprising the units offered in this offering, or (iv) the 4,500,000 ordinary shares underlying the placement warrants.

The pro forma net tangible book value after this offering and the private placement of the placement warrants is calculated as follows:

Numerator:	
Net tangible book value before this offering and sale of the placement warrants	$(322,217)
Net proceeds from this offering, the private placement of the placement warrants and the underwriter warrants	51,953,500
Plus: offering costs incurred in advance, excluded from tangible book value before this offering	342,345
Less: proceeds held in the trust account subject to redemption for cash[(2)] (4,500,000 × $10.30)	(46,350,000)
Total net tangible book value after this offering and the private placement of the placement warrants	$5,623,628
Denominator	
Ordinary shares outstanding prior to this offering and the private placement of the placement warrants[(1)]	1,250,000
Underwriter shares to be issued immediately prior to the closing of this offering	170,000
Callable Class A Shares included in the units offered in this offering	5,000,000
Less: shares subject to redemption (5,000,000 × 90.0%)	(4,500,000)

1,920,000

(1) Does not include 112,500 founders shares underlying the founders shares that we will redeem for no consideration in the event the over-allotment option is not exercised in full.

(2) If the acquisition transaction is consummated, public shareholders who exercised their redemption rights would be entitled to receive $10.30 per share.

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CAPITALIZATION

The following table sets forth our capitalization on:

an actual basis at October 31, 2012; and

an as adjusted basis to give effect to the sale of the founders shares to our founders, the placement warrants to our founders and their designees, the underwriter shares to the underwriter, the units in this offering and the application of the estimated net proceeds derived from the sale of such securities.

	As of October 31, 2012	
	Actual	As Adjusted
Note payable to affiliate of shareholder[1]	$322,155	$
Ordinary shares, $0.0001 par value, 0 and 4,500,000 shares that are subject to possible redemption, shares at redemption value[2][3]		46,350,000
Shareholders equity:		
Ordinary shares, $0.0001 par value, 150,000,000 shares authorized; 1,362,500 shares issued and outstanding and 1,920,000 shares issued and outstanding (excluding 4,500,000 shares subject to possible redemption), as adjusted	136	192
Additional paid-in capital	24,856	5,628,309
Deficit accumulated during the development stage	(4,873)	(4,873)
Total shareholders equity	20,127	5,623,628
Total capitalization	$342,274	$51,973,628

(1) Amounts received pursuant to promissory notes issued to Intercarbo Holding AG, a company controlled by Taras Vazhnov, our director, which is due promptly after the consummation of this offering. These funds were used to pay the NASDAQ initial listing fee and a portion of the expenses of this offering including the SEC registration fee, the FINRA filing fee and a portion of the legal and audit fees and expenses.

(2) If we consummate an acquisition transaction or post-acquisition tender offer, the redemption rights afforded to our public shareholders may result in the redemption for cash of up to 90.0% of the aggregate number of public shares sold in this offering at a per share redemption price equal to the aggregate amount then on deposit in the trust account (initially $10.30 per unit), including accrued but undistributed interest, net of (i) interest earned on the trust account that may be released to us to pay any taxes we incur, (ii) interest earned by the trust account that may be released to us from time to time to fund our working capital and general corporate requirements and (iii) a pro rata share of the trust account that may be released to us for each callable Class A Share (excluding the founders shares) converted to a Class C Share upon completion of an acquisition transaction, calculated as of two business days prior to the liquidation of the trust, divided by the number of callable Class A Shares included in the units sold in this offering. We estimate that the amount of interest we will earn on the trust account will be negligible (between $6,500 for 18 months and $8,000 for 21 months at current interest rates), and will therefore not be a significant source of working capital for us.

(3) Our founders have agreed not to redeem any founders shares held by them.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are a newly formed company established under the laws of the British Virgin Islands with no operating results to date. Therefore, our ability to begin operations is dependent upon obtaining financing through the public offering of our securities. The report of our independent registered public accountants on our financial statements includes an explanatory paragraph stating that our ability to continue as a going concern is dependent on the consummation of this offering. The financial statements do not include any adjustments that might result from our inability to consummate this offering or our ability to continue as a going concern.

We are an innovated public acquisition company, or IPAC^SM, formed to acquire, through a merger, capital share exchange, asset acquisition, share purchase or similar acquisition transaction, one or more operating businesses. An IPAC is a blank check company that permits the company to return funds from the trust account to redeeming shareholders after the acquisition transaction is completed, as described in more detail below, which is different from most other blank check companies that are required to return funds from the trust account prior to, or at, the time the acquisition transaction is completed. Although our Amended and Restated Memorandum and Articles of Association do not limit us to a particular geographic region, we intend to focus on operating businesses with primary operations in Russia or Eastern Europe. Our efforts to identify a prospective target business will not be limited to a particular industry. To date, our efforts have been limited to organizational activities.

We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act, or the JOBS Act, and will continue to be an emerging growth company until: (i) the last day of our fiscal year following the fifth anniversary of the date of this prospectus, (ii) the date on which we become a large accelerated filer, or (iii) the date on which we have issued an aggregate of $1 billion in non-convertible debt during the preceding 3 years. As an emerging growth company, we are entitled to rely on certain scaled disclosure requirements and other exemptions, including an exemption from the requirement to provide an auditor attestation to management s assessment of its internal controls as required by Section 404(b) of the Sarbanes-Oxley Act of 2002. We have elected to use the extended transition period for complying with new or revised accounting standards under Section 7(a)(2)(B) of the Securities Act, and we may continue to utilize such extended transition period for as long as we qualify as an emerging growth company, or until such time as we affirmatively and irrevocably opt out of such extended transition period. See the risk factor entitled We have elected to use the extended transition period for complying with new or revised accounting standards under Section 7(a)(2)(B) of the Securities Act, which allows us to delay the adoption of new or revised accounting standards that have different effective dates for public and private companies until those standards apply to private companies. As a result of this election, our financial statements may not be comparable to companies that comply with public company effective dates.

We do not have any specific acquisition transaction under consideration or contemplation, and we have not, nor has anyone on our behalf, contacted any prospective target business or had any discussions, formal or otherwise, with respect to such a transaction. We have not, in any capacity (not has any of our agents or affiliates) been approached by, any candidates (or representative of any candidates), with respect to a possible acquisition transaction with our company. Additionally, we have not, nor has anyone on our behalf, taken any measure, directly or indirectly, to identify or locate any suitable acquisition candidate, nor have we engaged or retained any agent or other representative

to identify or locate any such acquisition candidate. We intend to effect an acquisition transaction using the cash from the proceeds of this offering, our capital securities, debt or a combination of cash, capital securities and debt.

Our initial acquisition transaction must be with one or more target businesses whose fair market value, individually or collectively, is equal to at least 80% of the balance held in our trust account (excluding taxes payable) at the time of such acquisition. The fair market value of the target will be determined by our board of directors based upon an analysis conducted by them (which may include an analysis of actual and potential sales, earnings, cash flow and/or book value). We anticipate structuring an acquisition transaction to acquire 100% of the equity interests or assets of the target business. We may, however, structure an acquisition transaction to acquire less than 100% of such interests or assets of the target business, but will not acquire less than a controlling interest and will in all instances be the controlling shareholder of the target company.

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The key factors that we will rely on in determining controlling shareholder status would be our acquisition of more than 50% of the voting rights of the target company and control of the majority of any governing body of the target company. We will not consider any transaction that does not meet such criteria. If we acquire only a controlling interest in a target business or businesses, the portion of such business that we acquire must have a fair market value equal to at least 80% of the amount in the trust account (excluding taxes payable), as described above. If we determine to acquire several businesses simultaneously and such businesses are owned by different sellers, we will need for each of such sellers to agree that our purchase of its business is contingent on the simultaneous closings of the other acquisitions, which may make it more difficult for us, and delay our ability, to complete the acquisition transaction. With multiple acquisitions, we could also face additional risks, including additional burdens and costs with respect to possible multiple negotiations and due diligence investigations (if there are multiple sellers) and the additional risks associated with the subsequent integration of the operations and services or products of the acquired companies into a single operating business.

The foregoing notwithstanding, in the course of their other business activities, our management team has had contact with or gained familiarity with many businesses that may meet our investment criteria and, therefore, could be a target business. However, any such discussions were in the ordinary course of the business activities of the members of our management team, and no discussions of any kind have taken place with any such business, whether directly or indirectly, regarding the potential for a transaction between us and such business.

The issuance of additional securities in an acquisition transaction:

- may significantly dilute the equity interest of our shareholders;
- may cause a change in control if a substantial number of ordinary shares or voting preferred shares are issued which may affect our ability to use our net operating loss carry forwards, if any, and may also result in the resignation or removal of one or more of our officers and directors;
- may subordinate the rights of holders of ordinary shares if we issue preferred shares with rights senior to those afforded to our ordinary shares;
- may have the effect of delaying or preventing a change of control of us by diluting the share ownership or voting rights of a person seeking to obtain control of us; and
- may adversely affect prevailing market prices for our ordinary shares.

Similarly, debt securities issued by us in an acquisition transaction may result in:

- default and foreclosure on our assets if our operating revenues after an acquisition transaction were insufficient to pay our debt obligations;
- acceleration of our obligations to repay the indebtedness even if we have made all principal and interest payments when due if the debt security contained covenants requiring the maintenance of certain financial ratios or reserves and any such covenant was breached without a waiver or renegotiation of that covenant;
- our immediate payment of all principal and accrued interest, if any, if the debt security was payable on demand; and
- our inability to obtain additional financing, if necessary, to the extent any debt securities contain covenants restricting our ability to obtain additional financing while such debt security was outstanding, or to the extent our existing leverage discourages other potential investors.

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Effecting an Acquisition Transaction; Shareholder Redemption Rights

Unlike many other blank check companies, we are not required to have a shareholder vote to approve our initial acquisition transaction, unless the nature of the acquisition transaction would require shareholder approval under applicable British Virgin Islands law. Shareholder approval would normally only be required under British Virgin Islands law where the acquisition transaction involved a statutory merger of our company with another company or a scheme of arrangement sanctioned by the courts of the British Virgin Islands where our shareholders would give up or transfer their shares in our company in consideration of the issue of shares in another company which would alter the rights attached to our shares or amendments to our memorandum and articles of association. A merger of our wholly-owned subsidiary with another company would not normally require shareholder approval under our Amended and Restated Memorandum and Articles of Association or the BVI Business Companies Act. Accordingly, we will have a high degree of flexibility in structuring and consummating our initial acquisition transaction, and currently intend to structure our initial acquisition transaction so that a shareholder vote is not required. Notwithstanding, our Amended and Restated Memorandum and Articles of Association provide that public shareholders will be entitled to redeem or will have their shares automatically redeemed for cash equal to the pro rata portion of the trust account (initially $10.30 per unit) in connection with our initial acquisition transaction, regardless of how it is structured.

The manner in which public shareholders may redeem their shares or will have their shares automatically redeemed will depend on the structure of the transaction. We intend to structure our initial acquisition transaction and shareholder redemption rights in one of the following ways:

Pre-acquisition tender offer: At the discretion of our directors and if a shareholder vote is not required by British Virgin Islands law, we may structure the acquisition transaction as an acquisition that does not require shareholder approval. Prior to the consummation of such an acquisition transaction, we would initiate a tender offer by filing tender offer documents with the SEC in accordance with Rule 13e-4 and Regulation 14E of the Securities and Exchange Act of 1934, as amended, or the Exchange Act. The tender offer would be for all outstanding callable Class A Shares at a price equal to a pro rata share of the trust account. The tender offer documents would include information substantially similar to that which would be required in connection with a proxy statement compliant with U.S. securities regulations regarding the solicitation of shareholder votes to approve an acquisition transaction, and the closing of the acquisition transaction would be cross-conditioned with the closing of the tender offer. Our initial shareholders have agreed to not tender any shares they own in such tender offer. Public shareholders will be entitled to tender all or a portion of their callable Class A Shares in a pre-acquisition tender offer, and we will not pro-rate any shares tendered. We would proceed with an acquisition transaction only if public shareholders owning no more than 90.0% of the public shares exercise their redemption rights. The redemption threshold was set at 90.0% so that we would have more than $5,000,000 in net tangible assets following our initial public offering, which means we are not required to comply with Rule 419 of the Securities Act. See the section entitled Proposed Business Comparison of This Offering to those Blank Check Companies Subject to Rule 419.

Post-acquisition tender offer: At the discretion of our directors and if a shareholder vote is not required by British Virgin Islands law, we may structure the acquisition transaction as an acquisition transaction that does not require shareholder approval and that would only require us to engage in a tender offer post-transaction. Prior to the consummation of such an acquisition transaction, we will file a Report of Foreign Private Issuer on Form 6-K with the SEC disclosing that we have entered into a definitive acquisition transaction agreement, that we intend to consummate the transaction without a shareholder vote or a pre-acquisition tender offer, and that would include disclosure regarding the target (including audited financial statements of the target, risk factors and Management s Discussion and Analysis of Financial Condition and Results of Operations) and the proposed transaction similar to what would be included in a proxy statement compliant with U.S. securities regulations regarding the solicitation of shareholder

votes to approve an acquisition transaction. After such Form 6-K is on file with the SEC, we would close the acquisition transaction upon satisfaction of all closing conditions and within 30 days of the closing, commence a tender offer for all outstanding callable Class B Shares by filing tender offer documents with the SEC in

accordance with Rule 13e-4 and Regulation 14E of the Exchange Act. Public shareholders will be entitled to tender all or a portion of their callable Class B Shares in a post-acquisition tender offer, and we will not pro-rate any shares tendered. The tender offer documents would include the same information about the target business as was contained in the Form 6-K discussed above. The release to us of the proceeds from this offering held in the trust account would be conditioned on the closing of the tender offer.

In connection with the post-acquisition tender offer, public shareholders would be subject to a redemption threshold of 90.0%, whereby public shareholders holding no more than 90.0% of the public shares exercise their redemption rights. The redemption threshold was set at 90.0% so that we would have more than $5,000,000 in net tangible assets following our initial public offering, which means we are not required to comply with Rule 419 of the Securities Act. See the section entitled Proposed Business Comparison of This Offering to those Blank Check Companies Subject to Rule 419. As provided in our Amended and Restated Memorandum and Articles of Association, we may not proceed with an acquisition transaction in contemplation of a post-acquisition tender offer if holders of 90.0% or more of the shares sold in this offering may participate in such post-acquisition tender offer. If we structure the acquisition transaction in this manner, then depending on the amount of money our target business requires us to retain in the trust account after shareholders have been given the right to redeem and to ensure that we maintain the 90.0% redemption threshold, we must, after the Form 6-K is filed with the SEC, seek that certain shareholders (holders of 5% or more of the public shares who are also accredited investors) elect to convert all of their callable Class A Shares into Class C Shares immediately prior to consummation of the acquisition transaction, with any remaining callable Class A Shares other than founders shares automatically converting to callable Class B Shares immediately following consummation of the acquisition transaction. The founder s shares and the underwriter shares will also automatically convert into Class C shares on a one-for-one basis immediately following consummation of an acquisition transaction. We will contact the accredited investors to seek conversion of our Class A Shares through contacts that investment bankers or other service providers that we engage have. It is not anticipated that such accredited investors will receive any information greater than that released to the public unless such accredited investors sign a non-trading and non-disclosure agreement with us. We will determine who we can solicit by examining a non-objecting beneficial owner list and public filings relating to beneficial ownership in order to determine the stockholders who own greater than 5% of our ordinary shares. The automatic conversion of the callable Class A Shares to callable Class B Shares is necessary to avoid the possibility that the shareholders who elect to convert their callable Class A Shares to Class C Shares be deemed to be participating in the post-acquisition tender offer and to have received different (i.e. Class C Shares versus cash equal to a pro rata portion of the trust account) consideration for shares tendered in the offering. We would seek out such shareholders immediately prior to the consummation of the acquisition transaction. The exchange ratio of callable Class A Shares for Class C Shares would be on a one-for-one basis and other than the exchange of shares, no other compensation will be paid to converting shareholders. Upon closing of the acquisition transaction, all remaining callable Class A Shares will be automatically converted into callable Class B Shares on a one-for-one basis, which would be eligible to participate in any post-acquisition tender offer. The Class C Shares issuable upon conversion of the Class A Shares are not being offered and are not being registered in connection with this offering.

The tender offer would be for all outstanding callable Class B Shares at a price equal to a pro rata share of the trust account (which pro rata share would be based on the total number of shares issued in our initial public offering). Holders of callable Class A Shares who elect to convert their shares into Class C Shares prior to consummation of the acquisition transaction would not be entitled to participate in the issuer tender offer, while holders of callable Class A Shares that have their shares automatically converted to callable Class B Shares would be entitled to participate in the issuer tender offer. If we (i) fail to commence the issuer tender offer within 30 days of consummation of the acquisition transaction, (ii) fail to complete the issuer tender offer within 6 months of consummation of the acquisition transaction or (iii) in any event, fail to consummate a post-acquisition tender offer within 21 months of the consummation of this offering, then within 5

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business days thereafter, we will automatically liquidate the trust account and release to our public shareholders, except for holders of Class C Shares, a pro rata portion of the trust account. The holders of Class C Shares and public warrant holders will continue to hold their securities in us. If we are unable to obtain sufficient conversions to Class C Shares to ensure that we maintain the 90.0% threshold, we will not be able to consummate the acquisition transaction. For more information about the various rights of each class of our securities, see Description of Securities, and for more information about voluntary and automatic conversion of our callable Class A Shares into Class C Shares in connection with a post-acquisition tender offer, see Proposed Business Effecting an Acquisition Transaction Post-Acquisition Tender Offer.

If we are no longer an FPI and shareholder approval of the transaction is required by British Virgin Islands law or the NASDAQ Capital Market or we decide to obtain shareholder approval for business reasons, we will:

conduct the redemptions in conjunction with a proxy solicitation pursuant to Regulation 14A of the Exchange Act, which regulates the solicitation of proxies, and not pursuant to the tender offer rules, and

file proxy materials with the SEC.

The redemption rights described above are only available to holders of callable Class A Shares or callable Class B Shares, as the case may be. If we are required to offer redemption rights to all holders of our ordinary shares, our founders have agreed to not tender their securities for redemption.

We elected to permit redemption in these different fashions so that we would have more flexibility in structuring a successful acquisition transaction than similarly structured blank check companies. The way we structure our transaction will be determined by circumstances at the time and the requirements of our target business, so we cannot provide any definitive guidance on which structure we will use, other than that we will use the structure that we believe will allow us to complete a successful acquisition, depending on factors such as whether the acquisition transaction requires a shareholder vote and the requirements of the target business. Similarly, if we structure the acquisition transaction to require a post-acquisition tender offer and we elect to seek that certain shareholders convert all of their callable Class A Shares into Class C Shares, then the methodology of how we will approach such holders will be determined by circumstances at the time and the requirements of our target business. Accordingly, we cannot provide any definitive guidance on which methodology we will use, other than that we will use the methodology that we believe will allow us to complete a successful acquisition. See Proposed Business Effecting an Acquisition Transaction Shareholder Redemption Rights for a further discussion.

We may be required to obtain shareholder approval in connection with an acquisition transaction if, for example, we are the entity directly participating in a merger or required to amend our Amended and Restated Memorandum and Articles of Association to alter the rights of our shareholders.

A potential target may make it a closing condition to our acquisition transaction that we have a certain amount of cash in excess of the minimum amount we are required to have pursuant to our organizational documents available at the time of closing. If so, we will effectively be required to adjust the redemption threshold to reduce the number of shares that can be redeemed (thereby reducing the 90.0% threshold) in connection with such acquisition transaction or obtain an alternative source of funding. If the number of our shareholders electing to exercise their redemption rights has the effect of reducing the amount of money available to us to consummate an acquisition transaction below such minimum amount and we are not able to locate an alternative source of funding, we will not be able to consummate such acquisition transaction and we may not be able to locate another suitable target within the applicable time period, if at all. As a result, public shareholders may have to wait the full 18 months (or 21 months pursuant to the automatic period extension) in order to be able to receive a pro rata portion of the trust account in connection with our dissolution and liquidation. See Risk Factors Even though we have a redemption threshold of 90.0%, we may be unable to consummate an acquisition transaction if a target business requires that we have cash in excess of the

minimum amount we are required to have at closing, and public shareholders may have to remain shareholders of our company and wait until our liquidation to receive a pro rata share of the trust account or attempt to sell their shares in the open market.

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We will proceed with an acquisition transaction only if public shareholders owning no more than 90.0% of the shares sold in this offering exercise their redemption rights. The redemption threshold was set at 90.0% so that we would have a minimum of $5,000,000 in net tangible assets post initial public offering, which permits us to not comply with Rule 419 of the Securities Act. See the section entitled Proposed Business Comparison of This Offering to those Blank Check Companies Subject to Rule 419.

Time to Complete an Initial Acquisition Transaction

We will have 18 months following the consummation of this offering to consummate our initial acquisition transaction. In addition, unlike other blank check companies, if we have entered into a letter of intent, agreement in principle or definitive agreement with respect to an acquisition transaction within 18 months following the consummation of this offering, the time period within which we must complete our initial acquisition transaction will be automatically extended to 21 months following the consummation of this offering (which we refer to as the automatic period extension in this prospectus) if an initial filing with the SEC of a tender offer, proxy, or registration statement is made, but the acquisition transaction is not completed, within 18 months of the date of this prospectus.

Pursuant to our Amended and Restated Memorandum and Articles of Association and applicable provisions of British Virgin Islands law, if we do not consummate our initial acquisition transaction within 18 months (or 21 months pursuant to the automatic period extension) after the completion of this offering, we will automatically dissolve and, as promptly as practicable, liquidate and release only to our public shareholders, as part of our plan of distribution, the amount in our trust account, including accrued but undistributed interest, net of (i) interest earned on the trust account that may be released to us to pay any taxes we incur, (ii) interest earned by the trust account that may be released to us from time to time to fund our working capital and general corporate requirements and (iii) a pro rata share of the trust account that may be released to us for each callable Class A Share (excluding the founders shares) converted to a Class C Share upon completion of an acquisition transaction. As required by the trust agreement, such time period could only be extended with the approval of 80% of the shares sold in our initial public offering. Our initial shareholders have agreed to waive their rights to participate in any liquidating distribution as part of our plan of distribution with respect to the founders shares and underwriter shares, but not with respect to any public shares they acquire in this offering or aftermarket, if we fail to consummate an acquisition transaction. There will be no distribution from the trust account with respect to our warrants, and all rights of our warrants will terminate upon our liquidation.

Results of Operations and Known Trends or Future Trends

We have neither engaged in any operations nor generated any revenues to date. Our only activities since inception have been organizational activities and those necessary to prepare for this offering. Following this offering, we will not generate any operating revenues until after consummation of an acquisition transaction.

Immediately after this offering, we will begin accruing monthly fees of $7,500 per month to CIS Acquisition Holding Co. Ltd. and expect to incur increased expenses as a result of being a public company (for legal, financial reporting, accounting and auditing compliance), as well as for due diligence expenses. We expect our expenses to increase substantially after the completion of this offering.

Liquidity and Capital Resources

Our liquidity needs have been satisfied to date through the sale of our ordinary shares to our initial shareholders for $25,000 and loans from an entity controlled by Taras Vazhnov, our director. In our opinion, upon consummation of this offering, our working capital will be sufficient for our present requirements. We estimate that the net proceeds from (i) the sale of the units in this offering, after deducting offering expenses, and (ii) the sale of the placement warrants for an aggregate purchase price of $3,375,000, will be $51,950,000 (or $56,371,250 if the underwriters over-allotment option is exercised in full). Approximately $51,500,000 (or approximately $56,135,000 if the underwriters over-allotment option is exercised in full) will be held in the trust account. A minimum of $236,250 will not be held in the trust account and will be used by us as working capital. We estimate that the amount of interest we will earn on the trust account will be negligible (between $6,500 for 18 months and $8,000 for 21 months at current interest rates), and will therefore not be a significant source of working capital for us. The amount of available proceeds (including the interest to be

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released to us to fund our working capital, net of taxes) is based on our management s estimate of the amount needed to fund our operations and to consummate an acquisition transaction.

Intercarbo Holding AG, an entity controlled by Taras Vazhnov, our director, has loaned us an aggregate of $402,155 to cover expenses related to this offering. Of this amount, $180,155 is due promptly after the consummation of this offering, $52,000 is due on the earlier of April 30, 2013 or the date of consummation of this offering, and $170,000 is due on the earlier of July 16, 2013 or the date of consummation of this offering. These loans do not bear any interest. We intend to repay the loans due to Intercarbo Holding AG upon consummation of this offering from the proceeds of this offering not placed in the trust account.

We expect to use substantially all of the net proceeds of this offering to acquire one or more target businesses, and will use a portion of the interest earned on the trust account together with the funds not held in trust to identify and evaluate prospective target businesses, to select one or more target businesses, and to structure, negotiate and consummate the initial acquisition transaction, as described in more detail in this prospectus. However, in the event that expenses exceed the funds available to us outside of the trust account and the interest earned on the trust account, such amounts could be accrued and paid out of the funds that were held in trust post-acquisition transaction, assuming an acquisition transaction is consummated. In addition, in the event our operating expenses exceed the working capital available to us, our founders may fund any working capital requirements through loans to be paid back upon the consummation of an acquisition transaction. If the initial acquisition transaction is paid for using equity or debt securities or additional funds from a private offering of debt or equity securities or borrowings, we may apply the cash released to us from the trust account for general corporate purposes, including for maintenance or expansion of operations of the acquired business or businesses, the payment of principal or interest due on indebtedness incurred in consummating our initial acquisition transaction, to fund the purchase of other companies or for working capital.

Following consummation of this offering, we believe the funds available to us outside of the trust account, together with the interest income on the balance of the trust account (any amounts in the trust account in excess of $10.30 per share) to be released to us from time to time for working capital requirements will be sufficient to pay the costs and expenses to which such proceeds are allocated for up to 21 months.

We anticipate that, even at an interest rate of 0.20% per annum, the interest that will accrue on the trust account during the time it will take to identify a target and complete an acquisition will be sufficient, together with the minimum of $236,250 held outside the trust, to fund our working capital and general corporate requirements. We expect our primary liquidity requirements during the period prior to the consummation of our initial acquisition transaction or our liquidation to include approximately $25,000 for expenses for the due diligence and investigation of a target business or businesses, including the review of documents and financial statements related to the applicable businesses; approximately $100,000 for legal, accounting and other expenses associated with structuring, negotiating and documenting an initial acquisition transaction, including the drafting of an acquisition document and the preparation of documents relating to the redemption rights of our shareholders in connection with the acquisition transaction; up to an aggregate of $157,500 for office space, administrative services and secretarial support payable to CIS Acquisition Holding Co. Ltd. (an affiliate of one of our directors and our Chairman and Chief Executive Officer), representing $7,500 per month for up to 21 months commencing on the date of this prospectus, to begin accruing immediately after this offering and to be paid at the time of an acquisition transaction, or in the event of our liquidation, only out of interest earned on the trust account or assets not held in trust, if any; approximately $10,000 as a reserve for liquidation expense; approximately $75,000 for legal and accounting fees relating to our SEC reporting obligations; and approximately $26,250 for working capital and general corporate purposes that will be used for miscellaneous expenses (including directors and officers liability insurance) and reserves. These expenses are only estimates. Our actual expenditures for some or all of these items may differ from the estimates set forth herein. For example, we may incur greater legal and accounting expenses than our current estimates in connection with negotiating and structuring

an acquisition transaction based upon the level of complexity of that acquisition transaction. In the event that our operating expenses exceed the working capital available to us from net proceeds not held in trust account and interest earned on monies held in the trust account (any amounts in the trust account in excess of $10.30 per share), our founders may fund any working capital requirements through loans to be paid back upon the consummation of an acquisition transaction. We do not anticipate any change in our intended use of proceeds, other than fluctuations among the current categories of

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allocated expenses, which fluctuations, to the extent they exceed current estimates for any specific category of expenses, would be deducted from our excess working capital. If our estimate of the costs of undertaking in-depth due diligence and negotiating an acquisition transaction is less than the actual amount necessary to do so, we may be required to raise additional capital, the amount, availability and cost of which is currently unascertainable. In this event, we could seek such additional capital through loans or additional investments from our founders. None of our founders are under any obligation to advance funds to, or invest in, us. Any such funds not used for our working capital requirements or to repay advances from our founders or for due diligence or legal, accounting and non-due diligence expenses will be usable by us to pay other expenses that may exceed our current estimates.

It is also possible that we could use a portion of our working capital, including the funds not in the trust account, to make a deposit, down payment or fund a no-shop provision with respect to a particular proposed acquisition transaction. In the event we were ultimately required to forfeit such funds, we may not have a sufficient amount of working capital available to pay expenses related to finding a suitable acquisition transaction without securing additional financing. If we were unable to secure additional financing, we would most likely fail to consummate an acquisition transaction in the allotted time and would be forced to enter into an automatic voluntary liquidation procedure.

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 were required to consummate an acquisition transaction. Such debt securities may include a working capital revolving debt facility or a longer term debt facility. Subject to compliance with applicable securities laws, we would only consummate such financing simultaneously with the consummation of an acquisition transaction.

Working Capital Loans

Through the date of this prospectus, Intercarbo Holding AG has loaned us an aggregate of $402,155 to cover expenses related to this offering. Of this amount, $180,155 is due promptly after the consummation of this offering, $52,000 is due on the earlier of April 30, 2013 or the date of consummation of this offering, and $170,000 is due on the earlier of July 16, 2013 or the date of consummation of this offering. These loans do not bear any interest. We intend to repay the loans due to Intercarbo Holding AG upon consummation of this offering from the proceeds of this offering not placed in the trust account.

Quantitative and Qualitative Disclosures about Market Risk

The net proceeds of this offering, including amounts in the trust account, will be invested in U.S. government securities within the meaning of Section 2(a)(16) of the Investment Company Act having a maturity of 180 days or less or in money market funds meeting the conditions of Rule 2a-7 promulgated under the Investment Company Act. Due to the short-term nature of these investments, we believe there will be no associated material exposure to interest rate risk.

Off-Balance Sheet Arrangements; Commitments and Contractual Obligations; Quarterly Results

As of October 31, 2012, we did not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K and did not have any commitments or contractual obligations. No unaudited quarterly operating data

is included in this prospectus as we have conducted no operations to date, since date of inception, November 28, 2011.

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PROPOSED BUSINESS

Introduction

We are a newly formed company established under the BVI Business Companies Act. We are an innovated public acquisition company, or IPAC^{SM}, formed to acquire, through a merger, capital stock exchange, asset acquisition, stock purchase or similar acquisition transaction, one or more operating businesses. An IPAC is a blank check company that permits the company to return funds from the trust account to redeeming shareholders after the acquisition transaction is completed, as described further below, which is different from most other blank check companies that are required to return funds from the trust account prior to, or at the time, the acquisition transaction is completed. IPAC is a service mark of Loeb & Loeb LLP.

Although our Amended and Restated Memorandum and Articles of Association do not limit us to a particular geographic region or industry, we intend to focus on operating businesses with primary operations in Russia or Eastern Europe. To date, our efforts have been limited to organizational activities. The address of our registered office is FH Chambers, P.O. Box 4649, Road Town, Tortola, British Virgin Islands.

We do not have any specific acquisition transaction under consideration or contemplation, and we have not, nor has anyone on our behalf, contacted any prospective target business or had any discussions, formal or otherwise, with respect to such a transaction. We have not, in any capacity (nor has any of our agents or affiliates) been approached by, any candidates (or representative of any candidates), with respect to a possible acquisition transaction with our company. Additionally, we have not, nor has anyone on our behalf, taken any measure, directly or indirectly, to identify or locate any suitable acquisition candidate, nor have we engaged or retained any agent or other representative to identify or locate any such acquisition candidate.

The foregoing notwithstanding, in the course of their other business activities, our management team has had contact with or gained familiarity with many businesses that may meet our investment criteria and, therefore, could be a target business. However, any such discussions were in the ordinary course of the business activities of the members of our management team, and no discussions of any kind have taken place with any such business, whether directly or indirectly, regarding the potential for a transaction between us and such business.

Management Expertise

Our management team has a proven track record of finding, valuing, operating, consolidating, acquiring, restructuring, building, and disposing of various operating businesses in multiple industries in Russia and Eastern Europe.

We believe our management is uniquely positioned to source, execute, operate and exit large and middle-market business opportunities and possesses the experience needed to meet the unique reporting and relational demands of the investors in an IPAC. We consider middle market companies to be businesses that have reached a scale of at least $150 million of revenue and at least $20 million of earnings before interest, taxes, depreciation and amortization.

Our management team expects to bring value to a target company by selecting and supporting effective leadership, providing strategic guidance, and assisting with enterprise improvement, sales and marketing.

The team is led by Mr. Anatoly Danilitskiy, who has a track record of establishing and building successful businesses. From 2004 to 2009, Mr. Danilitskiy established and led National Reserve Corporation, or NRC, consolidating its

strategic non-banking investment assets and building it into what became one of Russia s largest private holding companies with assets totaling over $5 billion. While at NRC, Mr. Danilitskiy oversaw all major investments and the asset management business. He was also responsible for the group s investments in energy companies such as Gazprom and transportation companies (including a 30% stake in Aeroflot International Airlines) and various debt restructurings and distressed workouts. From 2006 to 2009, Mr. Danilitskiy served as a member of the board of directors of Aeroflot, where he was instrumental in launching and implementing its fleet modernization program.

Mr. Danilitskiy has served as a foreign diplomat, initially to the Soviet Ministry of Foreign Affairs and later to the Russian Ministry of Foreign Affairs, having been posted at the embassies in India, Australia and Great Britain. He retired in 1993 with a rank of Senior Counselor.

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Since 2007, Mr. Danilitskiy has served as Chairman and Member of the Board of Energobank and is a majority shareholder of the bank. Mr. Danilitskiy has also served as Chairman of the Board of RETN, an international telecommunications network, since 2010. In addition, other members of the management team, Mr. Kyle Shostak, Mr. Taras Vazhnov, Mr. Levan Vasadze and Mr. David Ansell, are experienced investment banking and management professionals, with track records of deal origination, structuring and execution as well as business management.

In addition to our management team, our special advisor, Alexey Chuykin, and our regional mergers and acquisitions consultant, Alex Lyamport, will advise and assist us from time to time in identifying a target business and consummating an acquisition transaction. Mr. Chuykin has significant operational and managerial experience in the retail, logistics, telecommunications and electronics industries. Mr. Lyamport has a background in capital markets and broad experience in structuring and executing merger and acquisitions transactions.

Each member of our management team has experience identifying and acquiring or financing businesses of similar scale as the middle-market companies that we will target; however, our management does not have prior blank check company experience, and the prior experience of our management is not a guarantee that we will be able to successfully complete an initial business combination. Furthermore, our executive officers and directors are not required to, and will not, commit their full time to our affairs. If our executive officers and directors other business affairs require them to devote time in excess of their current commitment levels to such affairs, it could limit their ability to devote time to our affairs, which may have a negative impact on our ability to consummate our initial acquisition transaction.

Business Objective

Based on the collective business and acquisition experiences of our management team, our special advisors and our consultants, we will seek to identify and target businesses in Russia or Eastern Europe in which our management can assist in the growth and development. Our management intends to acquire a target cash-positive operating business or businesses that it believes can achieve long-term appreciation. Given our management, special advisors and consultants collective track record of transactions and industry contacts, we believe we can identify potential targets and successfully negotiate and consummate our initial acquisition transaction, although we cannot provide any assurance that an acquisition transaction will be consummated.

While we intend to focus on potential acquisition targets with primary operations in Russia and Eastern Europe, we are not committed to do so. We may attempt to acquire an acquisition target in another region if an attractive acquisition opportunity is identified in such other region prior to the time we identify an acquisition opportunity in Russia or Eastern Europe and if we believe that such opportunity is in the best interest of our shareholders.

Business Philosophy

We currently intend to target our search in the following manner:

We will seek to acquire one or more businesses that have the potential for significant revenue and earnings growth through a combination of new product development, increased production capacity, increased operating leverage, expense reduction and synergistic follow-on acquisitions;
We will seek to acquire one or more businesses that have the potential to generate strong, stable, and increasing free cash flow. We will focus on one or more businesses that have predictable revenue streams and definable working capital and capital expenditure requirements. We may also seek to leverage cash flow from a target business by obtaining external sources of financing, such as a credit line secured against this cash flow, in order to enhance

shareholder value in the post-acquisition company;

We intend to only acquire a company that will benefit from being publicly traded and can effectively utilize the broader access to capital and public profile that are associated with being a publicly traded company;

Although we are not limited to acquiring a target business from such regions, markets or industries, we intend to focus on operating businesses with primary operations in Russia and Eastern Europe

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and on markets and industries in which our management team, board of directors, special advisors and consultants have first-hand experience. Notwithstanding the foregoing, we will review any attractive opportunity presented to us; and

We currently expect that some members of our management team will become a part of the management of the combined entity, or that we will work with existing management to augment the management team in areas where additional capabilities are required.

Business Insight and Competitive Advantage

We will look for businesses that have one or more of the following characteristics:

Motivated owners that are seeking liquidity as a result of having their stock in a public company;
Businesses that are ready to be public;
Businesses that can effectively use the additional capital that a transaction with us will provide;
Companies that are being divested by conglomerates or multinational companies;
Under-valued public companies that can benefit from our management s experience and expertise;
Potential for significant revenue and earnings growth through combination of new product development, increased production capacity, increased operating leverage, expense reduction and synergistic follow-on acquisitions;
Potential to generate strong, stable, and increasing free cash flow; and
Predictable revenue streams and definable working capital and capital expenditure requirements.

Opportunities in Russia and Eastern Europe

With global risk-aversion remaining high and investors looking increasingly hard for prudent ways to deploy capital, we believe Russia is an attractive investment region among emerging markets. According to The World Bank, Russia is the ninth largest economy in the world by nominal GDP and according to the CIA *World Factbook* the seventh largest by purchasing power parity. We believe that, since the beginning of 2012, the Russian market has been slowly attracting a growing amount of foreign investment, including equity and direct investments. An easing of U.S. monetary policy is creating an excess of liquidity and leading to an inflow of capital into emerging markets, with Russia being attractively positioned among not only developed but also many large emerging market economies. We believe such investment results from low valuations, attractive investment returns compared to other established emerging markets such as Brazil, India and China, favorable government policies, absence of punitive taxation on foreign fixed income portfolio investments, stable currency and prudent fiscal and monetary policies.

Largely because of its conservative fiscal policy during the boom years of 2001 2008, we believe that Russia was better positioned than many other emerging market economies to withstand the 2009 crisis by prudently pursuing an aggressive countercyclical economic policy. Additionally, since the severe domestic financial crisis of the fall of 2008 and concerns about global growth, in order to encourage growth in sectors other than the oil, gas and metal sectors on which the country has been dependent, the government has announced a robust program of modernization aimed at developing technological sectors where Russia has been traditionally competitive (energy saving solutions, space, IT, etc.).

Russia has also announced the largest privatization program since the post-communist privatization of the early 1990s. The wide-ranging privatization plan is intended to raise more than $20 billion over the next three years and to reduce about 25 to 49 percent of the government s stake in the national oil company, the national shipping company, two state banks and an electric power management company, with the goal of further reducing the government s portion of the Russian economy to 30 percent in 10 years. A state-wide reduction of government employees by 20 percent is also taking place. The government is also replacing its officials on the board of state-owned corporations with independent directors, bringing more independence to the decision-making process; however actual changes may take years to

materialize.

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We believe that, fundamentally, Russia remains a country with high growth prospects with a compounded annual growth rate from 2000 to 2011 of approximately 19.6% according to World Bank data. According to data from the International Monetary Fund s World Economic Outlook, September 2011, Russia s GDP grew by 4.3% in 2011 and growth is expected to continue at approximately 4.0% from 2012 to 2016. GDP grew by 4.3% in 2010, preceded by a decline of 7.8% in 2009. Real discretionary income increased approximately 2.7%, along with a 7.1% increase in retail trade and 14% increase in auto sales in the first half of 2012, according to the Russian Statistics Service. Current account surpluses, cheap currency, low levels of public sector debt and growing working-age populations all bode well for growth in consumption, particularly discretionary consumption. The following charts illustrate that among Brazil, Russia, India and China, the so-called BRIC countries, Russia ranks first in per capita GDP and has the highest growth in private consumption per capita over the past decade. In addition, Russia s government debt to GDP ratio is approximately 9% ranking it among the lowest ratios among large developed and developing economies.

BRIC Countries per Capita GDP (2011 estimated)

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According to the World Investment Report 2012 issued by the United Nations Conference on Trade and Development, in 2011 the size of foreign direct investments into Russia increased by 22% up to $53 billion, and Russia ranked 8th among transnational corporations top prospective host economies for 2012-14.

Russia s macroeconomic outlook is stable and growing. Accordingly to the Bank of Russia, Russia has international reserves of approximate $529.9 billion as of October 2012, and according to the World Gold Council Russia has the 8th largest gold reserves in the world. In June 2012 Standard and Poors confirmed Russian s BBB rating, with a stable outlook on its foreign long-term debt, BBB+ with a stable outlook on its local long-term debt, A-3 on its foreign short-term debt and A-2 on its local short-term debt. Moody s rates Russia at Baa1, with a Stable outlook.

We believe that Russia s internal capital markets are insufficient to satisfy the demand for capital Russia s growing economy will demand, and therefore Russia s economy will be dependent on foreign funds flows. The following charts provide a comparison of the capital markets activity in the various BRIC countries:

	No of listed companies	MktCap ($billion)	Free float MktCap ($billion)	Trading volume ($billion)	Mutual funds NAV ($billion)	As % of MktCap
Russia	354	695	216	1,75	16	2.3 %
China	2,422	3,757	1,452	24.9	545	14.5 %
India	6,791	1,014	391	2.1	111	10.9 %
Brazil	370	1,124	774	3.5	980	87.2 %

Source: Aton Investment Bank. Equity Research (July 9, 2012). PBN Company.

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BRIC Countries per Capita GDP (2011 estimated)

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The following charts provide an illustration of Russian and Ukrainian company IPOs and secondary offerings and and the distribution of listing exchanges for such companies:

The following charts provide a comparison of the forward price-earnings ratios and forward price book value ratios for companies in a variety of markets:

We believe that Russia s accession to the World Trade Organization in 2012 is a sign of the country s readiness to play by international rules. For example, Russia has opened a number of previously closed domestically-oriented industries to foreign investors. The positive impact of the WTO membership, including in terms of the incremental GDP growth, has yet to be fully felt. Russia will also host the Winter Olympic Games in 2014 and World Cup in 2018, with record amount of state and private capital being invested into related infrastructure projects. Russia's position as the largest oil producing and second largest natural gas producing country, along with its positive investment grade ratings, attractive taxation system and extensive

government support of public-private partnerships increase its desirability as a source for target businesses. Furthermore, we believe that Russia s political stability has been further secured as a result of the recent election of Mr. Vladimir Putin as President for the next six years.

In addition to the value of opportunities in Russia, similar investment opportunities exist in other emerging market countries of the Commonwealth of Independent States (CIS), such as Ukraine, Belarus and Kazakhstan.

The combination of fundamental factors as well as management s experience create opportunities to capitalize on the growing consumer segment of the Russian and other Eastern European markets, while avoiding the abrupt fluctuations common in many other market environments. Given the critical role that the consumer market has to the success of the Russian and other Eastern European economies, management believes there are reasonable prospects for attractive and sustainable returns in these markets.

Potential Disadvantages

Although our management has a number of competitive advantages in acquiring businesses through blank check companies, we cannot assure you that an investment in our units will not ultimately prove to be less favorable to investors in this offering than a direct investment, if an opportunity were available, in a target business if, for example, no member of our management remains with the combined company after an acquisition transaction.

Since 2008 and through October 15, 2012, a total of 46 blank check companies have completed their initial public offering, but only 16 (or approximately 35%) have completed an initial acquisition transaction. Of the remaining 30, 21 (or approximately 46%) are still seeking to complete an acquisition transaction and 9 (or approximately 20%) have dissolved and liquidated their trust to public shareholders.

While we believe that acquiring a target business in Russia and Eastern Europe presents significant opportunities, there are significant potential disadvantages and risks to acquiring a target in this region, including the greater vulnerability of emerging markets to economic crises, political and governmental instability in the region, lack of necessary infrastructure, uncertainty resulting from a developing legal system, concerns associated with bribery and corruption, restrictions on foreign ownership, and difficulty in enforcing judgments, among others. While we will seek to minimize the potential impact of these factors in identifying a target business, many of these risk factors are inherent in our proposed business or beyond our control. Accordingly, no assurance can be given that these factors will not significantly negatively impact our business and results of operations. For a full discussion of these potential disadvantages and risks, please see Risk Factors Risks associated with acquiring and operating a target business in Russia or Eastern Europe.

Our Acquisition Transaction Plans

We do not have any specific acquisition transaction under consideration, and we have not (nor has anyone on our behalf) contacted any prospective acquisition target or had any discussions, formal or otherwise, with respect to such a transaction with us. From the period prior to our formation through the date of this prospectus, there have been no communications or discussions between any of our officers and directors and any of their potential contacts or relationships regarding a potential acquisition transaction with us. Additionally, we have not, nor has anyone on our behalf, taken any measure, directly or indirectly, to identify or locate any suitable acquisition candidate, nor have we engaged or retained any agent or other representative to identify or locate any such acquisition candidate.

The foregoing notwithstanding, in the course of their other business activities, our management team, special advisors and consultants have had contact with or gained familiarity with many businesses that may meet our investment criteria and, therefore, could be a target business. However, any such discussions were in the ordinary course of the business activities of the members of our management team, special advisors and consultants, and no discussions of any kind have taken place with any such business, whether directly or indirectly, regarding the potential for a transaction between us and such business. We will not, therefore, automatically disregard any such potential target solely on the basis that a member of our management team, special advisors or consultants was previously aware of the target or had some level of contact with it prior to the effective date of our prospectus. To do so would only be to the disadvantage of our shareholders by depriving them of the opportunity to consummate what might be an attractive acquisition transaction. Should

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we propose a transaction with such a business to our shareholders, we will disclose any such prior knowledge or contacts, and we will reaffirm that no discussion of an acquisition transaction with us occurred prior to the effective date of this prospectus.

If we are unable to consummate an acquisition transaction within the allotted time (18 months, or 21 months pursuant to the automatic extension period described herein, from the consummation of this offering), we will liquidate and distribute our trust account, as well as any remaining net assets, to our public shareholders. Following the liquidation of our trust account, our corporate existence will cease.

Effecting an Acquisition Transaction

General

Unlike many other blank check companies, we are not required to have a shareholder vote to approve our initial acquisition transaction, unless the nature of the acquisition transaction would require shareholder approval under applicable British Virgin Islands law. Shareholder approval would normally only be required under British Virgin Islands law where the acquisition transaction involved a statutory merger of our company with another company or a scheme of arrangement sanctioned by the courts of the British Virgin Islands where our shareholders would give up or transfer their shares in our company in consideration of the issue of shares in another company which would alter the rights attached to our shares or amendments to our memorandum and articles of association. A merger of our wholly-owned subsidiary with another company would not normally require shareholder approval under our memorandum and articles or the BVI Business Companies Act. Accordingly, we will have a high degree of flexibility in structuring and consummating our initial acquisition transaction, and currently intend to structure our initial acquisition transaction so that a shareholder vote is not required. Notwithstanding, our Amended and Restated Memorandum and Articles of Association provide that public shareholders will be entitled to cause us to redeem all or a portion of their shares for cash equal to the pro rata portion of the trust account (initially $10.30 per share).

In order to redeem the callable Class A Shares for cash upon the consummation of an acquisition transaction, we will initiate an issuer tender offer by filing tender offer documents with the SEC prior to such acquisition transaction in accordance with Rule 13e-4 and Regulation 14E of the Securities and Exchange Act of 1934, as amended, or the Exchange Act. The tender offer documents will comply with the disclosure required by Regulations 14A and 14C of the Exchange Act. The closing of the acquisition transaction will be cross-conditioned with the closing of the tender offer.

In connection with the tender offer, we are required to offer redemption rights to all public holders of our callable Class A Shares. Our founders have agreed to not redeem their securities in such tender offer, which will ensure that the per callable Class A Share amount of $10.30 reserved for redemption of the callable Class A Shares will not be reduced.

If we are no longer an FPI and a shareholder approval of the transaction is required by British Virgin Islands law or the NASDAQ Capital Market or we decide to obtain shareholder approval for business reasons, we will:

conduct the redemptions in conjunction with a proxy solicitation pursuant to Regulation 14A of the Exchange Act, which regulates the solicitation of proxies, and not pursuant to the tender offer rules, and

file proxy materials with the SEC.

We will have until 18 months (or up to 21 months if extended as described in this prospectus) from the completion of this offering to consummate an acquisition transaction. If we are unable to consummate an acquisition transaction by

the applicable date, we will dissolve as promptly as practicable and liquidate and release to our public shareholders, as part of our plan of distribution, the amount in our trust account and any remaining net assets.

Our initial acquisition transaction must be with one or more target businesses whose fair market value, individually or collectively, is equal to at least 80% of the balance held in our trust account (excluding taxes payable) at the time of such acquisition. The fair market value of the target will be determined by our board of directors based upon an analysis conducted by them (which may include an analysis of actual and potential sales, earnings, cash flow and/or book value). We anticipate structuring an acquisition transaction to acquire

100% of the equity interests or assets of the target business. We may, however, structure an acquisition transaction to acquire less than 100% of such interests or assets of the target business, but will not acquire less than a controlling interest and will in all instances be the controlling shareholder of the target company. The key factors that we will rely on in determining controlling shareholder status would be our acquisition of more than 50% of the voting rights of the target company and control of the majority of any governing body of the target company. We will not consider any transaction that does not meet such criteria. If we acquire only a controlling interest in a target business or businesses, the portion of such business that we acquire must have a fair market value equal to at least 80% of the amount in the trust account (excluding taxes payable), as described above. If we determine to acquire several businesses simultaneously and such businesses are owned by different sellers, we will need for each of such sellers to agree that our purchase of its business is contingent on the simultaneous closings of the other acquisitions, which may make it more difficult for us, and delay our ability, to complete the acquisition transaction. With multiple acquisitions, we could also face additional risks, including additional burdens and costs with respect to possible multiple negotiations and due diligence investigations (if there are multiple sellers) and the additional risks associated with the subsequent integration of the operations and services or products of the acquired companies into a single operating business.

We are not presently engaged in, and we will not engage in, any operations for an indefinite period of time following this offering. We intend to utilize the cash proceeds of this offering and the private placement of the placement warrants, our capital securities, debt or a combination of these as consideration to be paid in an acquisition transaction. While substantially all of the net proceeds of this offering are allocated to completing an acquisition transaction, the proceeds are not otherwise designated for more specific purposes. Accordingly, prospective investors will at the time of their investment in us not be provided an opportunity to evaluate the specific merits or risks of one or more target businesses. If the initial acquisition transaction is paid for using equity or debt securities or additional funds from a private offering of debt or equity securities or borrowings, we may apply the cash released to us from the trust account for general corporate purposes, including for maintenance or expansion of operations of the acquired business or businesses, the payment of principal or interest due on indebtedness incurred in consummating our initial acquisition transaction, funding the purchase of other companies or for working capital. We may engage in an acquisition transaction with a company that does not require significant additional capital but is seeking a public trading market for its shares and that wants to merge with an already public company to add the experience of the public company s management team to its company and to avoid the risk that market conditions will not be favorable for an initial public offering at the time the offering is ready to be sold, despite the fact that merging with us would require similar disclosures and, potentially, a similar timeframe as an initial public offering. We may seek to effect an acquisition transaction with more than one target business, although our limited resources may serve as a practical limitation on our ability to do so.

Prior to consummation of our initial acquisition transaction, we will seek to have all prospective target businesses we enter into agreements with and all vendors and service providers that we contract to provide services to us, which we collectively refer to as the contracted parties, execute agreements with us waiving any right, title, interest or claim of any kind in or to any monies held in the trust account for the benefit of our public shareholders. There is no guarantee that we will be able to get waivers from the contracted parties and there is no guarantee that even if the contracted parties executed such agreements with us that such waivers will be enforceable or that the contracted parties would be prevented from bringing claims against the trust account. In the event that a potential contracted party were to refuse to execute such a waiver, we will execute an agreement with that person only if our management first determines that we would be unable to obtain, on a reasonable basis, substantially similar services or opportunities from another person willing to execute such a waiver. Examples of instances where we may engage a third-party that refused to execute a waiver would be the engagement of a third-party consultant whose particular expertise or skills are believed by management to be superior to those of other consultants that would agree to execute a waiver or a situation where management does not believe it would be able to find a provider of required services willing to provide the waiver. If we are unable to complete an acquisition transaction and are forced to dissolve and liquidate, our founders, by

agreement, will jointly and severally indemnify us for all claims of contracted parties, to the extent we fail to obtain valid and enforceable waivers from such parties. Under these circumstances, our board of directors would have a fiduciary obligation to our shareholders to bring a claim against our founders to

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enforce their indemnification obligations. We have questioned our officers and directors on their financial net worth and reviewed their financial information and believe they will be able to satisfy any indemnification obligations that may arise, although there can be no assurance of this. Our founders are under no obligation to us to preserve their assets or provide us with information regarding changes in their ability to satisfy these obligations. Notwithstanding, if we become aware of a material change in the ability of any of our founders to satisfy such obligations, we will make such information public by filing a Report of Foreign Private Issuer on Form 6-K. Our board of directors has a fiduciary obligation to our shareholders to bring a claim against our founders to enforce their indemnification obligations.

Subject to the requirement that a target business or businesses have a fair market value of at least 80% of the balance in the trust account (excluding taxes payable) at the time of our initial acquisition transaction, we have virtually unrestricted flexibility in identifying and selecting one or more prospective target businesses. Accordingly, there is no current basis for investors in this offering to evaluate the possible merits or risks of the target business with which we may ultimately complete an acquisition transaction. Although our management will assess the risks inherent in a particular target business with which we may combine, we cannot assure you that this assessment will result in our identifying all risks that a target business may encounter. Furthermore, some of those risks may be outside of our control, meaning that we can do nothing to control or reduce the chances that those risks will adversely impact a target business.

We may consider an acquisition transaction that will require additional financing, particularly as we intend to focus primarily on acquisitions of middle market companies. We consider middle market companies to be businesses that have reached a scale of at least $150 million of revenue and at least $20 million of earnings before interest, taxes, depreciation and amortization. We believe that our available working capital following this offering, together with the issuance of additional equity and/or the issuance of debt, would support the acquisition of such a target business. The mix of additional equity and/or debt would depend on many factors. The proposed funding for any such acquisition transaction would be disclosed in the registration statement/proxy materials or tender offer materials relating to the required shareholder redemption rights.

Sources of target businesses

We anticipate that target businesses may be brought to our attention from various unaffiliated parties such as investment banking firms, venture capital funds, private equity funds, leveraged buyout funds, management buyout funds and similar sources. Our officers, directors, special advisors and consultants, as well as their affiliates, may also bring to our attention target business candidates. After the completion of this offering, our management team, special advisors and consultants will speak to their various contacts to inform them that we are seeking a target business and request any information that they have for suitable targets. In addition, we expect that once our initial public offering is complete that we will receive unsolicited information about potential targets from those who are aware of the blank check market and have noted (either through publications or a monitoring of the SEC s web site) that we have completed our initial public offering. We will not (i) consummate an acquisition transaction with a target business that is a portfolio company of, or has otherwise received a financial investment from, our founders or their affiliates, or that is affiliated with our founders, directors or officers, or (ii) consummate an acquisition transaction with any underwriter, or underwriting selling group member, or any of their affiliates, unless in each case we obtain an opinion from an unaffiliated, independent investment banking firm that is a member of the FINRA that an acquisition transaction with such target business is fair to our shareholders from a financial point of view. A summary of such opinion will be included in the disclosure documents filed in connection with the acquisition transaction, and the full text of the fairness opinion will be filed as an exhibit thereto.

We may pay fees or compensation to third parties for their efforts in introducing us to potential target businesses. We may seek to engage someone to assist in finding a potential target business if our management feels that they need assistance to find a suitable target business. If a finder approaches us on an unsolicited basis, our management would decide whether to work with that finder (and pay a finders fee) depending on the potential target business such finder proposes. Such payments are typically, although not always, calculated as a percentage of the dollar value of the transaction. We have not anticipated use of a particular percentage fee, but instead will seek to negotiate the smallest reasonable percentage fee consistent with the attractiveness of the opportunity and the alternatives, if any, that are then available to us. We may make such payments to entities we engage for this purpose or entities that approach us on an unsolicited basis. Payment of finders

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fees is customarily tied to consummation of a transaction and certainly would be tied to a completed transaction in the case of an unsolicited proposal. Although it is possible that we may pay finders fees in the case of an uncompleted transaction, we consider this possibility to be extremely remote. In no event will we pay any of our officers or directors or any entity with which they are affiliated any finder s fee or other compensation for services rendered to us prior to or in connection with the consummation of an acquisition transaction. In addition, none of our officers or directors will receive any finder s fee, consulting fees or any similar fees from any person or entity in connection with any acquisition transaction involving us. Following such acquisition transaction, however, our officers or directors may receive compensation or fees including compensation approved by the board of directors for customary director s fees for our directors that remain following such acquisition transaction. Our directors have advised us that they will not take an offer regarding their compensation or fees following an acquisition transaction into consideration when determining which target businesses to pursue.

Selection of a target business and structuring of an acquisition transaction

Subject to the requirement that a target business or businesses have a fair market value of at least 80% of the balance in the trust account (excluding taxes payable) at the time of our initial acquisition transaction, our management will have virtually unrestricted flexibility in identifying and selecting a prospective target business. We intend to acquire an operating business through a merger, capital stock exchange, asset acquisition, stock purchase or other similar acquisition transaction; however, there are a number of industries in certain countries (such as Russia) in which direct foreign investment is restricted (including telecommunications services, and online commerce). We will not consider any transaction that does not meet the above described criteria.

In evaluating a prospective target business, our management will primarily consider the criteria and guidelines set forth above under the captions Investment Insight and Competitive Advantage and Investment Strategy. In addition, our management will consider, among other factors, the following:

financial condition and results of operations;
growth potential;
brand recognition and potential;
experience and skill of management and availability of additional personnel;
capital requirements;
competitive position;
barriers to entry by competitors;
stage of development of the business and its products or services;
existing distribution arrangements and the potential for expansion;
degree of current or potential market acceptance of the products or services;
proprietary aspects of products and the extent of intellectual property or other protection for products or formulas;
impact of regulation on the business;
regulatory environment of the industry;
seasonal sales fluctuations and the ability to offset these fluctuations through other acquisition transactions, introduction of new products, or product line extensions; and
costs associated with effecting the acquisition transaction.

These criteria are not intended to be exhaustive. Any evaluation relating to the merits of a particular acquisition transaction will be based, to the extent relevant, on the above factors as well as other considerations deemed relevant by our management to our business objective. In evaluating a prospective target business, we expect to conduct an extensive due diligence review which will encompass, among other

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things, meetings with incumbent management and employees, document reviews, interviews of customers and suppliers, inspection of facilities, as well as review of financial and other information which will be made available to us.

In addition, unlike many other blank check companies, our target business is not required to have a minimum value for us to acquire it, although we intend to seek a target business meeting the requirements described above. Any funds remaining in trust after our shareholders have had the opportunity to redeem their shares will be used by the operating business as it deems appropriate.

The time required to select and evaluate a target business and to structure and complete the acquisition transaction, and the costs associated with this process, are not currently ascertainable with any degree of certainty. Any costs incurred with respect to the identification and evaluation of a prospective target business with which an acquisition transaction is not ultimately completed will result in our incurring losses and will reduce the funds we can use to complete another acquisition transaction.

Fair market value of target business or businesses

The initial target business or businesses with which we combine must have a collective fair market value equal to at least 80% of the balance in the trust account (excluding taxes payable) at the time of such acquisition transaction. At the time we propose an acquisition transaction to our shareholders, we will provide detailed information about the combined company s capital structure, and will present the information assuming no redemptions and full redemptions by public shareholders.

The fair market value of the target will be determined by our board of directors based upon an analysis conducted by them (which may include an analysis of actual and potential sales, earnings, cash flow and/or book value). If our board is not able to independently determine that the target business has a sufficient fair market value to meet the threshold criterion, we will obtain an opinion from an unaffiliated, independent investment banking firm which is a member of FINRA with respect to the satisfaction of such criterion. Any such opinion will be included in our proxy materials and/or tender offer materials furnished to our shareholders in connection with an acquisition transaction, and that such independent investment banking firm will be a consenting expert. We will not be required to obtain an opinion from an investment banking firm as to the fair market value of the business if our board of directors independently determines that the target business or businesses has sufficient fair market value to meet the threshold criterion, unless the acquisition transaction is with a target business affiliated with our founders, directors or officers, or with the underwriters, underwriting selling group members or their affiliates as described in more detail herein.

Although there is no limitation on our ability to raise funds privately or through loans that would allow us to acquire a company with a fair market value greater than 80% of the balance in the trust account, no such financing arrangements have been entered into or contemplated with any third parties to raise such additional funds through the sale of securities or otherwise.

Issuance of additional debt or equity

We may consider an acquisition transaction that will require additional financing, particularly as we intend to focus primarily on acquisitions of middle market companies. We consider middle market companies to be businesses that have reached a scale of at least $150 million of revenue and at least $20 million of earnings before interest, taxes, depreciation and amortization. We believe that our available working capital following this offering would support the acquisition of such a target business. In addition, we believe that this range is appropriate given that we can issue

equity and/or debt securities as part of the consideration to be paid for an acquisition, even in light of the possibility of over 90.0% redemptions by shareholders who own public shares to be issued in the initial public offering. To consummate such an acquisition we may need to issue additional equity securities and/or incur additional debt financing. As the valuation of the proposed target business moves from the lower end to the higher end of that range, a greater amount of such additional equity or debt would be required. The mix of debt or equity would be dependent on the nature of the potential target business, including its historical and projected cash flow and its projected capital needs and the number of our shareholders who exercise or may exercise their redemption rights. It would also depend on general market conditions at the time including prevailing interest rates and debt to equity coverage ratios. For example, capital intensive businesses usually require more equity and mature businesses with steady historical cash flow may sustain higher debt levels than growth companies.

We believe that it is typical for private equity firms and other financial buyers to use leverage to acquire operating businesses. Such debt is often in the form of both senior secured debt as well as subordinated debt, which may be available from a variety of sources. Banks and other financial institutions may provide senior or senior secured debt based on the target company s cash flow. Mezzanine debt funds or similar investment vehicles may provide additional funding on a basis that is subordinate to the senior or secured lenders. Such instruments typically carry higher interest rates and are often accompanied by equity coverage such as warrants. We cannot assure you that such financing would be available on acceptable terms, if at all. The proposed funding for any such acquisition transaction would be disclosed in the proxy materials and/or tender offer materials relating to the required shareholder redemption rights.

Lack of business diversification

While we may seek to effect acquisition transactions with more than one target business, our initial acquisition transaction must be with one or more target businesses whose fair market value, individually or collectively, is equal to at least 80% of the balance in the trust account (excluding taxes payable) at the time of such acquisition, as discussed above. Consequently, we expect to complete only a single acquisition transaction, although this may entail a simultaneous combination with several operating businesses at the same time. At the time of our initial acquisition transaction, we may not be able to acquire more than one target business because of various factors, including complex accounting or financial reporting issues. For example, we may need to present pro forma financial statements reflecting the operations of several target businesses as if they had been combined historically.

A simultaneous combination with several target businesses also presents logistical issues such as the need to coordinate the timing of negotiations, proxy materials and/or tender offer materials disclosure and closings. In addition, if conditions to closings with respect to one or more of the target businesses are not satisfied, the fair market value of the business could fall below the required fair market value threshold of 80% of the balance in the trust account (excluding taxes payable).

Accordingly, while it is possible that we may attempt to effect our initial acquisition transaction with more than one target business, we are more likely to choose a single target business if all other factors appear equal. This means that for an indefinite period of time, the prospects for our success may depend entirely on the future performance of a single business. Unlike other entities that have the resources to complete acquisition transactions with multiple entities in one or several industries, it is probable that we will not have the resources to diversify our operations and mitigate the risks of being in a single line of business. By consummating an acquisition transaction with only a single entity, our lack of diversification may:

- subject us to negative economic, competitive and regulatory developments, any or all of which may have a substantial adverse impact on the particular industry in which we operate after an acquisition transaction, and
- cause us to depend on the marketing and sale of a single product or limited number of products or services.

If we complete an acquisition transaction structured as a merger in which the consideration is our securities, we would have a significant amount of cash available to make add-on acquisitions following our initial acquisition transaction.

Limited ability to evaluate the target business management

Although we intend to closely scrutinize the management of a prospective target business when evaluating the desirability of effecting an acquisition transaction with that business, we cannot assure you that our assessment of the target business management will prove to be correct. In addition, we cannot assure you that the future management will have the necessary skills, qualifications or abilities to manage a public company. Furthermore, the future role of our officers and directors, if any, in the target business cannot presently be stated with any certainty. While we expect

that some of our officers and directors will remain associated in some capacity with us following an acquisition transaction, it is unlikely that any of them will devote their full efforts to our affairs subsequent to an acquisition transaction. Moreover, we cannot assure you that our officers and directors will have significant experience or knowledge relating to the operations of the particular target business.

Following an acquisition transaction, we may seek to recruit additional managers to supplement the incumbent management of the target business. We cannot assure you that we will have the ability to recruit additional managers, or that additional managers will have the requisite skills, knowledge or experience necessary to enhance the incumbent management.

Limited available information for privately-held target companies

In accordance with our acquisition strategy, it is quite possible that we will seek an acquisition transaction with one or more privately-held companies. Generally, very little public information exists about these companies, and we will be required to rely on the ability of our officers and directors to obtain adequate information to evaluate the potential returns from investing in these companies. If we are unable to uncover all material information about these companies, then we may not make a fully informed investment decision, and we may lose money on our investments.

Limited resources and significant competition for acquisition transactions

We will encounter intense competition from entities having a business objective similar to ours, including private equity groups and leveraged buyout funds, as well as operating businesses seeking strategic acquisitions. Many of these entities are well established and have extensive experience in identifying and completing acquisition transactions. A number of these competitors possess greater technical, financial, human and other resources than we do. Our limited financial resources may have a negative effect on our ability to compete in acquiring certain sizable target businesses. Further, our obligation to redeem for cash the shares held by shareholders who elect redemption may reduce the financial resources available for an acquisition transaction. Our outstanding warrants and the future dilution they potentially represent may not be viewed favorably by certain target businesses. In addition, if our initial acquisition transaction entails a simultaneous purchase of several operating businesses owned by different sellers, we may be unable to coordinate a simultaneous closing of the purchases. This may result in a target business seeking a different buyer and our being unable to meet the threshold requirement that the target business has, or target businesses collectively have, a fair market value equal to at least 80% of the balance in the trust account (excluding taxes payable) at the time of such acquisition.

Any of these factors may place us at a competitive disadvantage in successfully negotiating an acquisition transaction. We cannot assure you that we will be able to successfully compete for an attractive acquisition transaction. Additionally, because of these factors, we cannot assure you that we will be able to effectuate an acquisition transaction within the required time periods. If we are unable to find a suitable target business within such time periods, we will automatically dissolve and liquidate as promptly as practicable.

Time to complete an initial acquisition transaction

We will have until 18 months (or 21 months pursuant to the automatic period extension described below) from the completion of this offering to consummate an acquisition transaction. If, at the end of the 18-month period, or if at the end of the 21 month period, as applicable, we have not consummated an acquisition transaction, it will trigger an automatic voluntary liquidation procedure pursuant to our constitutional documents and the Act and the company will promptly as practicable liquidate the trust account as described herein. Pursuant to the terms of the trust agreement between us and Continental Stock Transfer & Trust Company, the time period that funds would remain in the trust account and not be released could only be extended with the approval of the holders of 80% of the shares sold in our initial public offering. If we elect to effect a post-acquisition tender offer and complete an acquisition transaction prior to such time period, but have not completed a post-acquisition tender offer within the applicable period, we will not be required to liquidate and wind up our affairs; however, the release of the funds to us in the case of a post-acquisition

tender offer will be conditioned upon completion of such tender offer.

If we elect to have a post-acquisition tender offer and complete an acquisition transaction prior to 18 months from the completion of this offering or prior to the automatic period extension, but have not commenced or completed a post-acquisition tender offer within the applicable period, then within 5 business days thereafter, we will automatically liquidate the trust account and release to our public shareholders, except for holders of Class C Shares, a pro rata portion of the trust account. Our initial shareholders have agreed with respect to the founders shares and underwriter shares to waive their rights to participate in any distribution from the trust

account, but not with respect to any callable Class A Shares they acquire in this offering or in the aftermarket. There will be no distribution from the trust account with respect to our warrants, and all rights of our warrants will terminate if we fail to consummate our initial acquisition transaction within 18 months after the completion of this offering.

In connection with a shareholder vote to amend Clause 6(3) of our Amended and Restated Memorandum and Articles of Association (the article that contains all of the special provisions applicable to us prior to and in connection with our initial acquisition transaction) prior to consummation of our initial acquisition transaction, our initial shareholders have agreed to vote their founders shares and underwriter shares in the same manner as a majority of the public shareholders who vote at the special or annual meeting called for such purpose. In addition, each of our initial shareholders, directors, and officers has agreed that if he, she or it acquires ordinary shares in or following this offering, he, she or it will not to exercise redemption rights in connection with such shares.

Extension of time to complete an acquisition transaction to 21 months

We have a period of 18 months from the consummation of this offering with which to effect our initial acquisition transaction. However, unlike most other blank check companies, if we have entered into a letter of intent, agreement in principle or definitive agreement with respect to an acquisition transaction within such 18 month period, the date before which we must complete our initial acquisition transaction will automatically be extended for an additional three months, to avoid being required to liquidate, for a total of 21 months from the consummation of this offering.

We believe that extending the date before which we must complete our initial acquisition transaction to 21 months may be necessary due to the circumstances involved in the evaluation and closing of an acquisition transaction in Russia or Eastern Europe, including preparing audited financial statements in accordance with applicable accounting standards, the possible need for restructuring and reorganizing corporate entities and assets (particularly with respect to state-owned enterprises) and the requirements of complex local regulatory filings and approvals.

If at the end of the extended period we have not effected such acquisition transaction, we will wind-up our affairs as promptly as practicable and liquidate and release only to our public shareholders, as part of our plan of distribution, the proceeds of the trust account, net of (i) interest earned on the trust account that may be released to us to pay any taxes we incur, and (ii) interest earned by the trust account that may be released to us from time to time to fund our working capital and general corporate requirements.

Shareholder redemption rights

Unlike many other blank check companies, we are not required to have a shareholder vote to approve our initial acquisition transaction, unless the nature of the acquisition transaction would require shareholder approval under applicable British Virgin Islands law. Shareholder approval would normally only be required under British Virgin Islands law where the acquisition transaction involved a statutory merger of our company with another company or a scheme of arrangement sanctioned by the courts of the British Virgin Islands where our shareholders would give up or transfer their shares in our company in consideration of the issue of shares in another company which would alter the rights attached to our shares or amendments to our memorandum and articles of association. A merger of our wholly-owned subsidiary with another company would not normally require shareholder approval under our memorandum and articles or the BVI Business Companies Act. Accordingly, we will have a high degree of flexibility in structuring and consummating our initial acquisition transaction, and currently intend to structure our initial acquisition transaction so that a shareholder vote is not required. Notwithstanding, our Amended and Restated Memorandum and Articles of Association provide that public shareholders will be entitled to redeem or will have their shares automatically redeemed for cash equal to the pro rata portion of the trust account (initially $10.30 per unit) in

connection with our initial acquisition transaction, regardless of how it is structured.

The manner in which public shareholders may redeem their shares or will have their shares automatically redeemed will depend on the structure of the transaction. We intend to structure our initial acquisition transaction and shareholder redemption rights in one of the following ways:

Pre-acquisition tender offer: At the discretion of our directors and if a shareholder vote is not required by British Virgin Islands law, we may structure the acquisition transaction as an acquisition that does not require shareholder approval. Prior to the consummation of such an acquisition transaction, we would initiate a tender offer by filing tender offer documents with the SEC in accordance with Rule 13e-4 and Regulation 14E of the Securities and Exchange Act of 1934, as amended, or the Exchange Act. The tender offer would be for all outstanding callable Class A Shares at a price equal to a pro rata share of the trust account. The tender offer documents would include information substantially similar to that which would be required in connection with a proxy statement compliant with U.S. securities regulations regarding the solicitation of shareholder votes to approve an acquisition transaction, and the closing of the acquisition transaction would be cross-conditioned with the closing of the tender offer. Our initial shareholders have agreed to not tender any shares they own in such tender offer. Public shareholders will be entitled to tender all or a portion of their callable Class A Shares in a pre-acquisition tender offer, and we will not pro-rate any shares tendered. We would proceed with an acquisition transaction only if public shareholders owning no more than 90.0% of the public shares exercise their redemption rights. The redemption threshold was set at 90.0% so that we would have more than $5,000,000 in net tangible assets following our initial public offering, which means we are not required to comply with Rule 419 of the Securities Act. See the section entitled Proposed Business Comparison of This Offering to those Blank Check Companies Subject to Rule 419.

Post-acquisition tender offer: At the discretion of our directors and if a shareholder vote is not required by British Virgin Islands law, we may structure the acquisition transaction as an acquisition transaction that does not require shareholder approval and that would only require us to engage in a tender offer post-transaction. Prior to the consummation of such an acquisition transaction, we will file a Report of Foreign Private Issuer on Form 6-K with the SEC disclosing that we have entered into a definitive acquisition transaction agreement, that we intend to consummate the transaction without a shareholder vote or a pre-acquisition tender offer, and that would include disclosure regarding the target (including audited financial statements of the target, risk factors and Management s Discussion and Analysis of Financial Condition and Results of Operations) and the proposed transaction similar to what would be included in a proxy statement compliant with U.S. securities regulations regarding the solicitation of shareholder votes to approve an acquisition transaction. After such Form 6-K is on file with the SEC, we would close the acquisition transaction upon satisfaction of all closing conditions and within 30 days of the closing, commence a tender offer for all outstanding callable Class B Shares by filing tender offer documents with the SEC in accordance with Rule 13e-4 and Regulation 14E of the Exchange Act. Public shareholders will be entitled to tender all or a portion of their callable Class B Shares in a post-acquisition tender offer, and we will not pro-rate any shares tendered. The tender offer documents would include the same information about the target business as was contained in the Form 6-K discussed above. The release to us of the proceeds from this offering held in the trust account would be conditioned on the closing of the tender offer.

In connection with the post-acquisition tender offer, public shareholders would be subject to a redemption threshold of 90.0%, whereby public shareholders holding no more than 90.0% of the public shares exercise their redemption rights. The redemption threshold was set at 90.0% so that we would have more than $5,000,000 in net tangible assets following our initial public offering, which means we are not required to comply with Rule 419 of the Securities Act. See the section entitled Proposed Business Comparison of This Offering to those Blank Check Companies Subject to Rule 419. As provided in our Amended and Restated Memorandum and Articles of Association, we may not proceed with an acquisition transaction in contemplation of a post-acquisition tender offer if holders of more than 90.0% of the shares sold in this offering may participate in such post-acquisition tender offer. If we structure the acquisition transaction in this manner, then depending on the amount of money our target business requires us to retain in the trust account after shareholders have been given the right to redeem and to ensure that we maintain the 90.0% redemption threshold, we must, after the Form 6-K is filed with the SEC, seek that certain shareholders (holders of 5% or more of the public shares who are also accredited investors) elect to

convert all of their callable Class A Shares into Class C Shares immediately prior to consummation of the acquisition transaction, with any remaining callable Class A Shares other than founders shares automatically converting to callable Class B Shares immediately following consummation of the acquisition transaction. The founder s shares and the underwriter shares will also automatically convert into Class C shares on a one-for-one basis immediately following consummation of an acquisition transaction. We will contact the accredited investors to seek conversion of our Class A Shares through contacts that investment bankers or other service providers that we engage have. It is not anticipated that such accredited investors will receive any information greater than that released to the public unless such accredited investors sign a non-trading and non-disclosure agreement with us. We will determine who we can solicit by examining a non-objecting beneficial owner list and public filings relating to beneficial ownership in order to determine the stockholders who own greater than 5% of our ordinary shares. The automatic conversion of the callable Class A Shares to callable Class B Shares is necessary to avoid the possibility that the shareholders who elect to convert their callable Class A Shares to Class C Shares be deemed to be participating in the post-acquisition tender offer and to have received different (i.e. Class C Shares versus cash equal to a pro rata portion of the trust account) consideration for shares tendered in the offering. We would seek out such shareholders immediately prior to the consummation of the acquisition transaction. The exchange ratio of callable Class A Shares for Class C Shares would be on a one-for-one basis and other than the exchange of shares, no other compensation will be paid to converting shareholders. Upon closing of the acquisition transaction, all remaining callable Class A Shares will be automatically converted into callable Class B Shares on a one-for-one basis, which would be eligible to participate in any post-acquisition tender offer. The Class C Shares issuable upon conversion of the Class A Shares are not being offered and are not being registered in connection with this offering.

The tender offer would be for all outstanding callable Class B Shares at a price equal to a pro rata share of the trust account (which pro rata share would be based on the total number of shares issued in our initial public offering). Holders of callable Class A Shares who elect to convert their shares into Class C Shares prior to consummation of the acquisition transaction would not be entitled to participate in the issuer tender offer, while holders of callable Class A Shares that have their shares automatically converted to callable Class B Shares would be entitled to participate in the issuer tender offer. If we (i) fail to commence the post-acquisition tender offer within 30 days of consummation of the acquisition transaction, (ii) fail to complete the issuer tender offer within 6 months of consummation of the acquisition transaction, or (iii) in any event, fail to consummate a post-acquisition tender offer within 21 months of the consummation of this offering, then within 5 business days thereafter, we will automatically liquidate the trust account and release to our public shareholders, except for holders of Class C Shares, a pro rata portion of the trust account. The holders of Class C Shares and public warrant holders will continue to hold their securities in us. If we are unable to obtain sufficient conversions to Class C Shares to ensure that we maintain the 90.0% threshold, we will not be able to consummate the acquisition transaction. For more information about the various rights of each class of our securities, see Description of Securities, and for more information about voluntary and automatic conversion of our callable Class A Shares into Class C Shares in connection with a post-acquisition tender offer, see Proposed Business Effecting an Acquisition Transaction Post-Acquisition Tender Offer.

If we are no longer an FPI and a shareholder approval of the transaction is required by British Virgin Islands law or the NASDAQ Capital Market or we decide to obtain shareholder approval for business reasons, we will:

conduct the redemptions in conjunction with a proxy solicitation pursuant to Regulation 14A of the Exchange Act, which regulates the solicitation of proxies, and not pursuant to the tender offer rules, and

file proxy materials with the SEC.

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The redemption rights described above are only available to holders of callable Class A Shares or callable Class B Shares, as the case may be. If we are required to offer redemption rights to all holders of our ordinary shares, our founders have agreed to not tender their securities for redemption.

We may be required to obtain shareholder approval in connection with an acquisition transaction if, for example, we are the entity directly participating in a merger or required to amend our Amended and Restated Memorandum and Articles of Association to alter the rights of our shareholders.

A potential target may make it a closing condition to our acquisition transaction that we have a certain amount of cash in excess of the minimum amount we are required to have pursuant to our organizational documents available at the time of closing. If so, we will effectively be required to adjust the redemption threshold to reduce the number of shares that can be redeemed (thereby reducing the 90.0% threshold) in connection with such acquisition transaction or obtain an alternative source of funding. If the number of our shareholders electing to exercise their redemption rights has the effect of reducing the amount of money available to us to consummate an acquisition transaction below such minimum amount and we are not able to locate an alternative source of funding, we will not be able to consummate such acquisition transaction and we may not be able to locate another suitable target within the applicable time period, if at all. As a result, public shareholders may have to wait for longer than 18 months (or 21 months pursuant to the automatic period extension) in order to be able to receive a pro rata portion of the trust account in connection with our dissolution and liquidation. See Risk Factors Even though we have a redemption threshold of 90.0%, we may be unable to consummate an acquisition transaction if a target business requires that we have cash in excess of the minimum amount we are required to have at closing, and public shareholders may have to remain shareholders of our company and wait until our liquidation to receive a pro rata share of the trust account or attempt to sell their shares in the open market.

We will proceed with an acquisition transaction only if public shareholders owning no more than 90.0% of the shares sold in this offering exercise their redemption rights. The redemption threshold was set at 90.0% so that we would have a minimum of $5,000,000 in net tangible assets post initial public offering, which permits us to not comply with Rule 419 of the Securities Act. See the section entitled Proposed Business Comparison of This Offering to those Blank Check Companies Subject to Rule 419.

We elected to permit redemptions in these different fashions so that we would have more flexibility in structuring a successful acquisition transaction than similarly structured blank check companies. The way we structure our transaction will be determined by circumstances at the time and the requirements of our target business, so we cannot provide any definitive guidance on which structure we will use, other than that we will use the structure that we believe will allow us to complete a successful acquisition. However, for example we expect that:

If the target business wanted to complete the transaction quickly, we would try to structure the transaction to make use of a post-acquisition tender offer; or

If the target business wanted to know exactly how much money would remain in trust prior to closing, we would try to structure the transaction as a pre-acquisition tender offer.

Similarly, if we structure the acquisition transaction to require a post-acquisition tender offer and we elect to seek that certain shareholders convert all of their callable Class A Shares into Class C Shares, then the methodology of how we will approach such holders will be determined by circumstances at the time and the requirements of our target business. However, we expect that:

If we do not have a specific threshold requirement to complete the acquisition transaction, but are required to retain as much of the funds in the trust account as possible, we would approach all eligible shareholders and attempt to negotiate a conversion with each of them;

If we have a specific threshold amount that we need to achieve to complete the acquisition transaction that will require multiple shareholders to convert in order to be achieved, we may approach all eligible shareholders initially and enter into conversion agreements with shareholders until we have negotiated the required number of conversions; or

If we have a specific threshold amount that we need to achieve to complete the acquisition transaction that will require only one eligible shareholder to convert in order to be achieved, we may approach the shareholder with the sufficient number of callable Class A Shares closest to such threshold and attempt to negotiate a conversion with such shareholder.

We may be required to obtain shareholder approval in connection with an acquisition transaction if, for example, we are the entity directly participating in a merger or required to amend our Amended and Restated Memorandum and Articles of Association to alter the rights attaching to our shares.

Dissolution and liquidation if no acquisition transaction

Pursuant to the terms of the trust agreement by and between us and Continental Stock Transfer & Trust Company, our Amended and Restated Memorandum and Articles of Association and applicable provisions of British Virgin Islands law, if we do not consummate our initial acquisition transaction within 18 months (or 21 months pursuant to the automatic period extension), our directors will be required to consider a resolution to approve a plan of liquidation and appointment of a liquidator. Additionally, Continental Stock Transfer & Trust Company will, as promptly as practicable, liquidate and release only to our public shareholders, as part of our plan of distribution, the amount in our trust account, including accrued but undistributed interest, net of (i) interest earned on the trust account that may be released to us to pay any taxes we incur, (ii) interest earned by the trust account that may be released to us from time to time to fund our working capital and general corporate requirements and (iii) a pro rata share of the trust account that may be released to us for each callable Class A Share (excluding the founders shares) converted to a Class C Share upon completion of an acquisition transaction, by the number of shares sold in this offering. In addition, we will release only to our public shareholders, as part of our plan of distribution, any remaining net assets. No vote would be required from our shareholders to commence such a voluntary winding up and dissolution.

In the case of a full voluntary liquidation procedure, a liquidator would within 30 days of his appointment notify creditors of his intention to make a distribution by placing a public advertisement in the British Virgin Islands Official Gazette, although in practice this notice requirement need not necessarily delay the distribution of assets as the liquidator may be satisfied that no creditors would be adversely affected as a consequence of a distribution before this time period has expired. As soon as the affairs of the company are fully wound-up, the liquidator must file a statement that the liquidation has been completed after which the British Virgin Islands Registrar of Corporate Affairs will issue a certificate of dissolution of our company.

Additionally, in any liquidation proceedings of our company under British Virgin Islands law, the funds held in our trust account may be included in our estate and subject to the claims of third parties with priority over the claims of our shareholders. To the extent any such claims deplete the trust account, we cannot assure you we will be able to return to our public shareholders the liquidation amounts payable to them. Furthermore, a liquidator of our company might seek to hold a shareholder liable to contribute to our estate to the extent of distributions received by them pursuant to the dissolution of the trust account beyond the date of dissolution of the trust account. Additionally, we cannot assure you that third parties will not seek to recover from our shareholders amounts owed to them by us. Furthermore, our board may be viewed as having breached their fiduciary duties to our creditors and/or may have acted in bad faith, and thereby exposing itself and our company to claims for having paid public shareholders from the trust account prior to addressing the claims of creditors. We cannot assure you that claims will not be brought against us for these reasons.

Our initial shareholders have agreed to waive their rights to participate in any liquidating distribution as part of our plan of distribution with respect to the securities acquired by them before this offering, including the founders shares initial shareholders, but not with respect to any public shares they acquire in this offering or aftermarket, if we fail to

consummate an acquisition transaction. There will be no distribution from the trust account with respect to our warrants, and all rights of our warrants will terminate upon our liquidation.

We estimate that our total costs and expenses for implementing and completing our shareholder-approved dissolution and plan of distribution will be approximately $10,000. This amount includes all costs and expenses related to filing our liquidation and subsequent dissolution in the British Virgin Islands, the winding up of our company, legal fees and other filing fees. We believe that there should be sufficient funds available either outside of the trust account or made available to us out of the net interest earned on the trust account

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and released to us as working capital to fund the $10,000 in costs and expenses. If such funds are insufficient, our founders have agreed to advance us the funds necessary to complete such liquidation and have agreed not to seek repayment for such expenses.

Prior to consummation of our initial acquisition transaction, we will seek to have all prospective target businesses we enter into agreements with and all vendors and service providers that we contract to provide services to us, which we collectively refer to as the contracted parties, execute agreements with us waiving any right, title, interest or claim of any kind in or to any monies held in the trust account for the benefit of our public shareholders. There is no guarantee that we will be able to get waivers from the contracted parties and there is no guarantee that even if the contracted parties executed such agreements with us that such waivers will be enforceable or that the contracted parties would be prevented from bringing claims against the trust account. In the event that a potential contracted party were to refuse to execute such a waiver, we will execute an agreement with that person only if our management first determines that we would be unable to obtain, on a reasonable basis, substantially similar services or opportunities from another person willing to execute such a waiver. Examples of instances where we may engage a third-party that refused to execute a waiver would be the engagement of a third-party consultant whose particular expertise or skills are believed by management to be superior to those of other consultants that would agree to execute a waiver or a situation where management does not believe it would be able to find a provider of required services willing to provide the waiver. If we are unable to complete an acquisition transaction and are forced to dissolve and liquidate, our founders, by agreement, will jointly and severally indemnify us for all claims of contracted parties, to the extent we fail to obtain valid and enforceable waivers from such parties. Under these circumstances, our board of directors would have a fiduciary obligation to our founders to bring a claim against our officers and directors to enforce their indemnification obligations. We have questioned our officers and directors on their financial net worth and reviewed their financial information and believe they will be able to satisfy any indemnification obligations that may arise, although there can be no assurance of this. our founders are under no obligation to us to preserve their assets or provide us with information regarding changes in their ability to satisfy these obligations. Notwithstanding, if we become aware of a material change in the ability of any of our founders to satisfy such obligations, we will make such information public by filing a Report of Foreign Private Issuer on Form 6-K. Our board of directors has a fiduciary obligation to our shareholders to bring a claim against our founders to enforce their indemnification obligations.

Additionally, if we are forced to file liquidation or bankruptcy proceedings or involuntary liquidation or bankruptcy proceedings are filed against us which are not dismissed, the funds held in our trust account will be subject to applicable bankruptcy and insolvency law, and may be included in our bankruptcy estate and subject to claims of third parties with priority over the claims of our public shareholders. To the extent bankruptcy claims deplete the trust account, we cannot assure you we will be able to return to our public shareholders the liquidation amounts due them.

Amended and Restated Memorandum and Articles of Association

Summary

Registered Office. Under our Amended and Restated Memorandum of Association, the address of our registered office is FH Chambers, P.O. Box 4649, Road Town, Tortola, British Virgin Islands.

Objects and Purposes. Under Clause 4(1) of our Amended and Restated Memorandum of Association, we have the capacity to carry on or undertake any business or activity.

Directors. Under Article 84 of our Articles of Association, no contract or transaction between us and one or more of our Directors (an Interested Director) or officers, or between us and any of their affiliates (an Interested Transaction), will be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of our board or committee which authorizes the contract or transaction, or solely because any such director s or officer s votes are counted for such purpose, if:

(a) The material facts as to the director s or officer s relationship or interest and as to the contract or transaction are disclosed or are known to the our board of directors or the committee, and the board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or

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(b) The material facts as to the director s or officer s relationship or interest and as to the contract or transaction are disclosed or are known to our shareholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of our shareholders; or

(c) The contract or transaction is fair as to us as of the time it is authorized, approved or ratified, by the board, a committee or the Shareholders.

A majority of independent directors must vote in favor of any Interested Transaction and determine that the terms of the Interested Transaction are no less favorable to us than those that would be available to us with respect to such a transaction from unaffiliated third parties.

Our board shall review and approve all payments made to the founders, officers, directors, special advisors, consultants and their respective affiliates, other than the payment of an aggregate of $7,500 per month to CIS Acquisition Holding Co. Ltd., an affiliate of Anatoly Danilitskiy, our Chairman and Chief Executive Officer, and Taras Vazhnov, our director, for office space, administrative services and secretarial support, and any Interested Director shall abstain from such review and approval. Such fees shall begin to accrue immediately after this offering and shall be paid at the time of an acquisition transaction, or in the event of our liquidation, only out of interest earned on the trust account or assets not held in trust, if any.

Rights, Preferences and Restrictions Attaching to Our Ordinary Shares. We are authorized to issue (i) 150,000,000 ordinary shares, par value $0.0001 per share, which shares may, but are not required to, be designated as part of one of three classes, callable Class A Shares, callable Class B Shares and Class C Shares, and (ii) 5,000,000 preferred shares, par value $0.0001 per share. Immediately prior to the completion of this offering, 1,532,500 ordinary shares are issued and designated as Class A Shares (including up to 112,500 Class A Shares held by our founders that are subject to redemption by us for no consideration to the extent the underwrites over-allotment option is not exercised in full and 170,000 underwriter shares). Each share, regardless if it is designated as part of a class of ordinary shares, has the right to one vote at a meeting of shareholders or on any resolution of shareholders, the right to an equal share in any dividend paid by us, and the right to an equal share in the distribution of surplus assets. We may by a resolution of the board of directors redeem our shares for such consideration as the board of directors determines.

Alteration of Rights. If, at any time, our authorized number of shares is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not we are being wound-up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a resolution passed by a majority of the votes cast at a separate general meeting of the holders of the shares of the class at which meeting the necessary quorum shall be two persons at least holding or representing by proxy one-third of the issued shares of the class.

Meetings. Our annual meeting may be held at such time and place as their chairman or any two directors or any director and the secretary or the board of directors shall appoint. The chairman or any two directors or any director and the secretary or the board of directors may convene an extraordinary general meeting whenever in their judgment such a meeting is necessary. At least 10 days (exclusive of the date that notice is given and the date on which event for which notice is given is to take effect) notice of a general meeting shall be given to each shareholder entitled to attend and vote thereat, stating the date, place, and time at which the meeting is to be held, and if different, the record date for determining shareholders entitled to attend and vote at the annual meeting, and, if practicable, the other business to be conducted at the meeting. At least 10 days (exclusive of the date that notice is given and the date on which event for which notice is given is to take effect) notice of an extraordinary general meeting shall be given to each shareholder entitled to attend and vote thereat, stating the date, place, and time at which the meeting is to be held, and the general nature of the business to be considered at the meeting. A meeting shall, notwithstanding the fact that it is called on shorter notice than otherwise required, be deemed to have been properly called if it is attended, or such notice is waived, by 90% of the shareholders entitled to attend and vote thereat. The inadvertent failure to give notice

of a meeting to, or the non-receipt of a notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

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Limitations on the Right to Own Securities. There are no limitations on the rights to own our securities, or limitations on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our securities, contained in our Amended and Restated Memorandum and Articles of Association (or under British Virgin Islands law).

Provisions relating to the acquisition transaction

Our Amended and Restated Memorandum and Articles of Association sets forth certain requirements and restrictions relating to this offering that apply to us until the consummation of our initial acquisition transaction or post-acquisition tender offer, as the case may be. Specifically, our Amended and Restated Memorandum and Articles of Association provide that:

if we have entered into a letter of intent, agreement in principle or definitive agreement with respect to an acquisition transaction within 18 months of the completion of this offering, the period of time to consummate an acquisition transaction will be automatically extended by an additional three months;
we may consummate our initial acquisition transaction only if public shareholders owning no more than 90.0% of the ordinary shares sold in this offering exercise, or may exercise, their redemption rights;
if we have not completed an initial acquisition transaction within 18 months (or 21 months pursuant to the automatic period extension), we will dissolve and liquidate the trust account and distribute to public shareholders a pro rata share of the trust account determined by dividing the total amount in the trust account by the number of shares sold in this offering (initially $10.30 per share), plus any remaining net assets;
our management will take all actions necessary to liquidate our trust account to our public shareholders as part of our plan of dissolution if an acquisition transaction is not consummated within the time periods specified in this prospectus;
our public shareholders rights to receive a portion of the trust account is limited to the extent that they may receive only a portion of the trust account and only upon liquidation of our trust account in the event we do not consummate an acquisition transaction within 18 months (or 21 months pursuant to the automatic period extension) following the consummation of this offering or upon the exercise of their redemption rights in connection with the consummation of an acquisition transaction;
our initial acquisition transaction must be with one or more operating businesses whose fair market value, either individually or collectively, is equal to at least 80% of the amount in the trust account (excluding taxes payable) at the time of such acquisition transaction;
following this offering and prior to the time that we liquidate the trust account, we will not issue any securities that participate in the proceeds of our initial public offering that are held in the trust account or that have a vote in connection with any matter related to our initial acquisition transaction;
the board of directors shall review and approve all payments made to our founders, officers, directors, special advisors, consultants, and their respective affiliates with any interested director abstaining from such review and approval, other than the payment of an aggregate of $7,500 per month to CIS Acquisition Holding Co. Ltd. for office space, administrative services and secretarial support, to begin to accrue immediately after this offering and to be paid at the time of an acquisition transaction, or in the event of our liquidation, only out of interest earned on the trust account or assets not held in trust, if any,
we may not to enter into any transaction with any of our officers, directors or any of our or their respective affiliates without the prior approval by a majority of our disinterested directors, who had access, at our expense, to our attorneys or independent legal counsel, and unless our disinterested directors determine that the terms of such transaction are no less favorable to us than those that would be available to us with respect to such a transaction from unaffiliated third parties; and
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we may not (i) consummate an acquisition transaction with a target business that is a portfolio company of, or has otherwise received a financial investment from, our founders or their affiliates, or that is affiliated with our founders or our directors or officers, or (ii) consummate an acquisition transaction with any underwriter, or underwriting selling group member, or any of their affiliates, unless in each case we obtain an opinion from an unaffiliated, independent investment banking firm that is a member of the Financial Industry Regulatory Authority, or FINRA, that an acquisition transaction with such target business is fair to our shareholders from a financial point of view.

Pursuant to our Amended and Restated Memorandum and Articles of Association, the foregoing provisions may be amended by at least 80% of the voting power of the total number of ordinary shares that are issued in this offering. In addition, the relevant portions of the agreement governing the trust account can only be amended with the consent of 80% of the voting power of the callable Class A Shares or the callable Class B Shares. The agreement governing the trust account does not require consent of 100% of the voting power of the callable Class A Shares or the callable Class B Shares because we believe that it is in the best interest of our shareholders to allow a substantial majority of our public shareholders to amend the terms of the agreement if they so desire. Except for the shares issued immediately prior to this offering and the callable Class A Shares underlying the units issued in connection with this offering, we will not issue securities with voting rights to vote on any proposals to amend our Amended and Restated Memorandum and Articles of Association prior to the time that we liquidate the trust account. These provisions could also be eliminated by our completing a very small acquisition with minimal assets and operations. If any of these provisions are amended or eliminated, our shareholders:

- may not have all of the rights they previously had;
- might not receive the amount anticipated in connection with a redemption or liquidation; and
- might not receive amounts from the trust account in the time frames specified in this prospectus.

In addition, our Amended and Restated Memorandum and Articles of Association provide shareholders with redemption rights only in connection with an acquisition transaction. In the event that a vote is called not in connection with an acquisition transaction to consider other amendments to our Amended and Restated Memorandum and Articles of Association no redemption rights will be granted.

Competition

In identifying, evaluating and selecting a target business for an acquisition transaction, we may encounter intense competition from other entities having a business objective similar to ours including other blank check companies, private equity groups and leveraged buyout funds, and operating businesses seeking acquisitions. Many of these entities are well established and have extensive experience identifying and effecting acquisition transactions directly or through affiliates. Moreover, many of these competitors possess greater financial, technical, human and other resources than us. While we believe there are numerous potential target businesses with which we could combine, our ability to acquire larger target businesses will be limited by our available financial resources. This inherent limitation gives others an advantage in pursuing the acquisition of a target business. Furthermore:

- our obligation to redeem for cash shares held by our public shareholders who exercise their redemption rights in connection with our initial acquisition transaction may reduce the resources available to us for an acquisition transaction;
- our outstanding warrants, and the future dilution they potentially represent, may not be viewed favorably by certain target businesses; and
- the requirement to acquire an operating business that has a fair market value equal to at least 80% of the balance of the trust account at the time of the acquisition (excluding taxes payable) could require us to acquire the assets of several operating businesses at the same time, all of which sales would be contingent on the closings of the other sales, which could make it more difficult to consummate the acquisition transaction.

Any of these factors may place us at a competitive disadvantage in successfully negotiating an acquisition transaction.

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Although none of our officers and directors is currently affiliated with any blank check companies, they may in the future become affiliated with entities, including other blank check companies that are engaged in business activities similar to those intended to be conducted by us. Furthermore, each of our principals may become involved with subsequent blank check companies similar to our company. Additionally, our officers and directors may become aware of business opportunities that may be appropriate for presentation to us and the other entities to which they owe fiduciary duties. For a list of the entities to which our officers and directors owe fiduciary duties, see Management Conflicts of Interest.

Facilities

We currently maintain our executive offices in approximately 800 square feet of office space at 89 Udaltsova Street, Suite 84, Moscow, Russia 119607. The cost for this space will be included in the $7,500 per month fee described above that CIS Acquisition Holding Co. Ltd. will charge us for office space, administrative services and secretarial support for a period commencing on the date of this prospectus and ending on the earlier of our consummation of an acquisition transaction or our liquidation. CIS Acquisition Holding Co. Ltd. is an affiliate of Anatoly Danilitskiy, our Chairman and Chief Executive Officer, and Taras Vazhnov, our director.

Employees

We currently have three officers and one other employee. While our each of our executive officers has indicated that they intend to devote approximately 20% of their time to affairs, each of these individuals is not obligated to devote any specific number of hours to our business. We intend to hire consultants in order to assist us in the search, due diligence for and consummation of an acquisition transaction.

Periodic Reporting and Audited Financial Information

We have registered our units, each class of our ordinary shares, and the warrants underlying the units under the Securities Exchange Act of 1934, as amended, and have reporting obligations, including the requirement that we file annual reports with the SEC. In accordance with the requirements of the Securities Exchange Act of 1934, our annual reports will contain financial statements audited and reported on by our independent accountants.

Although we will be registered under the Exchange Act, as a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing the furnishing and content of proxy statements to shareholders, and our executive officers, directors and principal shareholders are exempt from certain of the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we will not be required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. However, we have agreed with the underwriters that for the period commencing with the date of this prospectus and ending on the consummation of our initial acquisition transaction, we will comply with the rules and regulations under the Exchange Act prescribing the requirements and filing deadlines for annual reports on Form 20-F and reports of Foreign Private Issuer on Form 6-K complying with those rules and regulations. In addition, we have agreed with the representative of the underwriters that we will furnish to American shareholders an English language version of our annual financial statements and all other materials regularly provided to other shareholders, and publish, at least semi-annually, an English language version of our interim financial statements filed with the SEC.

In accordance with the requirements of the Exchange Act, our annual report will contain financial statements audited and reported on by our independent registered public accounting firm and our quarterly reports will contain financial statements reviewed by our independent registered public accounting firm.

We will not acquire a target business if we cannot obtain audited financial statements in accordance with applicable accounting standards for such target business. We will provide these financial statements in the proxy materials or tender offer materials prepared in connection with our initial acquisition transaction. Our management believes that the need for target businesses to have, or be able to obtain, audited financial statements may limit the pool of potential target businesses available for acquisition.

Documents concerning us which are referred to in this prospectus may be inspected at c/o Loeb & Loeb LLP, 345 Park Avenue, New York, NY 10154.

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Controls and Procedures

We do not currently, and are not required to, provide an assessment of the effectiveness of our system of internal controls as defined by Section 404 of the Sarbanes-Oxley Act. We will be required to comply with the internal control requirements of the Sarbanes-Oxley Act for the fiscal year ending October 31, 2013. As of the date of this prospectus, we have not completed an assessment, nor have our auditors tested our systems, of internal control. We expect that we will assess the internal controls of our target business or businesses preceding the consummation of our initial acquisition transaction and will then implement a schedule for implementation and testing of such additional controls as we may determine are required to state that we maintain an effective system of internal controls. A target business outside of the United States that has previously kept its accounts in accordance with applicable accounting standards will likely not be in compliance with the provisions of the Sarbanes-Oxley Act regarding the adequacy of its internal controls and will likely need improvement in areas such as:

- staffing for financial, accounting and external reporting areas, including segregation of duties;
- reconciliation of accounts;
- proper recordation of expenses and liabilities in the period to which they relate;
- proof of internal review and approval of accounting items;
- documentation of key accounting assumptions, estimates and/or conclusions; and
- documentation of accounting policies and procedures.

Because it will take time, management involvement and perhaps outside resources to determine what internal control improvements are necessary for us to meet regulatory requirements and market expectations for our operation of a target business, we may incur significant expense in meeting our public reporting responsibilities, particularly in the areas of designing, enhancing, or remediating internal and disclosure controls. Doing so effectively may also take longer than we expect, thus increasing our exposure to financial fraud or erroneous financial reporting.

Once our management s report on internal controls is complete, we will retain our independent auditors to assess management s report on internal controls and to render an opinion on such report when required by Section 404 of the Sarbanes-Oxley Act. Additional matters concerning a target business internal controls may be identified in the future when the testing and assessment is performed.

Legal Proceedings

There is no litigation currently pending or threatened against us or any of our officers or directors in their capacity as such.

Comparison of This Offering to Those of Blank Check Companies Subject to Rule 419

The following table compares the terms of this offering to the terms of an offering by a blank check company subject to the provisions of Rule 419. This comparison assumes that the gross proceeds, underwriting discounts and commissions and underwriting expenses of our offering would be identical to those of an offering undertaken by a company subject to Rule 419, and that the underwriters will not exercise their over-allotment option. None of the provisions of Rule 419 apply to our offering.

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	Terms of Our Offering	Terms Under a Rule 419 Offering
Escrow of offering proceeds	$51.5 million of the net offering and private placement proceeds will be deposited into a trust account at J.P. Morgan maintained by Continental Stock Transfer & Trust Company, as trustee.	Approximately $42,277,500 of the offering proceeds would be required to be deposited into either an escrow account with an insured depositary institution or in a separate bank account established by a broker-dealer in which the broker-dealer acts as trustee for persons having the beneficial interests in the account.
Investment of net proceeds	The $51.5 million of net offering proceeds held in the trust account will be invested only in U.S. government securities (as such term is defined in the Investment Company Act) and/or one or more money market funds, selected by us, which invest principally in either short-term securities issued or guaranteed by the United States having a rating in the highest investment category granted thereby by a recognized credit rating agency at the time of acquisition or short-term municipal bonds issued by governmental entities located within the United States.	Proceeds could be invested only in specified securities such as a money market fund meeting conditions of the Investment Company Act or in securities that are direct obligations of, or obligations guaranteed as to principal or interest by, the United States.
Limitation on fair value of net assets of target business	The initial target business that we acquire must have a fair market value equal to at least 80% of the balance in the trust account (excluding taxes payable) at the time of such acquisition transaction.	We would be restricted from acquiring a target business unless the fair value of such business or net assets to be acquired represent at least 80% of the maximum offering proceeds.

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	Terms of Our Offering	Terms Under a Rule 419 Offering
Trading of securities issued	The units will commence trading on or promptly after the date of this prospectus. The callable Class A Shares and redeemable warrants comprising the units will begin to trade separately on earlier of the 90th day after the effective date of the registration statement of which this prospectus forms a part or the announcement by the underwriters of the decision to allow earlier trading (based upon their assessment of the relative strengths of the securities markets and small capitalization companies in general, and the trading pattern of, and demand for, our securities in particular), subject, however, to our having filed the Report of Foreign Private Issuer on Form 6-K described below. In no event will separate trading of the ordinary shares underlying the redeemable warrants occur until we have filed with the SEC a Report of Foreign Private Issuer on Form 6-K, which includes an audited balance sheet reflecting our receipt of the gross proceeds of this offering, including any proceeds we receive from the exercise of the over-allotment option, if such option is exercised prior to the filing of the Form 6-K.	No trading of the units, the shares, or the underlying ordinary shares and warrants would be permitted until the consummation of an acquisition transaction. During this period, the securities would be held in the escrow or trust account.

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Terms of Our Offering	Terms Under a Rule 419 Offering
We will file a Report of Foreign Private Issuer on Form 6-K with the SEC, including an audited balance sheet, within 4 business days after the consummation of this offering. The audited balance sheet will reflect our receipt of the proceeds of this offering, including our receipt of the proceeds from the exercise of the over-allotment option if the over-allotment option is exercised prior to the filing of the Form 6-K. If the over-allotment option is exercised after our initial filing of a Form 6-K, we will file an amendment to the Form 6-K or a new Form 6-K to provide updated financial information to reflect the exercise and consummation of the over-allotment option Once the callable Class A Shares and redeemable warrants commence separate trading, holders will have the option to continue to hold units or separate their units into the callable Class A Shares and redeemable warrants. The callable Class A Shares will continue to trade until we consummate an acquisition transaction, at which time they will either: (a) automatically be consolidated with all our other classes of ordinary shares into one class of ordinary shares, if we grant shareholders redemption rights in connection with the acquisition transaction; (b) or will automatically separate from the units and convert to callable Class B Shares, if we complete the acquisition transaction prior to a post-acquisition tender offer. Callable Class B Shares will automatically be consolidated with all our other classes of ordinary	

shares into one class of ordinary
shares following

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	Terms of Our Offering	Terms Under a Rule 419 Offering
	consummation of a post-acquisition tender offer or converted into the right to receive a pro rata share of the trust account in the event that a post-acquisition tender offer is not commenced or completed in the allotted time and we are required to automatically liquidate the trust account.	
Exercise of the redeemable warrants	Each redeemable warrant is exercisable to purchase one ordinary share at $10.00 per share. The redeemable warrants cannot be exercised until the later of:	
	The consolidation of each class of our ordinary shares into one class of ordinary shares after the consummation of an acquisition transaction or post-acquisition tender offer, as the case may be; and	The redeemable warrants could be exercised prior to the consummation of an acquisition transaction, but securities received and cash paid in connection with the exercise would be deposited in the escrow or trust account.
	one year from the date of this prospectus. Although the redeemable warrants and the ordinary shares underlying them will be registered pursuant to a prospectus, the redeemable warrants will only be exercisable by paying the exercise price in cash if there is an effective registration statement covering the ordinary shares underlying the redeemable warrants in effect and a current prospectus relating to those ordinary shares is available for use. In the event that there is no effective registration statement or prospectus covering the ordinary shares issuable upon exercise of the redeemable warrants, holders	

of the redeemable warrants may
elect to exercise them on a cashless
basis by paying the exercise price
by surrendering

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	Terms of Our Offering	Terms Under a Rule 419 Offering
	their warrants for that number of ordinary shares equal to the quotient obtained by dividing (x) the product of the number of shares underlying the redeemable warrants, multiplied by the difference between the exercise price of the redeemable warrants and the fair market value (defined below) by (y) the fair market value. The fair market value means the average reported last sale price of our ordinary shares for the 10 trading days ending on the third trading day prior to the date on which the redeemable warrant exercise notice is sent to the warrant agent. We would not receive additional proceeds to the extent the redeemable warrants are exercised on a cashless basis. The redeemable warrants will expire five years from the date of this prospectus at 5:00 p.m., New York time, on , 2017, or earlier upon redemption by us or our dissolution and liquidation of the trust account in the event we fail to consummate an acquisition transaction.	
Election to remain an investor	In connection with a proposed acquisition transaction, we will be required to allow shareholders to redeem all or a portion of their shares. At the time of an acquisition transaction we will prepare a prospectus/proxy solicitation or tender offer documentation, and a shareholder following the procedures described in these documents will be given the right to cause us to redeem his, her or its shares for a pro rata share of the trust account. Public shareholders following the procedures described in this	A prospectus containing information required by the SEC would be filed as part of a post-effective amendment to the original registration statement filed in connection with the offering and would be sent to each investor. Each investor would be given the opportunity to notify the company in writing, within a period of no less than 20 business days and no more than 45 business days from the effective date of the post-effective amendment, to decide if he, she or it elects to remain a shareholder of the

	prospectus will have from the time we send out our proxy statement or tender offer materials until the business	company or require the return of his, her or its investment. If the company has not received the notification by the end of the

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	Terms of Our Offering	Terms Under a Rule 419 Offering
	day immediately preceding the vote on the proposed acquisition transaction or the date of closing of the tender offer, but in any event no less than a period of 20 business days to cause us to redeem their callable Class A Shares or callable Class B Shares for a pro rata share of the trust account. However, a public shareholder who does not follow these procedures or who does not take any action would not be entitled to the distribution of any funds from the trust account. This redemption right is only available to holders of callable Class A Shares or callable Class B Shares. Any amounts remaining in the trust account after granting of the redemption rights will be used to pay our outstanding expenses and to consummate the acquisition transaction, including the payment of any consideration due to the sellers under the acquisition transaction documents.	45th business day, funds and interest or dividends, if any, held in the trust or escrow account are automatically returned to the shareholder. Unless a sufficient number of investors elect to remain investors, all funds on deposit in the escrow account must be returned to all of the investors and none of the securities are issued.
Acquisition transaction deadline	Our initial acquisition transaction must occur within 18 months (or 21 months pursuant to the automatic extension period) from the consummation of this offering; if our initial acquisition transaction does not occur within these time frames and we are dissolved as described herein, funds held in the trust account will be returned to investors as promptly as practicable, on a pro rata basis (initially $10.30 per share).	If an acquisition has not been consummated within 18 months after the effective date of the company s initial registration statement, funds held in the trust or escrow account are returned to investors.

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	Terms of Our Offering	Terms Under a Rule 419 Offering
Release of funds	Except with respect to (i) interest earned on the trust account that may be released to us to pay any taxes we incur, (ii) interest earned by the trust account that may be released to us from time to time to fund our working capital and general corporate requirements, and (iii) a pro rata share of the trust account that may be released to us for each callable Class A Share (excluding the founders shares) converted to a Class C Share upon completion of an acquisition transaction, proceeds and interest income held in the trust account will not be released until the consummation of an acquisition transaction or the completion of a post-acquisition tender offer or if we are unable to consummate an acquisition transaction or commence or complete a post-acquisition tender offer within the allotted time.	The proceeds held in the escrow account are not released until the earlier of the consummation of an acquisition transaction or the failure to effect an acquisition transaction within the allotted time.
Interest earned on funds in the trust account	There can be released to us, from time to time, interest earned on the funds in the trust account (any amounts in the trust account in excess of $10.30 per share) to fund expenses related to working capital and general corporate requirements. The remaining interest earned on the funds in the trust account will not be released until the earlier of the completion of an acquisition transaction and our liquidation upon failure to effect an acquisition transaction within the allotted time. Shareholders who redeem their shares for cash in connection with the acquisition transaction will not receive any portion of that amount that has been	The interest earned on funds held in the escrow account (net of taxes payable) would be held for the sole benefit of investors, unless and only after the funds held in escrow were released to us in connection with our consummation of an acquisition transaction.

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	Terms of Our Offering	Terms Under a Rule 419 Offering
	previously released to us; upon our liquidation, shareholders shall be entitled to a portion of the interest earned on funds held in trust, including accrued but undistributed interest, net of (i) interest earned on the trust account that may be released to us to pay any taxes we incur, (ii) interest earned by the trust account that may be released to us from time to time to fund our working capital and general corporate requirements and (iii) a pro rata share of the trust account that may be released to us for each callable Class A Share converted to a Class C Share upon completion of an acquisition transaction, by the number of shares sold in this offering, plus any remaining assets.	

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MANAGEMENT

Directors and Executive Officers

Our current directors and executive officers, their ages and positions are as follows:

Name	Age	Position
Anatoly Danilitskiy	60	Chairman and Chief Executive Officer
Kyle Shostak	40	Director, Chief Financial Officer and Secretary
Taras Vazhnov(1)(2)(3)	40	Director
Levan Vasadze(1)(2)(3)	41	Director
David R. Ansell(1)(2)(3)	66	Director

(1) Member of audit committee.
(2) Member of compensation committee.
(3) Member of governance and nominating committee.

Below is a summary of the business experience of each of our executive officers and directors:

Anatoly Danilitskiy has been our Chairman and Chief Executive Officer since our inception. From 2004 to 2009, Mr. Danilitskiy established and led National Reserve Corporation, or NRC, to consolidate its strategic non-banking investment assets to become one the Russia s largest private holding companies. Also from 2004 to 2009, Mr. Danilitskiy served as Chairman of CIS Interfincom AG, a financial and asset management subsidiary of NRC, where he oversaw all major money market transactions and securities trading. While at NRC, Mr. Danilitskiy was responsible for a number of key deals in energy (including but not limited to purchasing certain Gazprom assets), transportation, debt arbitrage and distressed assets. From 1994 to 2004, Mr. Danilitskiy served as First Deputy Chairman of National Reserve Bank, or NRB, the parent company of NRC and one of Russia s leading universal commercial banks, where he was responsible for business development and international affairs. From 2006 to 2009, Mr. Danilitskiy served as Member of Board of Directors and member of Renumeration and Assessment Committee of Aeroflot International Airlines, a Russian national carrier, where he played a key role in the successful effort to modernize the fleet of aircraft.

Since 2007, Mr. Danilitskiy has served as a Member of the Supervisory Board of Energobank and is a majority shareholder of the bank. In June 2012, he was appointed to serve as Chairman of the Supervisory Board of Energobank. Mr. Danilitskiy has also served as Chairman of the Board of RetnNet, an international telecommunications network, since 2010. From 1993 to 1994, Mr. Danilitskiy was a co-founder of Russia Investment and Financial Company. Mr. Danilitskiy previously served as a career diplomat from 1974 to 1993 in the then Soviet and later Russian Ministry of Foreign Affairs, having been posted at the embassies in India, Australia and Great Britain. He retired in 1993 with a rank of Senior Counselor. Mr. Danilitskiy graduated from Moscow State Institute of International Relations with an MA degree in International Politics in 1974. He is fluent in English, Russian and French.

Kyle Shostak has been our Director and Chief Financial Officer since our inception and our Secretary since January 2012. Since March 2009, Mr. Shostak has served as Principal and Managing Director at Navigator Principal Investors LLC, a New York-based alternative investment advisor, responsible for originating and structuring deals as well as managing clients separate accounts. Since 2009, Mr. Shostak has also served as Chief Investment Officer of Insurance

Opportunity Fund, a special situations investment vehicle focused on global insurance assets that is managed by Navigator Principal Investors LLC.

From 2008 to 2009, Mr. Shostak served as Vice President of Fixed Income Investments at J.P. Morgan Securities, focusing on client-related structuring, trading and distribution of hybrid and illiquid assets. Mr. Shostak s deals involved structuring, financing and sourcing certain fixed income assets to several major hedge funds, special situations and private equity funds, including BlueCrest funds (approximately $860 million), and selling down certain Bear Stearns illiquid legacy assets (approximately $1.5 billion) to a consortium of hedge funds and private equity investors. At J.P. Morgan, Mr. Shostak also managed risk for proprietary investments in excess of $250 million.

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From 2006 to 2008, Mr. Shostak was Director of Alternative Investments at GE Capital-Genworth Financial, where he was responsible for direct investments, co-investments in leveraged assets, hedge funds, distressed credits, private equity and private debt. From 2003 to 2006, Mr. Shostak served as Vice President of Leveraged Finance at Credit Suisse and from 2000 to 2003 served as Associate Director for Leveraged Finance & Financial Sponsors at Banca Intesa New York. His deals involved high yield bonds and leveraged loans offerings, bi-lateral facilities, syndications, special situations equity deals, including, among others, Chiquita, Georgia Pacific, American Towers, Petrobras, MexCel, Michael Foods, Reliant Energy, Luxxotica, Armani, Benetton, Fiat, Finmatica, ENI, Petrobras, Blue Stream Pipeline.

From 1995 to 1999, Mr. Shostak first worked as Vice President and then Director and General Counsel at Bank Austria/Creditanstalt Investment Bank Russia. While there Mr. Shostak was involved in all aspects of origination and execution of equity investments in a number of prominent Russian companies, including AVISMA-VSMPO, Syvtyvkar Pulp, Sylvinit, asset consolidation of Tyumen Oil Company, proprietary investments in government debt obligations, investments in structured notes representing shares of Gazprom and Sberbank. Mr. Shostak performed pre-investment due diligence and negotiated terms of the deals. Mr. Shostak also served as Director of Emerging Russia Growth Fund, a $150 million bank-sponsored opportunistic equity fund.

From 1994 to 1995, Mr. Shostak was an Associate at Covington & Burling in Washington, D.C. While there he was involved in corporate, insurance and international practices, including project financing facility on behalf of Novorossiysk Shipping Co.

Mr. Shostak obtained a Master of Business Administration in Finance degree from Stern School of Business at New York University in 2000, a Master of Laws (LL.M.) degree from The American University, Washington, D.C. in 1994 and a J.D. degree from Moscow State University Faculty of Law in 1993. He has been certified for the Series 7 license from FINRA and is fluent in English, Russian and Italian.

Taras Vazhnov has been our Director since our inception. From 2003 to 2010, Mr. Vazhnov was a co-founder and Head of Corporate Finance of Moscow-based Link Capital, a boutique investment bank that provides a variety of strategic advisory, capital markets and asset management services to companies operating primarily in Russia and Central Eastern Europe. Since 2006, Mr. Vazhnov has continued to serve as a director of Link Capital Financial Services Ltd., a related financial advisory firm. In March 2012, Mr. Vazhnov became a partner of Link Capital LLP (UK). Mr. Vazhnov is currently serving as an advisor on strategy and business development to the German TV and internet company IMusic as well as a number of prominent Russian companies, including one of the largest private medical clinics in Russia, Lit-Clinic, and a commercial bank, NM Bank.

From 2002 to 2003, Mr. Vazhnov served as a First Deputy CEO and CFO of Russian Coal Co., one of the largest coal companies in Russia, where he led the finance, M&A and legal departments and participated in more than 15 acquisitions in the coal mining and related industries. From 2001 to 2002, Mr. Vazhnov was a co-founder and General Manager of Business Center Asset Management Co., a private investment and asset management firm in Moscow that invested in the Chernigovsky Coal Mine, Bank Moskva, and other industrial assets. From 2000 to 2001, Mr. Vazhnov served as First Vice-President of Commercial Bank Moskva, where he was in charge of the bank s credit policy and risk management. From 1998 to 2000, Mr. Vazhnov served as Head of Financial Assets Department at Evihon Oil Co., a subsidiary of Moscow Oil and Gas Company, owned by the Moscow City Government, where he was responsible for the company s financial assets management. From 1995 to 1998, Mr. Vazhnov served as co-founder, Senior Manager and deputy CEO of MIR Investment Co., a corporate finance and brokerage services firm. Mr. Vazhnov graduated from Plekhanov Academy of Economy in Moscow in 1993 with a Master degree in Economics and Finance. He is fluent in English and Russian.

Levan Vasadze has been our Director since March 2012. Since 2008, Mr. Vasadze has been Chairman and majority owner of Prometheus Capital Partners, a Moscow-based private equity firm focused on investments in Russian and CIS companies. In 2010, Prometheus acquired majority stakes in the Beethoven and ZooBoom pet product retail chains and merged them under the Beethoven brand into the largest pet product retail chain in Russia.

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From 2001 to 2007, Mr. Vasadze was Chairman and later CEO of Sistema Corporation's insurance subsidiary, Rosno, a top Russian insurer. From 2001 to 2006, Mr. Vasadze was First Vice President of the conglomerate Sistema Corporation, one of Russia s largest private companies. As First Vice President, Mr. Vasadze was a member of the management board and the senior-most executive other than the CEO, in charge of corporate strategy and development, sourcing, review and execution of new acquisitions. During his tenure, he also served on the boards of numerous subsidiaries of Sistema. Mr. Vasadze joined Sistema in 1998 as Vice President. From 1997 to 1998, Mr. Vasadze was Managing Director of Corporate Finance at Aton Investment Bank, a leading Russian investment bank. From 1995 to 1997, Mr. Vasadze was Director at Creditanstalt Investment Bank in Moscow, at the time a major Western investment bank in Eastern Europe. Mr. Vasadze graduated from Tbilisi State University majoring in Geophisics in 1992. He obtained an MBA from Emory University Business School in Atlanta, Georgia in 1995. He is fluent in Russian, Georgian and English.

David R. Ansell, has been our director since April 2012. Mr. Ansell spent 32 years at Citibank, with portions of his career in Africa, the Middle East and Asia. From 1997 to 1999, Mr. Ansell was a CEO of Citibank Russia. He was in charge of managing all of Citibank s businesses in Russia including the 100% owned subsidiary with branches in Moscow, St. Petersburg, and the Investment Bank activities of Salomon Smith Barney. From 1995 to 1997, Mr. Ansell was CEO of Citibank in Czech Republic, and managed all of Citibank s businesses there. In 1993 to 1995, Mr. Ansell was Chief of Staff: Emerging Markets at Citibank London. From 1991 to 1993 Mr. Ansell was based in Taipei, Taiwan for Citibank as a Country Manager Corporate and Investment Banking, overseeing a staff of 300 people and assets in access of $1.5 billion. In 1989 1991, Mr. Ansell was CEO of Ecobank Transnational in Lome, Togo. In 1986 1989, Mr. Ansell served as Regional Director of Citibank in Nairobi, Kenya. From 1968 to 1986, Mr. Ansell held various assignments at Citibank in South Africa, Zaire, Kenya, Tunisia, Ivory Coast, Saudi Arabia and India. His expertise includes all areas of corporate & investment banking management, risk management and credit, operational processes, treasury, and human resources. As a Senior Credit Office of Citibank from 1982 until 1986, Mr. Ansell provided final approval authority of loans up to US$5 million, and up to US$25 million with one other Senior Credit Officer.

Since 2001, Mr. Ansell has served on the Board of Directors of Housing Finance Corporation in Kenya, where he also serves as Chair of the Audit Committee. Since February 2012, Mr. Ansell has served as a director and member of the Credit and Risk Committees of Equity Bank (Kenya). Since 2006 he has also been an Advisory board member of Private Equity New Markets, a Danish private Equity Fund operated by BankInvest.

Mr. Ansell graduated in 1967 from the University of North Carolina at Wilmington, with a Bachelor s degree in mathematics. In 1968 he obtained another Bachelor s degree in Finance from the Thunderbird International Graduate School in Glendale, Arizona. In 1988, Mr. Ansell received an Advanced Management degree from the Wharton School of Business at the University of Pennsylvania.

The term of each director does not automatically expire.

Our directors and officers will play a key role in identifying, evaluating, and selecting target businesses, and structuring, negotiating and consummating our initial acquisition transaction. Except as described below and under Conflicts of Interest, none of these individuals is currently a principal of or affiliated with a public company or blank check company that executed a business plan similar to our business plan. We believe that the skills and experience of these individuals, their collective access to acquisition opportunities and ideas, their contacts, and their transaction expertise should enable them to successfully identify and effect an acquisition transaction although we cannot assure you that they will, in fact, be able to do so.

Officer and Director Qualification

Our officers and board of directors are composed of a diverse group of leaders. Many of the current officers or directors have senior leadership experience in both public and private companies. In these positions, they have also gained experience in core management skills, such as strategic and financial planning, public company financial reporting, compliance, risk management, and leadership development. Most of our officers and directors also have experience serving on boards of directors and board committees of other public companies and private companies, and have an understanding of corporate governance practices and trends, which

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provides an understanding of different business processes, challenges, and strategies. Further, our officers and directors also have other experience that makes them valuable, such as prior experience with many public and private investment vehicles and managing and investing assets or facilitating the consummation of business combinations.

We, along with our officers and directors, believe that the above-mentioned attributes, along with the leadership skills and other experiences of our officers and board members described below, provide us with a diverse range of perspectives and judgment necessary to facilitate our goals of consummating an acquisition transaction.

Anatoly Danilitskiy. Mr. Danilitskiy is well-qualified to serve as an officer and a member of the Board due to his extensive experience in corporate acquisitions, building successful businesses and providing operational efficiency through strategic guidance and leadership. We believe Mr. Danilitskiy s deep knowledge of the Russian market, business experience and background in senior management and corporate leadership will further our purpose of consummating an acquisition transaction.

Kyle Shostak. Mr. Shostak is well-qualified to serve as an officer and a member of the Board due to his hands-on investment banking and finance experience and proven track record of various corporate deals including cross-border acquisitions, restructurings and special situations investing. We believe Mr. Shostak s international and Russian business experience and background in deal origination, structuring, investment and legal due diligence will further our purpose of consummating an acquisition transaction.

Taras Vazhnov. Mr. Vazhnov is well-qualified to serve as a member of the Board due to his broad financial and management expertise, established track record of acquiring, integrating and growing successful businesses by providing operational value-added guidance. We believe Mr. Vazhnov s knowledge of various Russian industries, deep knowledge of operational due diligence and background in financial management will further our purpose of consummating an acquisition transaction.

Levan Vasadze. Mr. Vasadze is well-qualified to serve as a member of the Board due to his extensive experience in originating, evaluating, structuring and closing corporate finance deals in Russia and CIS, including the successful IPO of Sistema Corporation, one of the leading Russian companies on the London Stock Exchange, the largest Russian IPO at the time. We believe Mr. Vasadze s track record of corporate leadership, strategic development, and history of creating shareholder value, and experience in introducing Western corporate governance standards to Russian and Eastern European companies will further our purpose of consummating an acquisition transaction.

David R. Ansell. Mr. Ansell is well-qualified to serve as a member of the Board due to his extensive experience in all areas of corporate & investment banking, management, risk management and credit, operational processes, treasury, and human resources. We believe Mr. Ansell s leadership roles and long-time experience in the financial services sector will assist us in identifying profitable acquisition targets and structuring out initial acquisition transaction so as to maximize shareholder value.

Advisory Board

We may seek guidance and advice from the following special advisors. We have no formal arrangements or agreements with these advisors to provide services to us. These special advisors will simply provide advice, introductions to potential targets, and assistance to us, at our request, only if they are able to do so. Nevertheless, we believe that the business background and extensive contacts of each of our special advisors will be helpful to our search for a target business and our consummation of an acquisition transaction.

Alexey Chuykin has served as an advisor to the Deputy Mayor of Moscow and Deputy to the Head of City Investment Management Agency since April 2012. In this capacity, he advises on the creation of a Moscow-wide agricultural and food trade and services logistics center. Additionally, since May 2012 he has served as a director of Volta Engineering Group, an information technology company.

From March 2011 to April 2012, Mr. Chuykin was First Deputy Head of Trade and Services Department of Moscow City Government. His area of responsibilities in this position involved the economic monitoring of trade and services sector, managing property and land relationships, implementing reforms in various services sectors, including the privatization of the city s assets and managing the city s reserve and tender processes.

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In 2010, Mr. Chuykin was General Director of Detskiy Mir, a prominent Russian children s product retailer. Mr. Chuykin negotiated and executed the sale of a 25% stake in the company to Russia s largest bank, Sberbank, for approximately $110 million. He also developed a restructuring plan to double the market value of the company in three years, reorganize the company s structure, supplies, logistics, retail management, IT system and operations, and replace 70 percent of the company s management.

From 2008 to 2010, Mr. Chuykin was Chairman of the Board of Directors of Plastic Media, a Moscow-based content and service provider of mobile VAS services and payment services for the subscribers of mobile phones. From 2007 to 2008, Mr. Chuykin was President of Euroset, one of Russia s largest portable electronics retailer, where he managed the company s operations and negotiated and executed the $400 million sale of Euroset to Vimpelcom, a mobile operator in Russia, and a private investment fund. From 2005 to 2007, Mr. Chuykin was Director General of DIXIS, a Russian phone and portable electronics retailer, where he was responsible for daily management and helped to substantially increase retail presence and more than double the company s revenues. Mr. Chuykin has a degree in Engineering from Moscow State Technological University.

Mr. Chuykin will play a key role in identifying and evaluating prospective acquisition candidates, selecting the target business, and structuring, negotiating and consummating its acquisition. We believe that the skills and expertise of Mr. Chuykin, his access to acquisition opportunities and ideas, his contacts, and his transactional expertise should enable him to help us successfully identify and effect an acquisition transaction.

Consultants

Alex Lyamport serves as our regional mergers and acquisitions consultant. Since 2003, Mr. Lyamport has served as Managing Director of Link Capital, an Eastern European financial advisory firm. He has a deep understanding of Russian and Western European/U.S. capital markets and broad experience in structuring mergers and acquisitions transactions. Mr. Lyamport studied international finance at the City University of New York, Brooklyn College.

Board Committees

Our board of directors has established an audit committee, a compensation committee and a governance and nominating committee.

Audit Committee. The audit committee consists of Taras Vazhnov, Levan Vasadze and David R. Ansell. Taras Vazhnov is the chair of the audit committee, and our board of directors believe that each of the members of the audit committee qualify as audit committee financial experts , as such term is defined in the rules of the Securities and Exchange Commission.

The board of directors has adopted an audit committee charter, providing for the following responsibilities of the audit committee:

appointing and replacing our independent auditors and pre-approving all auditing and permitted non-auditing services to be performed by the independent auditors;
reviewing and discussing the annual audited financial statements with management and the independent auditors;
annually reviewing and reassessing the adequacy of our audit committee charter;
such other matters that are specifically delegated to our audit committee by our board of directors from time to time;
meeting separately and periodically with management, the internal auditors and the independent auditors; and
reporting regularly to the board of directors.

Compensation Committee. Our compensation committee consists of Taras Vazhnov, Levan Vasadze and David R. Ansell. Taras Vazhnov is the chair of our compensation committee. The members of the compensation commitee do not have any direct or indirect material relationship with us other than as a director.

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Our board of directors adopted a compensation committee charter, providing for the following responsibilities of the compensation committee:

- reviewing and making recommendations to the board regarding our compensation policies and forms of compensation provided to our directors and officers;
- reviewing and making recommendations to the board regarding bonuses for our officers and other employees;
- administering our incentive-compensation plans for our directors and officers;
- reviewing and assessing the adequacy of the charter annually;
- administering our share option plans, if they are established in the future, in accordance with the terms thereof; and
- such other matters that are specifically delegated to the compensation committee by our board of directors from time to time.

Governance and Nominating Committee. Our governance and nominating committee consists of Taras Vazhnov, Levan Vasadze and David R. Ansell. Taras Vazhnov is the chair of our governance and nominating committee. The members of the governance and nominating committee do not have any direct or indirect material relationship with us other than as a director.

Our board of directors adopted a governance and nominating committee charter, providing for the following responsibilities of the governance and nominating committee:

- overseeing the process by which individuals may be nominated to our board of directors;
- identifying potential directors and making recommendations as to the size, functions and composition of our board of directors and its committees;
- reviewing candidates proposed by our stockholders;
- developing the criteria and qualifications for the selection of potential directors; and
- making recommendations to the board of directors on new candidates for board membership.

In making nominations, the governance and nominating committee is required to submit candidates who have the highest personal and professional integrity, who have demonstrated exceptional ability and judgment and who shall be most effective, in conjunction with the other nominees to the board, in collectively serving the long-term interests of the stockholders. In evaluating nominees, the governance and nominating committee is required to take into consideration the following attributes, which are desirable for a member of the board: leadership, independence, interpersonal skills, financial acumen, business experiences, industry knowledge, and diversity of viewpoints.

Code of Ethics

On March 19, 2012, our board of directors adopted a code of ethics that applies to our directors, officers and employees.

Director Independence

Our board of directors has determined that Taras Vazhnov, Levan Vasadze, and David R. Ansell qualify as independent directors under the rules of the Nasdaq Marketplace Rules because they are not currently employed by us, and do not fall into any of the enumerated categories of people who cannot be considered independent in the Nasdaq Marketplace Rules.

Employment Agreements

On January 10, 2012, we entered into an agreement with Kyle Shostak and CIS Acquisition Holding Co. Ltd., our majority shareholder, pursuant to which we and CIS Acquisition Holding Co. Ltd. agreed that Mr. Shostak shall serve as our Chief Financial Officer, Secretary and a director until the closing of an initial acquisition transaction. We also agreed to sell to Mr. Shostak 110,250 placement warrants immediately prior to the

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consummation of this offering on the same terms as are offered to CIS Acquisition Holding Co. Ltd. In the event that the over-allotment option granted to the underwriters in this offering is not exercised in full, Mr. Shostak agreed to return for cancellation a pro-rata portion of the Class C Shares he holds immediately prior to the consummation of this offering. Mr. Shostak does not receive any other compensation for services rendered to us, other than reimbursements for business-related expenses incurred in the course of his duties as our officer.

Other than as disclosed above, we have not entered into any employment agreements with our executive officers, and have not made any agreements to provide benefits upon termination of employment.

Executive Officers and Director Compensation

None of our directors or officers have received any cash compensation for services rendered to us. Our founders own an aggregate of 1,362,500 Class A Shares, which they acquired for an aggregate purchase price of $25,000 (up to 112,500 of which will be redeemed by us for no consideration to the extent that the underwriters do not exercise their over-allotment option in full). In addition, we will issue our founders and their assignees, in a private placement occurring immediately prior to the consummation of this offering, 4,500,000 warrants for aggregate consideration of $3,375,000. We believe that because our officers and directors own such shares and warrants, no compensation (other than reimbursement of out-of-pocket expenses) is necessary, and such persons have agreed to serve in their respective role without compensation.

We have agreed to pay to CIS Acquisition Holding Co. Ltd. a total of $7,500 per month for office space, administrative services and secretarial support for a period commencing on the date of this prospectus and ending on the earlier of our consummation of an acquisition transaction or dissolution and liquidation of the trust account in the event we do not consummate an acquisition transaction within the relevant time period. Such fees shall begin to accrue immediately after this offering and shall be paid at the time of an acquisition transaction, or in the event of our liquidation, only out of interest earned on the trust account or assets not held in trust, if any. CIS Acquisition Holding Co. Ltd. is an affiliate of Anatoly Danilitskiy, our Chairman and Chief Executive Officer, and Taras Vazhnov, our director. This arrangement was agreed to by our board of directors for our benefit and is not intended to provide Messrs. Danilitskiy or Vazhnov compensation in lieu of a management fee or other remuneration, because it is anticipated that the expenses to be paid by CIS Acquisition Holding Co. Ltd. will approximate the monthly accrued reimbursement.

Other than this $7,500 per month fee, no compensation of any kind, including finder s and consulting fees, will be paid to our officers, directors or any of their respective affiliates for services rendered prior to or in connection with an acquisition transaction. However, our officers, directors and their respective affiliates will receive reimbursement for any reasonable out-of-pocket expenses incurred by them in connection with identifying, investigating and consummating a potential acquisition transaction with one or more target businesses. There are no limitations on the amount of expenses for which they can seek reimbursement, provided such expenses were incurred for our benefit. There will be no review of the reasonableness of the expenses by anyone other than our board of directors, which includes persons who may seek reimbursement, or a court of competent jurisdiction if such reimbursement is challenged. To the extent such out-of-pocket expenses exceed the available proceeds not deposited in the trust account, such out-of-pocket expenses would not be reimbursed by us unless we consummate our initial acquisition transaction.

Although we currently anticipate that some members of our management team will remain with us post-acquisition transaction, some or all of our current executive officers and directors may or may not remain with us following our initial acquisition transaction, depending on the type of business acquired and the industry in which the target business

operates. After the acquisition transaction, our directors and officers who remain with us may be paid consulting, management or other fees from the combined company with any and all amounts being fully disclosed to shareholders, to the extent then known, in the prospectus/proxy solicitation or tender offer materials furnished to our shareholders. It is unlikely that the amount of such compensation will be known at the time of an acquisition transaction, as it will be up to the directors of the post-transaction business to determine executive and director compensation. We cannot assure you that our current executive officers and directors will be retained in any significant role, or at all, and have no ability to determine what remuneration, if any, will be paid to them if they are retained following our initial acquisition transaction.

We have not set aside any amount of assets for pension or retirement benefits.

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Any compensation to be paid to our chief executive officer and other officers will be determined, or recommended to the board of directors for determination, either by a compensation committee constituted solely by independent directors or by a majority of the independent directors on our board of directors.

Certain Reporting Obligations

As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements. In addition, we will not be required under the Exchange Act to file current reports with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. However, we have agreed with the underwriters that for the period commencing with the date of this prospectus and ending on the consummation of our initial acquisition transaction, we will comply with the rules and regulations under the Exchange Act prescribing the requirements and filing deadlines for annual reports on Form 20-F and reports of Foreign Private Issuer on Form 6-K complying with those rules and regulations. In addition, we have agreed with the representative of the underwriters that we will furnish to American shareholders an English language version of our annual financial statements and all other materials regularly provided to other shareholders, and publish, at least semi-annually, an English language version of our interim financial statements filed with the SEC. There is no requirement under the BVI Business Companies Act to provide our shareholders with our financial statements or any other information. Our articles however provide that we are required to provide to our shareholders financial statements or summary financial statements to our shareholders at least 5 days before our annual general meetings.

Conflicts of Interest

General

Potential investors should be aware of the following potential conflicts of interest:

While each member of the our management team does not have prior blank check company experience, our officers and directors may in the future become affiliated with entities, including other blank check companies that are engaged in business activities similar to those we intend to conduct. Furthermore, any or all of our principals may become involved with subsequent blank check companies similar to our company. Additionally, our officers and directors may become aware of business opportunities that may be appropriate for presentation both to us and to any other entities to which they owe fiduciary duties.

In the course of their other business activities our officers and directors may become aware of investment and business opportunities that may be appropriate for presentation to our company as well as the other entities with which they are affiliated. Due to those existing and future affiliations, members of our management team may have fiduciary obligations to present potential business opportunities to those entities prior to presenting them to us. Accordingly, our officers and directors may have conflicts of interest in determining to which entity a particular business opportunity should be presented. For a complete description of our management s other affiliations, see the previous section entitled Directors and Executive Officers.

None of our officers or directors are required to commit any specified amount of time to our affairs, intend to devote only approximately 20% of their time to our business and are free to become involved in other blank check companies (though none which will seek a target business with its primary operations in Russia or Eastern Europe). Accordingly, they will have conflicts of interest in allocating management time among various business activities.

Our officers and directors may have a conflict of interest in determining whether a particular target business is appropriate for us and our shareholders since each of our directors will be subject to an escrow agreement with respect to founders shares and certain transfer restrictions with respect to the placement warrants, which only terminates

following our consummation of an acquisition transaction. The personal and financial interests of our officers and directors may influence their motivation in identifying and selecting a target business, completing an acquisition transaction in a timely manner and securing the release of the founders shares from escrow.

In the event we elect to make a substantial down payment, or otherwise incur significant expenses, in connection with a potential acquisition transaction, our expenses could exceed the remaining

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proceeds not held in trust. Our officers and directors may have a conflict of interest with respect to evaluating a particular acquisition transaction if we incur such excess expenses. Specifically, our officers and directors may tend to favor potential acquisition transactions with target businesses that offer to reimburse any expenses in excess of our available proceeds not held in the trust account.

Our officers and directors may have a conflict of interest with respect to evaluating a particular acquisition transaction if the retention or resignation of any such officers and directors were included by a target business as a condition to any agreement with respect to an acquisition transaction. We have been advised by our officers and directors that they will not take retaining their positions into consideration in determining which acquisition to pursue.

Accordingly, as a result of multiple business affiliations, our directors may have similar legal obligations relating to presenting business opportunities meeting the above-listed criteria to multiple entities, including other blank check companies. In addition, conflicts of interest may arise when our board of directors evaluates a particular business opportunity with respect to the above-listed criteria. We cannot assure you that any of the above mentioned conflicts will be resolved in our favor.

In general, under British Virgin Islands law, our directors have a duty of loyalty to act honestly, in good faith and with a view to our best interests. Our directors also have a duty to exercise the care, diligence and skills that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our Amended and Restated Memorandum and Articles of Association. In certain limited circumstances, a shareholder has the right to seek damages if a duty owed by our directors is breached.

Specific Potential Conflicts

Each of our officers and directors has, or may come to have, to a certain degree, other fiduciary obligations. All of our officers and directors have fiduciary obligations to other companies on whose board of directors they presently sit, or may have obligations to companies whose board of directors they may join in the future. To the extent that they identify business opportunities that may be suitable for us or other companies on whose board of directors they may sit, our officers and directors will honor those fiduciary obligations. Accordingly, they may not present opportunities to us that come to their attention in the performance of their duties as directors of such other entities unless the other companies have declined to accept such opportunities or clearly lack the resources to take advantage of such opportunities.

Our executive officers and directors are not required to, and will not, commit their full time to our affairs, which may result in a conflict of interest in allocating their time between our operations and the search for an acquisition transaction on the one hand and their other businesses on the other hand. For example, Mr. Danilitskiy will need to spend time staying involved in the operations of Energobank, where he remains a director and principal shareholder, Mr. Shostak will stay involved in the affairs of Navigator Principal Investors LLC, Mr. Vazhnov will continue to be involved with IMusic and Lit-Clinic, Mr. Vasadze will stay involved in the affairs of Prometheus Capital Partners, where he is Chairman and a majority owner, and Mr. Ansell will retain his commitments as a member of the board of Housing Finance Corporation, Equity Bank (Kenya) and Private Equity New Markets.

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Below is a table summarizing the companies to which our officers and directors owe fiduciary obligations, all of which would have to (i) be presented appropriate potential target businesses by our officers and directors, and (ii) reject the opportunity to acquire such potential target business, prior to their presentation of such target business to us:

Name	Name of Affiliated Entity	Affiliation
Anatoly Danilitskiy	Energobank	Shareholder, Chairman and Member of the Board
	RetnNet	Chairman of the Board
Kyle Shostak	Navigator Principal Investors LLC	Principal and Managing Director
	Insurance Opportunity Fund	Chief Investment Officer
Taras Vazhnov	Link Capital Financial Services Ltd.	Director
	Link Capital LLP	Partner
	IMusic	Advisor
	Lit-Clinic	Advisor
	NM Bank	Advisor
Levan Vasadze	Prometheus Capital Partners	Shareholder and Chairman of the Board
David Ansell	Housing Finance Corporation	Director
	Equity Bank (Kenya)	Director
	Private Equity New Markets	Member of Advisory Board

Pursuant to the agreements between us and each of our officers and directors, our officers and directors are free to become involved in other blank check companies as long as our officers and directors maintain priority with respect to the fiduciary obligations they owe us as compared to such other blank check companies, until such time as we have entered into a definitive agreement with our target business.

These individuals have no other fiduciary obligations that would take priority with respect to the fiduciary obligations they owe to us. However, it is possible that, concurrently with our initial acquisition transaction, some of the entities with which our officers and directors are affiliated could purchase a minority interest in the target company, subject to the requirement we must acquire a portion of the business with a value that is equal to at least 80% of the amount in the trust account (excluding taxes payable) and that we control the target business, as described above, as well as the additional requirements described below. While this could benefit us by allowing us to engage in an acquisition transaction with a target business that would cost significantly more than our available cash without requiring us to issue a large amount of equity or take on significant debt, and while our officers and directors have advised us that they would do what is in our best interests in connection with an acquisition transaction, such a situation would result in a conflict of interest for our officers and directors since they would be determining what portion of the target company we would be purchasing and the amount that these other companies would purchase. In connection with any co-investment in a target business, the entity or entities affiliated with our officers, and/or directors will be required to pay the same price per share or unit for their interest in the target company as we pay, the other terms of the investment of such affiliated entity or entities will be required to be no more favorable than the terms of our investment and such investment will require the prior approval by a majority of our disinterested directors. In addition, the proxy materials and/or tender offer materials disclosing the acquisition transaction would disclose the terms of the co-investment by the affiliated entity or entities.

Our officers and directors are free to become involved in other blank check companies as long as such other blank check company will not seek to acquire a target business with its primary operations in Russia or Eastern Europe until after we have announced an initial acquisition transaction.

Additionally, our directors may become aware of business opportunities that may be appropriate for presentation to us as well as the other entities with which they are or may be affiliated.

Other Conflict of Interest Limitations

Our Amended and Restated Memorandum and Articles of Association set forth certain requirements and restrictions relating to this offering that apply to us until the consummation of our initial acquisition

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transaction or post-acquisition tender offer, as the case may be. Specifically, our Amended and Restated Memorandum and Articles of Association provide that:

we may not to enter into any transaction with any of our officers or directors or any of our or their respective affiliates without the prior approval by a majority of our disinterested directors, who had access, at our expense, to our attorneys or independent legal counsel, and unless our disinterested directors determine that the terms of such transaction are no less favorable to us than those that would be available to us with respect to such a transaction from unaffiliated third parties; and

we may not (i) consummate an acquisition transaction with a target business that is a portfolio company of, or has otherwise received a financial investment from, our founders or their affiliates, or that is affiliated with our founders, directors or officers, or (ii) consummate an acquisition transaction with any underwriter, or underwriting selling group member, or any of their affiliates, unless in each case we obtain an opinion from an unaffiliated, independent investment banking firm that is a member of FINRA that an acquisition transaction with such target business is fair to our shareholders from a financial point of view. A summary of such opinion will be included in the disclosure documents filed in connection with the acquisition transaction, and the full text of the fairness opinion will be filed as an exhibit thereto.

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PRINCIPAL SHAREHOLDERS

The following table sets forth information regarding the beneficial ownership of our ordinary shares as of the date of this prospectus, and as adjusted to reflect the sale of our ordinary shares included in the units offered by this prospectus, and assuming no purchase of units in this offering, by:

- each person known by us to be the beneficial owner of more than 5% of our outstanding ordinary shares;
- each of our executive officers and directors; and
- all our executive officers and directors as a group.

Unless otherwise indicated, we believe that all persons named in the table have sole voting and investment power with respect to all ordinary shares beneficially owned by them. The following table does not include securities underlying warrants or options that are not exercisable within 60 days of the date of this prospectus. All shares have identical voting rights.

Name and Address of Beneficial Owner[1]	Amount of Beneficial Ownership	Approximate Percentage of Outstanding Ordinary Shares	
		Before Offering[2][3]	After Offering[4]
Anatoly Danilitskiy[5]	938,330	66.08 %	14.62 %
Kyle Shostak	30,625	2.16 %	*%
Taras Vazhnov[5]	274,045	19.30 %	4.27 %
Levan Vasadze	3,500	*%	*%
David Ansell	3,500	*%	*%
All directors and executive officers as a group (5 individuals)	1,250,000	88.03 %	19.47 %
CIS Acquisition Holding Co. Ltd.[5]	1,212,375	85.38 %	18.88 %
Chardan Capital Markets, LLC[6]	150,000	10.56 %	2.34 %

* Less than one percent

(1) Unless otherwise noted, the business address for each of our beneficial owners is c/o CIS Acquisition Ltd., 89 Udaltsova Street, Suite 84, Moscow, Russia 119607. The shares beneficially owned are founders shares consisting of Class A Shares.

(2) Consists of the founders shares. Does not include up to 112,500 founders shares that are subject to redemption by us to the extent the over-allotment option is not exercised in full.

(3) Based on 1,420,000 Class A Shares outstanding immediately prior to this offering, not including up to 112,500 founders shares that are subject to redemption by us for no consideration to the extent the over-allotment option is not exercised in full.

(4) Based on 6,420,000 ordinary shares outstanding upon consummation of this offering, including 1,250,000 Class A Shares held by our founders, 170,000 underwriter shares and 5,000,000 callable Class A Shares underlying the units sold in this offering. Does not include (i) 450,000 shares issuable upon the exercise of the underwriters over-allotment option within 45 days from the consummation of this offering, (ii) up to 112,500 shares belonging to our founders that we will redeem for no consideration in the event the underwriters over-allotment option is not exercised in full and (iii) ordinary shares underlying the placement warrants which will not become exercisable within the next 60 days.

(5)

Messrs. Danilitskiy and Vazhnov share voting and dispositive power over the founders shares owned by CIS Acquisition Holding Co. Ltd. CIS Acquisition Holding Co. Ltd. is owned by Zelda Finance Ltd. and SPAC Investments Ltd. Anatoly Danilitskiy controls Zelda Finance Ltd. and Taras Vazhnov controls SPAC Investments Ltd. The business address of Zelda Finance Ltd. is Withfield Tower, 3rd floor, 4792 Coney Drive, Belize City, Belize. The mailing address of SPAC Investments Ltd. is FH Chambers, P.O. Box 4649, Road Town, Tortola, British Virgin Islands.

(6) The business address of Chardan Capital Markets, LLC is 17 State Street, Suite 1600, New York, NY 10004. Kerry Propper has voting and dispositive power over the shares owned by Chardan Capital Markets, LLC.

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Of the ordinary shares outstanding immediately prior to our initial public offering, 14.13% are held in the United States by four (4) record holders.

Our initial shareholders have agreed to waive their rights to participate in any liquidating distribution if we fail to consummate an acquisition transaction with respect to the founders shares and underwriter shares, but not with respect to any public shares they acquire in this offering or aftermarket. Prior to an acquisition transaction, any transferee of founders shares or underwriter shares would be required to likewise waive any right to participate in any liquidating distributions and agree to the transfer restrictions described below.

In connection with a shareholder vote to amend Clause 6(3) of our Amended and Restated Memorandum and Articles of Association (the article that contains all of the special provisions applicable to us prior to and in connection with our initial acquisition transaction) prior to consummation of our initial acquisition transaction, our initial shareholders have agreed to vote the founders shares and underwriter shares in the same manner as a majority of the public shareholders who vote at the special or annual meeting called for such purpose and have agreed not to seek redemption rights with regard to the founders shares and underwriter shares. In addition, each of our initial shareholders, directors, and officers has agreed that if he, she or it acquires ordinary shares in or following this offering, he, she or it will not seek redemption rights with regard to such shares and have agreed not to tender their shares in an issuer tender offer in connection with our initial acquisition transaction.

If the underwriters do not exercise their over-allotment option in full, we will redeem up to an aggregate of 112,500 founders shares in order to maintain our founders ownership at a percentage of the number of shares to be sold in this offering. An increase in the offering size could also result in a proportionate increase in the amount of interest we may withdraw from the trust account.

None of our officers or directors have indicated to us that he intends to purchase units in this offering. Immediately after this offering, our founders will beneficially own an aggregate of 20% of the total of the founder shares and the number of shares sold in this offering. Because of this ownership block, they may be able to effectively influence the outcome of all matters requiring approval by our shareholders, including the election of directors and approval of significant corporate transactions other than approval of an acquisition transaction.

On the date of this prospectus, all of our initial shareholders will place the founders shares and underwriter shares into an escrow account maintained by Continental Stock Transfer & Trust Company, acting as escrow agent pursuant to an escrow agreement. Subject to certain limited exceptions for transfers (as described below), these securities will not be transferable during the escrow period. The founders shares and underwriter shares will not be released from escrow until two years after the effective date of the registration statement of which this prospectus forms a part. The placement warrants will not be transferable until the consummation of our initial acquisition transaction or post-acquisition tender offer, as the case may be. Prior to their release from escrow or expiration of the applicable restrictive period, as the case may be, the founders securities and underwriter shares may only be transferred (i) by gift to an affiliate or a member of the holder s immediate family (or a member of the immediate family of its officers or directors) or to a trust or other entity, the beneficiary of which is the holder (or one of its officers or directors or a member of their respective immediate families), (ii) by virtue of the laws of descent and distribution upon death of any holder, or (iii) pursuant to a qualified domestic relations order; provided, however, that any such transfers may be implemented only upon the respective transferee s written agreement to be bound by the terms and conditions of the escrow agreement and the insider letter agreement executed by the transferring holder.

The foregoing notwithstanding, if we have completed an acquisition transaction without granting our public shareholder redemption rights in connection with such acquisition transaction, then none of the escrowed shares will be released from escrow until a post-acquisition tender offer is completed. The founders shares and underwriter shares

held in the escrow account will only be released prior to the end of the escrow period if following an acquisition we consummate a subsequent transaction resulting in all shareholders having a right to exchange their shares for cash or other consideration.

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During the escrow period, our initial shareholders and any permitted transferees to whom they transfer ordinary shares will retain all other rights of holders of our ordinary shares, including, without limitation, the right to vote their ordinary shares (except that our initial shareholders have agreed that they will vote their founders and underwriter shares in the same manner as a majority of the public shareholders with respect to any proposal to amend our Amended and Restated Memorandum and Articles of Association presented to our shareholders by our board of directors) and the right to receive cash dividends, if declared, subject to the terms and conditions of the escrow agreement and the insider letter agreement executed by the founders and the underwriters and the share purchase agreement executed by Chardan Capital Markets, LLC, the PrinceRidge Group LLC and Maxim Group LLC.

If dividends are declared and payable in ordinary shares, such dividends will also be subject to the escrow arrangement. If we are unable to effect our initial acquisition transaction and liquidate, our initial shareholders have waived the right to receive any portion of the liquidation proceeds with respect to the founders shares and underwriter shares, but not with respect to any public shares they acquire in this offering or aftermarket. Any permitted transferees to whom such securities are transferred will also agree to waive that right.

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CERTAIN TRANSACTIONS

On November 28, 2011, we issued 100 ordinary shares to Kyle Shostak, our initial shareholder and founder, for a consideration of $0.01. On February 13, 2012, we issued 2,804,562 ordinary shares to CIS Acquisition Holding Co. Ltd. and 70,338 ordinary shares to Mr. Shostak for an aggregate consideration of $24,999.99, or $0.0087 per share. On May 2, 2012, CIS Acquisition Holding Co. Ltd. transferred 7,000 ordinary shares to Levan Vasadze and 7,000 ordinary shares to David Ansell for an aggregate consideration of $1.40, or $0.0001 per share. On October 18, 2012, our founders contributed an aggregate of 1,437,500 shares of our outstanding ordinary shares to our capital at no cost to us and we subsequently cancelled such shares. On November 30, 2012, our founders contributed an aggregate of 75,000 shares of our outstanding ordinary shares to our capital at no cost to us and we subsequently cancelled such shares. Also on November 30, 2012, CIS Acquisition Holding Co. Ltd. transferred 498 ordinary shares to Levan Vasadze and 498 ordinary shares to David Ansell for an aggregate consideration of approximately $0.10, or $0.0001 per share. Immediately prior to the consummation of this offering, the founders will exchange all 1,362,500 ordinary shares for their respective portion of 1,362,500 newly-issued Class A Shares. We will redeem up to 112,500 of the founders shares for no consideration to the extent the underwriters do not exercise the over-allotment option in full.

Immediately prior to the consummation of this offering, the founders and their assignees will purchase an aggregate of 4,500,000 warrants for an aggregate purchase price of $3,375,000, or $0.75 per warrant. except: (i) the placement warrants are non-redeemable while held by the founders or their permitted assignees; (ii) the placement warrants may be exercised during the applicable exercise period, on a for cash or cashless basis, at any time after the consolidation of each class of our ordinary shares into one class of ordinary shares after consummation of an acquisition transaction or post-acquisition tender offer, as the case may be, even if there is not an effective registration statement relating to the shares underlying the warrants, so long as such warrants are held by the founders, their designees or their affiliates; and (iii) the purchasers have agreed that the placement warrants will not be sold or transferred until after the consolidation of each class of our ordinary shares into one class of ordinary shares after consummation of an acquisition transaction or post-acquisition tender offer, as the case may be.

Concurrently with this offering, we issued to Chardan Capital Markets, LLC, the representative of the underwriters as additional compensation, for a purchase price of $100, a unit purchase option to purchase 350,000 units for $12.00 per unit. The units issuable upon exercise of this option are identical to those offered by this prospectus, except for some differences in redemption rights. The unit purchase option will be exercisable at any time, in whole or in part, from the later of (i) the consolidation of each class of our ordinary shares into one class of ordinary shares, or (ii) [_______], 2013 **[six months from the effective date of the registration statement of which this prospectus forms a part],** and expiring on the earlier of [_______], 2017 **[five years from the effective date of the registration statement of which this prospectus forms a part]** and the day immediately prior to the day on which we and all of our successors have been dissolved.

We have also agreed to sell to Chardan Capital Markets, LLC, the representative of the underwriters, The PrinceRidge Group LLC, an underwriter, and Maxim Group LLC, the qualified independent underwriter, of this offering, for $3,400, as additional compensation, an aggregate of 170,000 Class A Shares in a private placement that will occur immediately prior to the closing of this offering. Such shares will be subject to transfer restrictions until two years from the effective date of the registration statement of which this prospectus forms a part, and Chardan Capital Markets, LLC, The PrinceRidge Group LLC and Maxim Group LLC have agreed to waive their rights to participate in any distribution from the trust account.

The holders of the founders securities (including the founders shares, placement warrants, and the ordinary shares underlying the placement warrants) and the underwriter shares will be entitled to registration rights pursuant to an

agreement to be signed prior to or on the effective date of this offering. The holders of the majority of these securities are entitled to make up to two demands that we register such securities. The holders of the founders shares and underwriter shares can elect to exercise these registration rights at any time commencing three months prior to the date on which these ordinary shares are to be released from escrow. The holders of a majority of the placement warrants (or underlying securities) can elect to exercise these registration rights at any time after we consummate an acquisition transaction or post-acquisition tender offer. In addition, the holders have certain piggy-back registration rights with respect to registration

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statements filed subsequent to our consummation of an acquisition transaction or post-acquisition tender offer, as the case may be. We will bear the expenses incurred in connection with the filing of any such registration statements.

We have agreed to pay to CIS Acquisition Holding Co. Ltd. a total of $7,500 per month for office space, administrative services and secretarial support for a period commencing on the date of this prospectus and ending on the earlier of our consummation of an acquisition transaction or our liquidation. Such fees shall begin to accrue immediately after this offering and shall be paid at the time of an acquisition transaction, or in the event of our liquidation, only out of interest earned on the trust account or assets not held in trust, if any. CIS Acquisition Holding Co. Ltd. is an affiliate of Anatoly Danilitskiy, our Chairman and Chief Executive Officer, and Taras Vazhnov, our director. This arrangement was agreed to by the board of directors for our benefit and is not intended to provide Messrs. Danilitskiy or Vazhnov compensation.

As of the date of this prospectus, Intercarbo Holding AG, an entity controlled by Taras Vazhnov, our director, has loaned us an aggregate of $402,155 to cover expenses related to this offering. Of this amount, $180,155 is due promptly after the consummation of this offering, $52,000 is due on the earlier of April 30, 2013 or the date of consummation of this offering, and $170,000 is due on the earlier of July 16, 2013 or the date of consummation of this offering. These loans do not bear any interest. We intend to repay this loan due to Intercarbo Holding AG upon consummation of this offering from the proceeds of this offering not placed in the trust account.

We will reimburse our officers, directors, special advisors, consultants, or any of their respective affiliates, for any reasonable out-of-pocket expenses incurred by them in connection with identifying, investigating and consummating a potential acquisition transaction with one or more target businesses. Subject to availability of proceeds not placed in the trust account, there is no limit on the amount of out-of-pocket expenses that could be incurred. This formula was a result of a negotiation between us and the underwriters and was meant to help maximize the amount of money in the trust account that would be returned to the investors if we do not consummate an acquisition transaction within the permitted time. Our board of directors will review and approve all expense reimbursements made to our directors with the interested director or directors abstaining from such review and approval. To the extent such out-of-pocket expenses exceed the available proceeds not deposited in the trust account and those proceeds are properly withdrawn from the trust account, such out-of-pocket expenses would not be reimbursed by us unless we consummate our initial acquisition transaction.

Other than the accrual of $7,500 per month to CIS Acquisition Holding Co. Ltd., in connection with office space, administrative services and secretarial support rendered to us, and reimbursement of reasonable out-of-pocket expenses to our officers, directors, or any of their respective affiliates, no compensation of any kind, including finders and consulting fees, will be paid to any of our executive officers, directors, or any of their respective affiliates who owned our ordinary shares prior to this offering for services rendered to us prior to or with respect to the acquisition transaction.

We expect that at least some members of our management team will remain with us post-acquisition transaction. After an acquisition transaction, if any member of our management team remains with us, they may be paid consulting, management or other fees from the combined company with any and all amounts being fully disclosed to shareholders, to the extent then known, in the prospectus/proxy solicitation or tender offer materials furnished to our shareholders. It is unlikely that the amount of such compensation will be known at the time of an acquisition transaction, as it will be up to the directors of the post-combination business to determine executive and director compensation. In this event, such compensation will be publicly disclosed at the time of its determination in a Report of Foreign Private Issuer on Form 6-K, as required by General Instruction B to Form 6-K.

All ongoing and future transactions between us and any of our executive officers and directors or their respective affiliates, including loans by our directors, will be on terms believed by us at that time, based upon other similar arrangements known to us, to be no less favorable than are available from unaffiliated third parties. Such transactions or loans, including any forgiveness of loans, will require prior approval in each instance by a majority of our disinterested directors, who had access, at our expense, to our attorneys or independent legal counsel. It is our intention to obtain estimates from unaffiliated third parties for similar goods or services to ascertain whether such transactions with affiliates are on terms that are no less favorable

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to us than are otherwise available from such unaffiliated third parties. If a transaction with an affiliated third-party were found to be on terms less favorable to us than with an unaffiliated third-party, we would not engage in such transaction.

If we are unable to complete an acquisition transaction and are forced to dissolve and liquidate, our founders, by agreement, will jointly and severally indemnify us for all claims of contracted parties, to the extent we fail to obtain valid and enforceable waivers from such parties. We have questioned our founders on their financial net worth and reviewed their financial information and believe they will be able to satisfy any indemnification obligations that may arise, although there can be no assurance of this. Our founders are under no obligation to us to preserve their assets or provide us with information regarding changes in their ability to satisfy these obligations. Notwithstanding, if we become aware of a material change in the ability of any of our founders to satisfy such obligations, we will make such information public by filing a Report of Foreign Private Issuer on Form 6-K. Our board of directors has a fiduciary obligation to our shareholders to bring a claim against our founders to enforce their indemnification obligations.

Anti-Dilution Protection

Our founders hold an aggregate of 1,362,500 ordinary shares for which they paid an aggregate purchase price of $25,000 (up to 112,500 of which shares will be redeemed by us for no consideration to the extent that the underwriters do not exercise their over-allotment option in full), an amount that is equal to 20% of the total of the founders shares and the number of shares that will be sold in this offering. In addition, if the underwriters determine that the size of the offering should be increased or decreased, a share dividend, share combination or a contribution back to capital, as applicable, would be effectuated in order to maintain our founders ownership at 20% of total of the founders shares and the number of shares to be sold in this offering. We will not make or receive any cash payment in respect of any such adjustment.

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DESCRIPTION OF SECURITIES

We are a British Virgin Islands company and our affairs are governed by our Amended and Restated Memorandum and Articles of Association, the BVI Business Companies Act and the common law of the British Virgin Islands. Pursuant to our Amended and Restated Memorandum and Articles of Association, we are authorized to issue up to 150,000,000 ordinary shares, $0.0001 par value and 5,000,000 preferred shares, par value $0.0001 per share. Immediately after the completion of this offering, we will have 6,420,000 ordinary shares issued and outstanding (consisting of 5,000,000 callable Class A Shares included in the units sold in this offering, 1,250,000 callable Class A Shares held by our founders and 170,000 Class A Shares held by the underwriters), assuming that the underwriters over-allotment option has not been exercised and excluding 350,000 ordinary shares included in the underwriters unit purchase option, which does not become exercisable until the later of the consolidation of each class of ordinary shares into one class of ordinary shares after consummation of an initial acquisition transaction or post-acquisition tender offer, as the case may be, or [_____], 2013 **[six months from the effective date of the registration statement of which this prospectus forms a part],** and expiring on the earlier of [_______], 2017 **[five years from the effective date of the registration statement of which this prospectus forms a part]** and the day immediately prior to the day on which we and all of our successors have been dissolved. The following description summarizes the material terms of our capital securities. Because it is only a summary, it may not contain all the information that is important to you. For a complete description, you should refer to our Amended and Restated Memorandum and Articles of Association, which are filed as exhibits to the registration statement of which this prospectus is a part.

The underwriting agreement and our Amended and Restated Memorandum and Articles of Association prohibit us, prior to our initial acquisition transaction, from issuing additional units or shares, additional ordinary shares, preferred shares, additional warrants, or any options or other securities convertible or exchangeable into ordinary shares or preferred shares which participate in any manner in the proceeds of the trust account, or which vote as a class with the ordinary shares on an acquisition transaction.

Units

Public Shareholders Units

Each unit consists of one Class A Share, par value $0.0001, and one redeemable warrant. Each redeemable warrant entitles the holder to purchase one ordinary share at a price of $10.00 per share. Holders of the redeemable warrants must pay the exercise price in full upon exercise of the redeemable warrants. The units offered by this prospectus will begin trading on or promptly after the date of this prospectus. The public shares and public warrants comprising the units will begin separate trading on the earlier of the 90th day after the effective date of the registration statement of which this prospectus forms a part or the announcement by the underwriters of the decision to allow earlier trading (based upon their assessment of the relative strengths of the securities markets and small capitalization companies in general, and the trading pattern of, and demand for, our securities in particular), subject, however, to our filing a Report of Foreign Private Issuer on Form 6-K with the SEC, containing an audited balance sheet reflecting our receipt of the gross proceeds of this offering and issuing a press release announcing when such separate trading will begin. In no event will separate trading begin until after the over-allotment option has been exercised in full, cancelled or expired.

We will file a Report of Foreign Private Issuer of Foreign Private Issuer on Form 6-K with the SEC containing an audited balance sheet reflecting our receipt of the gross proceeds of this offering and issue a press release or Report of Foreign Private Issuer on Form 6-K announcing when such separate trading will begin. Although the instructions to

Form 6-K do not provide a specific number of days within which such form must be filed, the form does require that material information be filed promptly, and we expect to file such 6-K within four business days of the closing of the initial public offering and the exercise of the over-allotment option, if any. We will file the Form 6-K that includes our audited balance sheet promptly following the consummation of this offering, which is anticipated to take place four business days from the date of this prospectus. The audited balance sheet will reflect proceeds we receive from the exercise of the over-allotment option, if the over-allotment option is exercised prior to the filing of the Report of Foreign Private Issuer on Form 6-K, and if any portion of such over-allotment option is exercised after such time, we will file an additional Report of Foreign Private Issuer on Form 6-K including an audited balance sheet reflecting our receipt of the proceeds from such exercise of the over-allotment option.

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Once the callable Class A Shares and redeemable warrants commence separate trading, holders will have the option to continue to hold units or separate their units into the callable Class A Shares and redeemable warrants. We may not cancel the units at any time unless and until (i) we do not consummate our initial acquisition transaction within the allotted time period and are required to dissolve and liquidate the trust account, (ii) we do not commence or complete a post-acquisition tender offer within the allotted time period and are required to liquidate the trust account or (ii) we have consummated an acquisition and our trust account has been liquidated.

The callable Class A Shares will continue to trade until we consummate an acquisition transaction, at which time they will either automatically be consolidated with all our other classes of ordinary shares into one class of ordinary shares, if we grant shareholders redemption rights in connection with the acquisition transaction, or will automatically separate from the units and convert to callable Class B Shares, if we complete the acquisition transaction prior to a post-acquisition tender offer. callable Class B Shares will automatically be consolidated with all our other classes of ordinary shares into one class of ordinary shares following consummation of a post-acquisition tender offer.

Ordinary Shares

We are authorized to issue 150,000,000 ordinary shares, par value $0.0001, which shares may, but are not required to, be designated as part of one of three classes, callable Class A Shares, callable Class B Shares and Class C Shares. Immediately prior to the completion of this offering, 1,532,500 ordinary shares are issued and outstanding held by six (6) holders of record, which shares have been designated as Class A Shares. Upon closing of this offering (assuming no exercise of the underwriters over-allotment option, the redemption of 112,500 of the founders shares and not including the shares underlying the placement warrants which will not be exercisable immediately following the closing of this offering), there will be 6,420,000 ordinary shares issued and outstanding, consisting of 1,250,000 founders shares, 170,000 underwriter shares and 5,000,000 callable Class A Shares included in the units offered by this prospectus.

Of the ordinary shares issued and outstanding immediately prior to our initial public offering, 14.13% are held in the United States by four (4) record holders.

Rights applicable to all ordinary shares

The following rights apply to each class of our ordinary shares, regardless if such shares are designated as part of a class of ordinary shares.

Except for such voting rights that may be given to one or more class of preferred shares issued by the board of directors pursuant to the blank check power (the ability to grant ordinary shares with rights and privileges greater than issued and outstanding securities, such as special voting rights and/or dividend preferences, without shareholder approval) granted by our Amended and Restated Memorandum and Articles of Association or required by law, holders of ordinary shares will have exclusive voting rights for the election of our directors and all other matters requiring shareholder action. Holders of ordinary shares will on a poll be entitled to one vote per share on matters to be voted on by shareholders. After an acquisition transaction is concluded, if ever, and upon our liquidation and subsequent dissolution, our shareholders will be entitled to receive pro rata all assets remaining available for distribution after payment of all liabilities and provision for the liquidation of any preferred shares at the time outstanding. There is no cumulative voting with respect to the election of directors, with the result that the holders of 50% plus one share of the shares voted on a poll for the election of directors can elect all of the directors.

If any matters are voted on by our shareholders at an annual or extraordinary meeting, our founders may vote all their shares, whenever acquired, as they see fit; *provided, however*, that in connection with a shareholder vote to amend Clause 6(3) of our Amended and Restated Memorandum and Articles of Association (the article that contains all of the special provisions applicable to us prior to and in connection with our initial acquisition transaction) prior to consummation of our initial acquisition transaction, our founders have agreed to vote the founders shares in accordance with the majority of the ordinary shares voted by the public shareholders. In connection with a shareholder vote, one-third of our issued and outstanding ordinary shares (whether or not held by public shareholders) will constitute a quorum.

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The callable Class A Shares or the callable Class B Shares, as the case may be, and the Class C Shares will be consolidated or converted, as applicable, into one class of ordinary shares upon the earlier of the consummation of an acquisition transaction or, if we complete the acquisition transaction prior to a post-acquisition tender offer, then upon consummation of the post-acquisition tender offer. Except for the termination of the right of the callable Class A or Class B Shares to be redeemed in connection with an acquisition transaction or a post-acquisition tender offer, as the case may be, for a pro rata portion of the trust account or to receive a pro rata portion of the trust account in the event of our liquidation and subsequent dissolution if we are unable to consummate an acquisition transaction within the allotted time, the automatic consolidation of all classes of ordinary shares into one class of ordinary shares will not affect the rights of holders of our ordinary shares. The total number of shares issued and outstanding will not change because the consolidation will be on a one for one basis of the then outstanding shares of each class of ordinary shares. The shares underlying the units sold in this offering will continue to be freely trading immediately following the automatic consolidation. Following the automatic consolidation, only one class of ordinary shares will be authorized by our Amended and Restated Memorandum and Articles of Association.

Our shareholders have no conversion, preemptive or other subscription rights, and there are no sinking fund or redemption provisions applicable to the ordinary shares, except that holders of callable Class A Shares (and callable Class B Shares in the event the callable Class A Shares are automatically converted to callable Class B Shares) have the right to have such shares redeemed for cash equal to their pro rata share of the trust account, plus any interest which has not been released to us as described below, in connection with our initial acquisition transaction or a post-acquisition tender offer, as the case may be.

Founders Shares

The founders shares are subject to the transfer restrictions described below. Our founders have agreed not to exercise redemption rights with respect to the founders shares and have agreed not to tender their shares in an issuer tender offer in connection with our initial acquisition transaction, and to vote their founders shares in the same manner as a majority of the public shareholders in connection with a shareholder vote to amend Clause 6(3) of our Amended and Restated Memorandum and Articles of Association (the article that contains all of the special provisions applicable to us prior to and in connection with our initial acquisition transaction) prior to consummation of our initial acquisition transaction. If we are unable to consummate an acquisition transaction within the allotted time, our founders have agreed with respect to the founders shares to waive their rights to participate in any trust account liquidation distribution, but not with respect to any public shares they acquire in this offering or in the aftermarket.

On the date of this prospectus, all of our officers, directors and shareholders will place the founders shares into an escrow account maintained by Continental Stock Transfer & Trust Company, acting as escrow agent pursuant to an escrow agreement. Subject to certain limited exceptions for transfers, these securities will not be transferable during the applicable restrictive period. The founders shares will not be released from escrow until two years after the effective date of the registration statement of which this prospectus forms a part. The placement warrants will not be transferable until the consummation of our initial acquisition transaction or post-acquisition tender offer, as the case may be.

Prior to their release from escrow or expiration of the applicable restrictive period, as the case may be, the founders securities may only be transferred (i) by gift to an affiliate or a member of the holder s immediate family (or a member of the immediate family of its officers or directors) or to a trust or other entity, the beneficiary of which is the holder (or one of its officers or directors or a member of their respective immediate families), (ii) by virtue of the laws of descent and distribution upon death of any holder, or (iii) pursuant to a qualified domestic relations order; provided, however, that any such transfers may be implemented only upon the respective transferee s written agreement to be

bound by the terms and conditions of the escrow agreement and the insider letter agreement executed by the transferring holder.

The foregoing notwithstanding, if we have completed an acquisition transaction without granting our public shareholder redemption rights in connection with such acquisition transaction, then none of the escrowed shares will be released from escrow until a post-acquisition tender offer is completed. The founders shares held in the escrow account will only be released prior to the end of the applicable escrow period if following

an acquisition we consummate a subsequent transaction resulting in all shareholders having a right to exchange their shares for cash or other consideration.

The holders of the founders shares will be entitled to registration rights pursuant to an agreement to be signed prior to or on the effective date of this offering. The holders of the majority of the founders securities and the underwriter shares, taken together, are entitled to make up to two demands that we register such securities. The holders of the majority of the founders shares and underwriter shares can elect to exercise these registration rights at any time commencing three months prior to the date on which these securities are to be released from escrow. In addition, the holders have certain piggy-back registration rights with respect to registration statements filed subsequent to our consummation of an acquisition transaction or post-acquisition tender offer. We will bear the expenses incurred in connection with the filing of any such registration statements.

Underwriter Shares

We have also agreed to sell to Chardan Capital Markets, LLC, the representative of the underwriters, The PrinceRidge Group LLC, an underwriter, and Maxim Group LLC, the qualified independent underwriter, of this offering, for $3,400, as additional compensation, an aggregate of 170,000 Class A Shares. Such shares will be subject to transfer restrictions until two years from the effective date of the registration statement of which this prospectus forms a part, and Chardan Capital Markets, LLC, The PrinceRidge Group LLC and Maxim Group LLC have agreed to waive their rights to participate in any distribution from the trust account.

The underwriter shares are subject to the transfer restrictions described below. Chardan Capital Markets LLC, The PrinceRidge Group LLC and Maxim Group LLC have agreed not to exercise redemption rights with respect to the underwriter shares and have agreed not to tender their shares in an issuer tender offer in connection with our initial acquisition transaction, and to vote their underwriter shares in the same manner as a majority of the public shareholders in connection with a shareholder vote to amend Clause 6(3) of our Amended and Restated Memorandum and Articles of Association (the article that contains all of the special provisions applicable to us prior to and in connection with our initial acquisition transaction) prior to consummation of our initial acquisition transaction. If we are unable to consummate an acquisition transaction within the allotted time, Chardan Capital Markets LLC, The PrinceRidge Group LLC and Maxim Group LLC have agreed with respect to the underwriter shares to waive their rights to participate in any trust account liquidation distribution, but not with respect to any public shares they acquire in this offering or in the aftermarket.

On the date of this prospectus, Chardan Capital Markets LLC, The PrinceRidge Group LLC and Maxim Group LLC will place the underwriter shares into an escrow account maintained by Continental Stock Transfer & Trust Company, acting as escrow agent pursuant to an escrow agreement. Subject to certain limited exceptions for transfers, these securities will not be transferable during the applicable restrictive period. The underwriter shares will not be released from escrow until two years after the effective date of the registration statement of which this prospectus forms a part.

Prior to their release from escrow or expiration of the applicable restrictive period, as the case may be, the underwriter shares may only be transferred (i) by gift to an affiliate or a member of the holder s immediate family (or a member of the immediate family of its officers or directors) or to a trust or other entity, the beneficiary of which is the holder (or one of its officers or directors or a member of their respective immediate families), (ii) by virtue of the laws of descent and distribution upon death of any holder, or (iii) pursuant to a qualified domestic relations order; provided, however, that any such transfers may be implemented only upon the respective transferee s written agreement to be bound by the terms and conditions of the escrow agreement and the insider letter agreement executed by the transferring holder.

The foregoing notwithstanding, if we have completed an acquisition transaction without granting our public shareholder redemption rights in connection with such acquisition transaction, then none of the escrowed shares will be released from escrow until a post-acquisition tender offer is completed. The underwriter shares held in the escrow account will only be released prior to the end of the applicable escrow period if following an acquisition we consummate a subsequent transaction resulting in all shareholders having a right to exchange their shares for cash or other consideration.

Chardan Capital Markets, LLC, The PrinceRidge Group LLC and Maxim Group LLC will be entitled to registration rights pursuant to an agreement to be signed prior to or on the effective date of this offering. The holders of the majority of the underwriter shares and founder securities, taken together, are entitled to make up to two demands that we register such securities. The holders of the majority of the underwriter shares and founders shares can elect to exercise these registration rights at any time commencing three months prior to the date on which these securities are to be released from escrow. In addition, the holders have certain piggy-back registration rights with respect to registration statements filed subsequent to our consummation of an acquisition transaction or post-acquisition tender offer. We will bear the expenses incurred in connection with the filing of any such registration statements.

Callable Class A Shares

Our callable Class A Shares have the same rights as our ordinary shares, except that holders of such shares are entitled to cause us to redeem all or a portion of such callable Class A Shares in connection with our initial acquisition transaction and are entitled to share ratably in the trust account, including accrued but undistributed interest, net of (i) interest earned on the trust account that may be released to us to pay any taxes we incur, (ii) interest earned by the trust account that may be released to us from time to time to fund our working capital and general corporate requirements and (iii) a pro rata share of the trust account that may be released to us for each callable Class A Share (excluding the founders shares) converted to a Class C Share upon completion of an acquisition transaction, by the number of shares sold in this offering, plus any remaining net assets, if we dissolve and liquidate the trust account prior to an acquisition transaction.

Unlike many other blank check companies, we are not required to have a shareholder vote to approve our initial acquisition transaction, unless the nature of the acquisition transaction would require shareholder approval under applicable British Virgin Islands law. Accordingly, we will have a high degree of flexibility in structuring and consummating our initial acquisition transaction, and currently intend to structure our initial acquisition transaction so that a shareholder vote is not required. Notwithstanding, our Amended and Restated Memorandum and Articles of Association provide that public shareholders will be entitled to cause us to redeem all or a portion of their callable Class A Shares for cash equal to the pro rata share of the trust account (initially $10.30 per share) in connection with our initial acquisition transaction regardless of how it is structured.

We will proceed with the acquisition transaction by means of a pre-acquisition tender offer only if public shareholders owning no more than 90.0% of the callable Class A Shares underlying the units sold in this offering exercise their redemption rights. If we elect to grant our public shareholders their redemption rights by means of a post-acquisition tender offer, then each outstanding callable Class A Share will automatically be converted into a callable Class B Share immediately following consummation of the acquisition transaction.

The callable Class A Shares will be automatically consolidated with all over classes of our ordinary shares upon consummation of our initial acquisition transaction, provided we have not elected to grant our public shareholders their redemption rights by means of a post-acquisition tender offer, in which case they will automatically be converted to callable Class B Shares.

Callable Class B Shares

Each callable Class B Share is identical to the callable Class A Shares, except that the callable Class B Shares have the right to participate in a post-acquisition tender offer. If we elect to grant our public shareholders their redemption rights by means of a post-acquisition tender offer, then each outstanding callable Class A Share will automatically be converted into a callable Class B Share immediately following consummation of the acquisition transaction. Public

shareholders who hold callable Class B Shares will be entitled to participate in the post-acquisition tender offer by tendering their callable Class B Shares in accordance with the instructions included in the Schedule TO and related tender offer documents to be filed with the SEC but will also be subject to the 90.0% redemption threshold.

The callable Class B Shares will be automatically consolidated with all other classes or our ordinary shares upon consummation of our post-acquisition tender offer or will be automatically converted into the right to receive a pro rata share of the trust account if we automatically liquidate the trust account in the event that we fail to commence or complete the post-acquisition tender offer within the allotted time.

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Class C Shares

Each Class C Share is identical to the callable Class B Shares, except that the Class C Shares do not have the right to redeem all or a portion of such Class C Shares in connection with the acquisition transaction or to participate in a post-acquisition tender offer. If we elect to grant our public shareholders their redemption rights by means of a post-acquisition tender offer, we must seek that certain significant shareholders (holders of 5% or more of the public shares who are also accredited investors) elect to convert all of their callable Class A Shares into Class C Shares immediately prior to consummation of the acquisition transaction. The exchange ratio of callable Class A Shares for Class C Shares would be at a one-for-one basis. Upon closing of the acquisition transaction, all remaining callable Class A Shares will be automatically converted into callable Class B Shares on a one-for-one basis, which would be eligible to participate in any post-acquisition tender offer. No consideration will be paid to shareholders who elect to convert other than the exchange of callable Class A Shares for Class C Shares. Neither we, nor the target business, are required to seek that any public shareholder elect to convert their callable Class A Shares into Class C Shares. If we or the target business do seek such conversions, such discussions would be with a limited number of highly sophisticated institutional accredited investors. Any holder who elects to convert will be required to make an irrevocable conversion election and tender their callable Class A Shares for conversion into Class C Shares. The conversion election would be conditioned on, and effective as of, immediately prior to the consummation of our initial acquisition transaction. Any remaining callable Class A Shares would be automatically converted to callable Class B Shares immediately following consummation of our initial acquisition transaction. Shareholders who elect to convert their callable Class A Shares into Class C Shares may have civil remedies to the extent that the disclosure relating to the acquisition transaction or the target business in the Form 6-K filed prior to consummation is materially different from the disclosure provided in the post-acquisition tender offer documents filed with the SEC.

The Class C Shares issuable upon conversion of the Class A Shares are not being offered and are not being registered in connection with this offering. The Class C Shares will be automatically consolidated with all other classes of our ordinary shares upon consummation of an acquisition transaction or a post-acquisition tender offer.

Preferred Shares

We are authorized to issue up to 5,000,000 preferred shares, par value $0.0001, which shares may be issued from time to time in one or more classes or series. Our Board of Directors, without approval of the shareholders, are authorized to designate and to fix the rights, privileges, restrictions and conditions to be attached to each class of preferred shares. The issuance of different classes of preferred shares, while providing flexibility in connection with possible acquisitions and other corporate purposes, could adversely affect the voting power of our ordinary shares.

As of the date of this prospectus, there are no issued and outstanding preferred shares of any series or classes.

Warrants

Public Shareholders Redeemable Warrants

Each redeemable warrant underlying the units being offered by this prospectus entitles the registered holder to purchase one ordinary share at a price of $10.00 per share, subject to adjustment as discussed below, at any time commencing on the later of:

the consolidation of each class of our ordinary shares into one class of ordinary shares; and

one year from the date of this prospectus.

Although the redeemable warrants and the ordinary shares underlying them will be registered pursuant to this prospectus, the redeemable warrants with only be exercisable for cash if there is an effective registration statement covering the ordinary shares issuable upon exercise of the redeemable warrants in effect and a prospectus relating to the ordinary shares issuable upon exercise of the redeemable warrants is available for use by the holders of the redeemable warrants.

In the event that there is no effective registration statement or prospectus covering the ordinary shares issuable upon exercise of the redeemable warrants, holders of the redeemable warrants may elect to exercise them on a

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cashless basis by paying the exercise price by surrendering their warrants for that number of ordinary shares equal to the quotient obtained by dividing (x) the product of the number of shares underlying the redeemable warrants, multiplied by the difference between the exercise price of the redeemable warrants and the fair market value (defined below) by (y) the fair market value. The fair market value means the average reported last sale price of our ordinary shares for the 10 trading days ending on the third trading day prior to the date on which the redeemable warrant exercise notice is sent to the warrant agent. We would not receive additional proceeds to the extent the redeemable warrants are exercised on a cashless basis.

The redeemable warrants will expire five years from the date of this prospectus at 5:00 p.m., New York time, on [___], 2017 or earlier upon redemption by us or liquidation of the trust account in the event we are unable to consummate an initial acquisition transaction. Once the redeemable warrants become exercisable, we may redeem the outstanding warrants (excluding the warrants included in the units underlying the underwriters unit purchase option):

- in whole but not in part;
- at a price of $0.01 per warrant;
- upon a minimum of 30 days prior written notice of redemption; and
- if, and only if, the last sale price of our ordinary shares on the exchange on which our securities may be traded equals or exceeds $15.00 per share for any 20 trading days within a 30 trading day period ending three business days before we send the notice of redemption.

We have established these redemption criteria to provide warrant holders with adequate notice of exercise only after the then-prevailing ordinary share price is substantially above the warrant exercise price, and a sufficient differential between the then-prevailing ordinary share price and the warrant exercise price so there is a buffer to absorb the market reaction, if any, to our election to redeem the redeemable warrants. If the foregoing conditions are satisfied and we issue notice of redemption of the redeemable warrants, each warrant holder shall be entitled to exercise his, her or its warrants prior to the scheduled redemption date. However, there can be no assurance that the price of the ordinary shares will exceed the $15.00 per share redemption trigger price or the warrant exercise price of $10.00 per share after the redemption notice is issued.

The right to exercise the redeemable warrants will be forfeited unless they are exercised before the date specified on the notice of redemption. From and after the redemption date, the record holder of a warrant will have no further rights except to receive, upon surrender of the redeemable warrants, the redemption price.

The redeemable warrants will be issued in registered form under a warrant agreement between Continental Stock Transfer & Trust Company, as warrant agent, and us. You should review a copy of the warrant agreement, which has been filed as an exhibit to the registration statement of which this prospectus is a part, for a complete description of the terms and conditions applicable to the redeemable warrants.

The number of ordinary shares issuable on exercise of the redeemable warrants and $15.00 redemption threshold must be adjusted in certain circumstances including in the event of a share dividend, or our recapitalization, merger or consolidation. However, the number of ordinary shares issuable on exercise of the redeemable warrants and $15.00 redemption threshold will not be adjusted for issuances of ordinary shares at a price below the warrant exercise price.

In addition, the number of ordinary shares issuable on exercise of the redeemable warrants must be increased pursuant to a formula in the event we make distributions of cash or property (other than our ordinary shares) to our shareholders. The increase would be in proportion to the fair market value of the distribution to shareholders.

The redeemable warrants may be exercised upon surrender of the warrant certificate on or prior to the expiration date at the offices of the warrant agent, with the exercise form on the reverse side of the warrant certificate completed and

executed as indicated, accompanied by full payment of the exercise price, by certified check payable to us, for the number of warrants being exercised. Redeemable warrant holders do not have the rights or privileges of holders of ordinary shares, including voting rights, until they exercise their

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warrants and receive ordinary shares. After the issuance of ordinary shares upon exercise of the redeemable warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by shareholders.

No redeemable warrants will be exercisable unless at the time of exercise we have a registration statement under the Securities Act in effect covering the ordinary shares issuable upon the exercise of the redeemable warrants and a current prospectus relating to those ordinary shares and the ordinary shares have been registered or qualified or deemed to be exempt under the securities laws of the state of residence of the holder of the redeemable warrants. Holders of the redeemable warrants are not entitled to net cash settlement and the redeemable warrants may only be settled by delivery of ordinary shares and not cash. Under the warrant agreement, we have agreed to meet these conditions, to file a registration statement with the SEC for the registration of the ordinary shares issuable upon exercise of the redeemable warrants, to use our best efforts to cause the registration statement to become effective on or prior to the commencement of the exercise period and to maintain a current prospectus relating to the ordinary shares issuable upon the exercise of the redeemable warrants until the redeemable warrants expire or are redeemed. However, we cannot assure you that we will be able to be able to do so. In addition, we are not required to cash settle the redeemable warrants in the event that our shareholders are unable to exercise them. The redeemable warrants may be deprived of any value and the market for the redeemable warrants may be limited if there is no registration statement in effect covering the ordinary shares issuable upon the exercise of the redeemable warrants and the prospectus relating to the ordinary shares issuable on the exercise of the redeemable warrants is not current or if the ordinary shares are not qualified or exempt from qualification of the jurisdictions in which the holders of the redeemable warrants reside.

We are not required to issue fractional shares on the exercise of redeemable warrants. If more than one redeemable warrant is presented for exercise in full at the same time by the same holder, the number of full shares which are issuable upon the exercise thereof are to be computed on the basis of the aggregate number of ordinary shares purchasable on exercise of the redeemable warrants so presented. If any fractional shares would be issuable on the exercise of any redeemable warrants, we will round down to the nearest whole number. The purpose of such rounding is to save us the trouble, expense and inconvenience of having fractional shares and not to give any particular group of shareholders an increased interest in our assets or earnings and profits.

Placement Warrants

The founders placement warrants are identical to the redeemable warrants included in the units being sold in this offering, except that such warrants, including the ordinary shares issuable upon exercise of these warrants:

- are subject to the transfer restrictions described below;
- are not redeemable by us; and
- may be exercised during the applicable exercise period, on a for cash or cashless basis, at any time after the consolidation of each class of our ordinary shares into one class of ordinary shares after consummation of an acquisition transaction or post-acquisition tender offer, as the case may be, even if there is not an effective registration statement relating to the shares underlying the warrants, so long as such warrants are held by these individuals or their affiliates.

Notwithstanding the above, if the placement warrants are held by holders other than the founders or their permitted transferees, the placement warrants will only be exercisable by the holders on the same basis as the redeemable warrants included in the units being sold in this offering. Holders of the placement warrants are not entitled to net cash settlement and the placement warrants may only be settled by delivery of the ordinary shares and not cash.

Our founders have agreed, subject to certain exceptions below, not to sell, assign or otherwise transfer any of their

placement warrants until the consummation of our initial acquisition transaction or the completion of a post-acquisition tender offer, as the case may be.

Prior to the consummation of the initial acquisition transaction or the completion of a post-acquisition tender offer, as the case may be, the placement warrants may only be transferred (i) by gift to an affiliate or a member of the holder s immediate family (or a member of the immediate family of its officers or directors) or

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to a trust or other entity, the beneficiary of which is the holder (or one of its officers or directors or a member of their respective immediate families), (ii) by virtue of the laws of descent and distribution upon death of any holder, or (iii) pursuant to a qualified domestic relations order; provided, however, that as relates to the placement warrants, any such transfers may be implemented only upon the respective transferee s written agreement to be bound by the terms and conditions of the insider letter agreement executed by the transferring holder.

The holders of the placement warrants (including the ordinary shares underlying the placement warrants) will be entitled to registration rights pursuant to an agreement to be signed prior to or on the effective date of this offering. The holders of the majority of the founders securities and the underwriter shares, taken together, are entitled to make up to two demands that we register such securities. The holders of a majority of the placement warrants (or underlying securities) can elect to exercise these registration rights at any time after we consummate an acquisition transaction or complete a post-acquisition tender offer, as the case may be. In addition, the holders have certain piggy-back registration rights with respect to registration statements filed subsequent to our consummation of an acquisition transaction or post-acquisition tender offer, as the case may be. We will bear the expenses incurred in connection with the filing of any such registration statements.

Immediately prior to our initial public offering, 2.45% of the placement warrants are held in the United States by one record holder.

Underwriters Unit Purchase Option

Concurrently with the closing of this offering, we will sell to Chardan Capital Markets, LLC, the representative of the underwriters or its designees, for an aggregate of $100, an option to purchase 350,000 units comprised of 350,000 ordinary shares and warrants to purchase 350,000 ordinary shares (an amount that is equal to 7% of the total number of units sold in this offering). The underwriters unit purchase option will be exercisable for cash at any time, in whole or in part, from the later of (i) the consolidation of each class of our ordinary shares into one class of ordinary shares, or (ii) [_______], 2013 **[six months from the effective date of the registration statement of which this prospectus forms a part],** and expiring on the earlier of [_______], 2017 **[five years from the effective date of the registration statement of which this prospectus forms a part]** and the day immediately prior to the day on which we and all of our successors have been dissolved, at a price per unit of $12.00 (120% of the public offering price). The units issuable upon exercise of this option are identical to those offered by this prospectus, except that the warrants underlying the unit purchase option will not be redeemable by us. Holders of the unit purchase option are not entitled to net cash settlement and the unit purchase option (and the underlying securities) may only be settled by delivery of the units (and underlying securities) and not cash.

Over-Allotment Option

We have granted to the underwriters an option, exercisable during the 45-day period commencing on the date that the registration statement (of which this prospectus forms a part) becomes effective, to purchase from us at the offering price, less underwriting discounts and commissions, up to an aggregate of 450,000 additional units for the sole purpose of covering over-allotments, if any. The over-allotment option will only be used to cover the net syndicate short position resulting from the initial distribution. The underwriters may exercise that option if the underwriters sell more units than the total number set forth in the table above. The underwriters are not entitled to net cash settlement and the over-allotment option (and the underlying securities) may only be settled by delivery of the units (and underlying securities) and not cash.

Receipt of Funds from Trust Account

A shareholder will be entitled to receive funds from the trust account only in the event of (i) of our liquidation if we fail to complete an acquisition transaction within the allotted time, (ii) fail to commence or complete a post-acquisition tender offer within the allotted time, or (iii) if the public shareholder seeks to have us redeem his, her, or its shares for cash in connection with our acquisition transaction that we actually complete. In no other circumstances will a shareholder have any right or interest of any kind in or to funds in the trust account.

We estimate that the amount of interest we will earn on the trust account will be negligible (between $6,500 for 18 months and $8,000 for 21 months at current interest rates), and will therefore not be a significant source of working capital for us.

Our Transfer Agent and Warrant Agent

The transfer agent for our securities and warrant agent for our warrants is Continental Stock Transfer & Trust Company.

Authorized but Unissued Shares

Our authorized but unissued ordinary shares are available for future issuances without shareholder approval and could be utilized for a variety of corporate purposes, including future offerings to raise additional capital, acquisitions and employee benefit plans. The existence of authorized but unissued and unreserved ordinary shares could render more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

Securities Eligible for Future Sale

Immediately after the consummation of this offering, we will have 6,420,000 ordinary shares outstanding, assuming that the underwriters over-allotment option has not been exercised (or 6,982,500 ordinary shares if the over-allotment option is exercised in full).

Of these shares, the 5,000,000 shares sold in this offering (or 5,450,000 shares if the over-allotment option is exercised in full) will be freely tradable without restriction or further registration under the Securities Act, except for any shares purchased by our affiliates within the meaning of Rule 144 under the Securities Act. All of the remaining 1,420,000 ordinary shares (or 1,532,500 if the over-allotment option is exercised in full) are restricted securities under Rule 144, in that they were issued in private transactions not involving a public offering. In addition, (i) 4,500,000 placement warrants and their underlying ordinary shares are also restricted securities under Rule 144. None of these restricted securities will be eligible for sale under Rule 144 prior to one year following the filing of certain information with the SEC, which we refer to as Form 10 information, after the consummation of our initial acquisition transaction. Any securities not able to be sold prior to an acquisition transaction will bear a restrictive legend to that effect.

In addition, except in limited circumstances, the founders shares will not be transferable until two years from the effective date of the registration statement of which this prospectus forms a part, and the placement warrants will not be sold or transferred by them until after we have completed an acquisition transaction or post-acquisition tender offer. These provisions are contained in contracts between us and each of the founders.

Concurrently with the closing of this offering, we will sell to Chardan Capital Markets, LLC, the representative of the underwriters, or its designees, for an aggregate of $100, an option to purchase 350,000 units (an amount that is equal to 7% of the total number of units sold in this offering), each unit comprised of one ordinary share and one warrant to purchase one ordinary share. The underwriters unit purchase option will be exercisable at any time, in whole or in part, from the later of (i) the consolidation of each class of our ordinary shares into one class of ordinary shares, or (ii) [_______], 2013 **[six months from the effective date of the registration statement of which this prospectus forms a part],** and expiring on the earlier of [_______], 2017 **[five years from the effective date of the registration**

statement of which this prospectus forms a part] and the day immediately prior to the day on which we and all of our successors have been dissolved, at a price per unit of $12.00 (120% of the public offering price). The units issuable upon exercise of this option are identical to those offered by this prospectus, except that the warrants underlying the unit purchase option will not be redeemable by us.

We have also agreed to sell to Chardan Capital Markets, LLC, the representative of the underwriters, The PrinceRidge Group LLC, an underwriter, and Maxim Group LLC, the qualified independent underwriter, in this offering for $3,400, as additional compensation, an aggregate of 170,000 Class A Shares. Such shares will be subject to transfer restrictions until two years from the effective date of the registration statement of which this prospectus forms a part, and Chardan Capital Markets, LLC, The PrinceRidge Group LLC and Maxim Group LLC, have agreed to waive their rights to participate in any distribution from the trust account.

For more information about these exceptions, see the section entitled Principal Shareholders.

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Rule 144

In general, Rule 144 provides certain resale safe harbors for holders of restricted securities. However, Rule 144 is unavailable for the resale of restricted securities initially issued by a blank check or shell company, both before and after an initial acquisition transaction, despite technical compliance with the requirements of Rule 144. Accordingly, such restricted securities can be resold only through a registered offering or pursuant to another exemption from registration. Notwithstanding the foregoing, a person who beneficially owns restricted securities of a company which:

- has ceased to qualify as a blank check or shell company;
- is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act;
- has filed all reports and other materials required to be filed by Section 13 or 15(d), as applicable, during the preceding 12 months (or such shorter period that the company was required to file such reports and materials) other than Form 6-K reports; and
- has filed Form 10 information with the SEC reflecting that it is no longer a blank check or shell company,

may, after one year has elapsed from the filing of the form 10 information, within any three-month period resell a number of such restricted securities that does not, with respect to the ordinary shares, exceed the greater of either of the following:

- 1% of the total number of ordinary shares then outstanding, which will equal 64,200 shares immediately after this offering (or 69,825 shares if the underwriters exercise their over-allotment option in full); or
- the average weekly trading volume of the ordinary shares during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

Sales under Rule 144 are also limited based on the availability of current public information about us, and, in the case of sales by affiliates, by manner of sale provisions and notice requirements.

Registration Rights

The holders of the founders shares and underwriter shares, as well as the holders of the placement warrants (and underlying securities), will be entitled to registration rights pursuant to an agreement to be signed prior to or on the effective date of this offering. The holders of the majority of these securities are entitled to make up to two demands that we register such securities. The holders of the majority of the founders shares and underwriter shares can elect to exercise these registration rights at any time commencing three months prior to the date on which the founders shares are to be released from escrow. The holders of a majority of the placement warrants (or underlying securities) can elect to exercise these registration rights at any time after we consummate an acquisition transaction or complete a post-acquisition tender offer, as the case may be. In addition, the holders have certain piggy-back registration rights with respect to registration statements filed subsequent to our consummation of an acquisition transaction or post-acquisition tender offer. We will bear the expenses incurred in connection with the filing of any such registration statements.

In addition, although the unit purchase option issued to the representative and its underlying securities have been registered under the registration statement of which this prospectus forms a part, the option grants to holders demand and piggy back rights for periods of five and seven years, respectively, from the effective date of the registration statement of which this prospectus forms a part with respect to the registration under the Securities Act of the securities directly and indirectly issuable upon exercise of the option. We will bear all fees and expenses attendant to registering the securities, other than underwriting commissions which will be paid for by the holders themselves. The exercise price and/or number of units issuable upon exercise of the option may be adjusted in certain circumstances including in the event of a share dividend, or our recapitalization, reorganization, merger or consolidation. However,

the option will not be adjusted for issuances of ordinary shares at a price below its exercise price.

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Listing of Securities

We have applied to have our units (and callable Class A Shares and warrants once they become separable) listed on the NASDAQ Capital Market under the symbols CISAU, CISAA and CISAW. We anticipate that our units will be listed on the NASDAQ Capital Market on or promptly after the effective date of the registration statement. Following the date the callable Class A Shares and warrants are eligible to trade separately, we anticipate that the callable Class A Shares and warrants will be listed separately and as a unit on the NASDAQ Capital Market. There is no assurance that our units, callable Class A Shares or warrants will be approved for listing on the NASDAQ Capital Market or that, if approved, they will continue to be listed on the NASDAQ Capital Market in the future.

BRITISH VIRGIN ISLANDS COMPANY CONSIDERATIONS

Our corporate affairs are governed by our Amended and Restated Memorandum and Articles of Association and by the BVI Business Companies Act. The BVI Business Companies Act contains many English law principles but does not follow recent English law statutory enactments and differs from laws applicable to U.S. corporations and their shareholders. Set forth below is a summary of some significant differences between the provisions of the BVI Business Companies Act applicable to us and the laws applicable to companies incorporated in the United States and their shareholders. A brief discussion of the procedure for mergers and similar arrangements in the British Virgin Islands also follows.

There have been few, if any, court cases interpreting the BVI Business Companies Act in the British Virgin Islands, and we cannot predict whether British Virgin Islands courts would reach the same conclusions as U.S. courts. Therefore, you may have more difficulty in protecting your interests in the face of actions by the management, directors or controlling shareholders than would shareholders of a corporation incorporated in a U.S. jurisdiction which has developed a substantial body of case law. The following table provides a comparison between the statutory provisions of the BVI Business Companies Act and the Delaware General Corporation Law relating to shareholders rights.

British Virgin Islands

Delaware

Shareholder Meetings

Held at a time and place as designated in the Articles of Association. Our Articles of Association provide that our board may designate such time and place.

May be held within or without the British Virgin Islands

Held at such time or place as designated in the certificate of incorporation or the by-laws, or if not so designated, as determined by the board of directors

May be held within or without Delaware

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British Virgin Islands

Delaware

Notice:

Whenever shareholders are required to take action at a meeting, written notice shall state the place, date and hour of the meeting and indicate that it is being issued by or at the direction of the person calling the meeting.

A copy of the notice of any meeting shall be given personally or sent by mail as designated in the Articles of Association.

Notice of not less than 7 days before the meeting

Notice:

Whenever shareholders are required to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, if any, date and hour of the meeting, and the means of remote communication, if any.

Written notice shall be given not less than 10 nor more than 60 days before the meeting.

Shareholders   Voting Rights

Subject to a company   s articles of association, any action required to be taken by meeting of shareholders may be taken without meeting if consent is in writing and is signed by a majority of the shareholders entitled to vote if permitted by the articles of association. Our Articles of Association provide for such consent in writing.

Any person authorized to vote may authorize another person or persons to act for him by proxy if permitted by the Articles of Association. Our Articles of Association permit such proxies.

Quorum is as designated in the Articles of Association. Quorum in our Articles of Association is two of our shareholders representing at least 1/3 of our issued shares.

The Amended and Restated Memorandum and Articles of Association may provide for cumulative voting in the election of directors. Our Articles of Association do not provide for cumulative voting.

Any action required to be taken by meeting of shareholders may be taken without meeting if consent is in writing and is signed by all the shareholders entitled to vote.

Any person authorized to vote may authorize another person or persons to act for him by proxy.

For stock corporations, certificate of incorporation or by-laws may specify the number to constitute a quorum but in no event shall a quorum consist of less than one-third of shares entitled to vote at a meeting. In the absence of such specifications, a majority of shares entitled to vote shall constitute a quorum.

The certificate of incorporation may provide for cumulative voting.

Directors

Board must consist of at least one member. Our Articles of Association provide that there shall be no less than two directors.

Maximum number of directors can be changed by an amendment to the Articles of Association. Our Articles of Association do not provide for a maximum number.

Board must consist of at least one member.

Number of board members shall be fixed by the by-laws, unless the certificate of incorporation fixes the number of

directors, in which case a change in the number shall be made only by amendment of the certificate.
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If the board is authorized to change the number of directors actually appointed, provided that the number still falls within the maximum and the minimum number of directors as set out in the Articles of Association, it can do so provided that it complies with the procedure set out in the Articles of Association. Our Articles of Association permit our board to appoint additional directors.

Fiduciary Duties

In summary, directors and officers owe the following fiduciary duties:

Duty to act honestly and in good faith in what the directors believe to be in the best interests of the company as a whole. The Act permits a director of a subsidiary company to exercise his duty by acting in the best interests of a holding company, even though it may not be in the best interests of the company of which he is a director (if so authorized by the memorandum and articles of association, and where the company is not a wholly-owned subsidiary, with the prior agreement of the shareholders);

Duty to exercise powers for a proper purpose (i.e. the purposes for which those powers were conferred and not for a collateral purpose) displaying the care, diligence and skill that a reasonable director would exercise in the same circumstances, and not in a way that contravenes the BVI Business Companies Act or the company s memorandum and articles of association;

A director must disclose any interest he may have in a transaction to be entered into by the company (although he remains entitled to vote on the transaction, attend meetings in relation to it and be counted for the purposes of the quorum). Should he fail to do so, the transaction will be voidable by the company, unless the material facts of the interest are disclosed to the members and the members nevertheless ratify or approve the transaction, or the company receives fair value for it;

Directors and officers must act in good faith, with the care of a prudent person, and in the best interest of the corporation as a whole.

Directors and officers must refrain from self-dealing, usurping corporate opportunities and receiving improper personal benefits.

Decisions made by directors and officers on an informed basis, in good faith and in the honest belief that the action was taken in the best interest of the corporation will be protected by the business judgment rule.

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Duty to exercise powers fairly as between different groups of shareholders;
Duty not to put himself in a position of conflict between their duty to the company and their personal interests; and
Duty to exercise independent judgment.
In addition to the above, directors also owe a duty of care which is not fiduciary in nature. This duty has been defined as a requirement to act as a reasonably diligent person having both:
the general knowledge, skill and experience that may reasonably be expected of a person carrying out the same functions as are carried out by that director in relation to the company, and
the general knowledge, skill and experience that that director has.
As set out above, directors have a duty not to put themselves in a position of conflict and this includes a duty not to engage in self-dealing, or to otherwise benefit as a result of his position. However, in some instances a breach of this duty can be forgiven and/or authorized in advance by the shareholders provided that there is full disclosure by the directors. This can be done by way of permission granted in the Articles of Association or alternatively by shareholder approval at general meetings.

Shareholders Derivative Actions

Derivative actions brought by one or more of the registered shareholders may only be brought in the name of the company with the leave of the court if the court is satisfied that:
the company does not intend to bring, diligently continue or defend, or discontinue the proceedings; or
it is in the interests of the company that the conduct of the proceedings should not be left to the directors or to the determination of the shareholders as a whole.
Once a shareholder has relinquished his, her or its shares (whether by redemption or otherwise), it is generally the case that they could no longer bring a derivative action as they would no longer be a registered shareholder.

In any derivative suit instituted by a shareholder of a corporation, it shall be averred in the complaint that the plaintiff was a shareholder of the corporation at the time of the transaction of which he complains or that such shareholder s stock thereafter devolved upon such shareholder by operation of law.
Complaint shall set forth with particularity the efforts of the plaintiff to obtain the action by the board or the reasons for not making such effort.
Such action shall not be dismissed or compromised without the approval of the Chancery Court.
Shareholders of a Delaware corporation that redeemed their shares, or whose shares were canceled in connection with dissolution, would not be able to bring a derivative action against the corporation after the shares have been redeemed or canceled.
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Material Differences in British Virgin Islands and Delaware Law

We believe that the material differences between British Virgin Islands and Delaware corporate law are as follows:

Shareholder Notice. Delaware law requires written notice of shareholders meetings of between 10 and 60 days. British Virgin Islands law permits a company s articles to have 7 days notice. Our Amended and Restated Memorandum and Articles of Association provide that we must give shareholders 10 days (exclusive of the date that notice is given and the date on which event for which notice is given is to take effect) notice of shareholders meetings, which is equivalent to what is required by Delaware law.

Quorum. Delaware law requires a minimum quorum of one-third of the issued and outstanding shares for a shareholders meeting, whereas British Virgin Islands law enables a company s articles to designate the minimum quorum. Our Amended and Restated Memorandum and Articles of Association provide that a quorum consists of two persons at least holding or representing by proxy one-third of the issued shares of the class, which is consistent with Delaware law.

Shareholder Derivative Suits. Delaware generally allows shareholders to commence derivative actions in their own name. Under British Virgin Islands law, derivative actions are normally instituted by a shareholder in the name of the company and require leave of the court. Accordingly, British Virgin Islands law is more restrictive that Delaware law and shareholders may be restricted from initiating shareholder derivative suits in their own name.

Changes in Capital

We may from time to time resolution increase the Company s authorized number of shares by such sum, to be divided into shares of such amount, as the resolution shall prescribe. The new shares shall be subject to the same provisions with reference to the payment of calls, lien, transfer, transmission, forfeiture and otherwise as the shares in the original share capital. We may by resolution of shareholders, meaning a majority vote of our shareholders attending and voting at the meeting:

consolidate and divide all or any of our shares into shares of larger amount than our existing shares;

sub-divide our existing shares, or any of them into shares of smaller amount than is fixed by our Amended and Restated Memorandum and Articles of Association, subject nevertheless to the provisions of Section 40A of the BVI Business Companies Act; or

cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.

Certain Differences in Corporate Law

The BVI Business Companies Act, which Act s predecessor, the International Business Companies Act (now repealed and which was modeled on Delaware law) does not follow recent English Law statutory enactments, and differs from laws applicable to U.S. corporations and their shareholders. Set forth below is a summary of some significant differences between the provisions of the BVI Business Companies Act applicable to us and the laws applicable to companies incorporated in the United States and their shareholders.

Mergers and Similar Arrangements

British Virgin Islands law provides for mergers as that expression is understood under U.S. corporate law. The procedure for a merger between the company and another company (which need not be a British Virgin Islands company, and which may be the company s parent, but need not be) is set out in the BVI Business Companies Act. The directors of the company must approve a written plan of merger which must also be approved by a resolution of a

majority of the shareholders. The company must then execute articles of merger, containing certain prescribed details. The plan and articles of merger are then filed at the BVI Registry of Corporate Affairs. Provided that the company is in good standing, that is to say that it has paid all fees and penalties (if any) due to the BVI Financial Services Commission, and assuming that the board and shareholder approval is forthcoming it should be possible to effect the merger within five to ten business days. The

Registrar will take a similar amount of time to issue the Certificate of Merger which should be dated as of the date on which the articles of merger are filed with the Registry.

As soon as a merger becomes effective: (a) the surviving company (so far as is consistent with its memorandum and articles, as amended or established by the articles of merger) has all rights, privileges, immunities, powers, objects and purposes of each of the constituent companies; (b) the memorandum and articles of the surviving company are automatically amended to the extent, if any, that changes to its memorandum and articles are contained in the articles of merger; (c) assets of every description, including chooses in action and the business of each of the constituent companies, immediately vest in the surviving company; (d) the surviving company is liable for all claims, debts, liabilities and obligations of each of the constituent companies; (e) no conviction, judgment, ruling, order, claim, debt, liability or obligation due or to become due, and no cause existing, against a constituent company or against any member, director, officer or agent thereof, is released or impaired by the merger; and (f) no proceedings, whether civil or criminal, pending at the time of a merger by or against a constituent company, or against any member, director, officer or agent thereof, are abated or discontinued by the merger; but: (i) the proceedings may be enforced, prosecuted, settled or compromised by or against the surviving company or against the member, director, officer or agent thereof; as the case may be; or (ii) the surviving company may be substituted in the proceedings for a constituent company.

In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies in certain circumstances, which may be tantamount to a merger, but we do not anticipate the use of such statutory provisions because an acquisition transaction can be achieved through other means, such as a merger (as described above), a share exchange, asset acquisition of an operating business. However, in the event that an acquisition transaction was sought pursuant to these statutory provisions, the arrangement in question must be approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made and who must in addition represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meeting summoned for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the High Court of the British Virgin Islands.

If the arrangement and reconstruction is thus approved, a shareholder would have rights comparable to appraisal rights, which would ordinarily be available to dissenting shareholders of U.S. corporations or under a British Virgin Islands merger, providing rights to receive payment in cash for the judicially determined value of the shares.

Shareholders Suits

Our British Virgin Islands counsel is not aware of any reported class action having been brought in a British Virgin Islands court. In principle, we will normally be the proper plaintiff and a derivative action may not be brought by a minority shareholder.

The BVI Business Companies Act has introduced a series of remedies available to shareholders. Where a company incorporated under the BVI Business Companies Act conducts some activity which breaches the BVI Business Companies Act or the company s memorandum and articles of association, the court can issue a restraining or compliance order. Shareholders can now also bring derivative, personal and representative actions under certain circumstances. The traditional English basis for members remedies have also been incorporated into the BVI Business Companies Act where a member of a company considers that the affairs of the company have been, are being or are likely to be conducted in a manner likely to be oppressive, unfairly discriminating or unfairly prejudicial to him, such shareholder may now apply to the court for an order on such conduct. Any member of a company may apply to British Virgin Islands court for the appointment of a liquidator for the company and the court may appoint a liquidator for the

company if it is of the opinion that it is just and equitable to do so.

The BVI Business Companies Act provides that any shareholder of a company is entitled to payment of the fair value of his shares upon dissenting from any of the following: (a) a merger; (b) a consolidation; (c) any sale, transfer, lease, exchange or other disposition of more than 50 per cent in value of the assets or business of the company if not made in the usual or regular course of the business carried on by the company but not including: (i) a disposition pursuant to an order of the court having jurisdiction in the matter, (ii) a disposition

for money on terms requiring all or substantially all net proceeds to be distributed to the members in accordance with their respective interest within one year after the date of disposition, or (iii) a transfer pursuant to the power of the directors to transfer assets for the protection thereof; (d) a redemption of 10 per cent, or fewer of the issued shares of the company required by the holders of 90 percent, or more of the shares of the company pursuant to the terms of the BVI Business Companies Act; and (e) an arrangement, if permitted by the British Virgin Islands court.

Generally any other claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the British Virgin Islands or their individual rights as shareholders as established by the company s memorandum and articles of association. There are common law rights for the protection of shareholders that may be invoked, largely dependent on English common law, since the common law of the British Virgin Islands for British Virgin Islands business corporations is limited. Under the general rule pursuant to English company law known as the rule in Foss v. Harbottle, a court will generally refuse to interfere with the management of a company at the insistence of a minority of its shareholders who express dissatisfaction with the conduct of the company s affairs by the majority or the board of directors. However, every shareholder is entitled to have the affairs of the company conducted properly according to law and the constituent documents of the corporation. As such, if those who control the company have persistently disregarded the requirements of company law or the provisions of the company s memorandum and articles of association, then the courts may grant relief. Generally, the areas in which the courts will intervene are the following:

a company is acting or proposing to act illegally or beyond the scope of its authority;
the act complained of, although not beyond the scope of the authority, could only be effected if duly authorized by more than the number of votes which have actually been obtained;
the individual rights of the plaintiff shareholder have been infringed or are about to be infringed; or
those who control the company are perpetrating a fraud on the minority.
Under the law of Delaware, the rights of minority shareholders are similar to that which will be applicable to the shareholders of the company.

Shareholder Action; Extraordinary General Meeting of Shareholders

Our Amended and Restated Memorandum and Articles of Association further provide that extraordinary general meetings of our shareholders may be only called by (i) our Chairman, (ii) any two directors, (iii) any director and our Secretary, (iv) our board of directors, or (v) by our board of directors on the requisition of holders of at least 10% of our ordinary shares. Our Amended and Restated Memorandum and Articles of Association provide that our shareholders may take action by written resolution signed by all of the shareholders who at the date of the written resolution would be entitled to attend the meeting and vote on the action.

Advance Notice Requirements for Shareholder Proposals and Director Nominations

Our Amended and Restated Memorandum and Articles of Association does not provide for the ability of shareholders to bring business before an annual meeting or a non-requisitioned extraordinary general meeting.

Certain Material Protections Provided by the Exchange Act with Respect to Proxy Solicitations That May Not be Afforded to Our Shareholders

The rights of our shareholders are primarily governed by British Virgin Islands law, the provisions of our amended and restated memorandum and articles of association and U.S. federal securities laws, however, there are no specific proxy laws, rules or regulations under British Virgin Islands law. Set forth below is a summary of material substantive and procedural protections afforded by the U.S. federal securities laws with respect to proxy solicitations which we are not required to comply with. A proxy solicitation conducted in accordance with U.S. federal securities laws generally requires the preparation of a proxy statement and other proxy solicitation materials in conformity with the requirements of section 14 of the Securities Exchange Act of 1934, as amended, and the U.S. proxy rules promulgated thereunder. The U.S. proxy rules prescribe the form and content of a company s proxy solicitation materials, requiring disclosure of:

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substantial interests of directors and executive officers in matters to be acted upon;
the security ownership of officers, directors and greater than 5% beneficial shareholders;
information concerning the backgrounds and compensation of directors and executive officers;
corporate governance matters, such as director independence and related party transactions, meeting attendance and the policies and procedures of compensation, nominating and audit committees;
financial information and financial statements; and
with respect to any merger, consolidation, acquisition or similar transaction: (i) information regarding the transaction, such as its mechanics and effects on the constituent corporations, a chronological description of the facts and circumstances leading up to the proposed transaction and execution of the definitive agreement, the reasons the board of directors deems the transaction in the best interests of the company and its shareholders, the consideration offered, material differences in the rights of shareholders as a result of a transaction and U.S. federal income tax consequences, (ii) a description of the business of the target company, (iii) reports, opinions or appraisals related to the transaction, and (iv) financial information related to the target company.

As a foreign private issuer, we are exempt from sections 14(a), (b), (c) and (f) of the Securities Exchange Act of 1934, as amended, and the U.S. proxy rules promulgated thereunder, and instead must prepare our proxy statement and other proxy solicitation materials in accordance with British Virgin Islands law, which contains no specific proxy laws, rules or regulations, and any relevant provisions of our amended and restated memorandum and articles of association, which only require that our proxy statement relating to the extended period and/or our initial acquisition transaction set forth the process by which public shareholders may redeem their shares for cash if the acquisition transaction is approved and completed. Although we anticipate that our proxy statement and other proxy solicitation materials will contain many of the same disclosures as proxy materials prepared in conformance with U.S. proxy rules, investors are cautioned that such materials will not have been reviewed by the SEC and may not have all of the material disclosures required under U.S. proxy rules.

Filing Requirements

Unless the subject of an annual or special meeting relates solely to certain routine matters (e.g., the election of directors or approval or ratification of accountants), a proxy solicitation conducted in conformity with the requirements of U.S. proxy rules requires the preparation of a preliminary proxy statement and other proxy solicitation materials and the filing of such materials with the SEC for review at least 10 days in advance of their being delivered to a company s shareholders. As a foreign private issuer, we are exempt from the U.S. proxy rules requiring the filing of a preliminary proxy statement with the SEC for review, and, as required, will only file such materials with the SEC after delivering them to our shareholders. Although we anticipate that our proxy statement and other proxy solicitation materials will contain many of the same disclosures as proxy materials prepared in conformance with U.S. proxy rules, investors are cautioned that such materials will not have been reviewed by the SEC.

Limitation on Liability and Indemnification of Directors and Officers

British Virgin Islands law does not limit the extent to which a company s Amended and Restated Memorandum and Articles of Association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the British Virgin Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. An indemnity will be void unless the person acted honestly and in good faith and in what he believed to be in the best interests of the company, and in the case of criminal proceeds, the person had no reasonable cause to believe that his conduct was unlawful. Our Articles of Association provide for indemnification of officers and directors for losses, damages, costs and expenses incurred

in their capacities as such, except through their own fraud or dishonesty.

Our Amended and Restated Memorandum and Articles of Association also will permit us to secure insurance on behalf of any officer or director for any liability incurred by him or her in his or her capacity as officer or director or in respect of any loss arising or liability attaching to him or her by virtue of any rule of law in

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respect of any negligence, default, breach of duty, or breach of trust in which the officer or director may be guilty in relation to us, regardless of whether British Virgin Islands law would permit indemnification. We intend to purchase a policy of directors and officers liability insurance that insures our directors against the cost of defense, settlement or payment of a judgment in some circumstances and insures us against our obligations to indemnify our directors.

These provisions may discourage shareholders from bringing a lawsuit against our directors for breach of their fiduciary duty. These provisions also may have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our shareholders. Furthermore, a shareholder s investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions. We believe that these provisions, the insurance and the indemnity agreements are necessary to attract and retain talented and experienced directors and officers.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

Anti-Money Laundering British Virgin Islands

In order to comply with legislation or regulations aimed at the prevention of money laundering, we are required to adopt and maintain anti-money laundering procedures, and may require subscribers to provide evidence to verify their identity. Where permitted, and subject to certain conditions, we may also delegate the maintenance of our anti-money laundering procedures (including the acquisition of due diligence information) to a suitable person.

We reserve the right to request such information as is necessary to verify the identity of a subscriber.

We also reserve the right to refuse to make any redemption payment to a shareholder if our directors or officers suspect or are advised that the payment of redemption proceeds to such shareholder might result in a breach of applicable anti-money laundering or other laws or regulations by any person in any relevant jurisdiction, or if such refusal is considered necessary or appropriate to ensure our compliance with any such laws or regulations in any applicable jurisdiction.

If any person resident in the British Virgin Islands knows or suspects that another person is engaged in money laundering or is involved with terrorism or terrorist property and the information for that knowledge or suspicion came to their attention in the course of their business, the person will be required to report such belief or suspicion pursuant to the Proceeds of Criminal Conduct Act, 1997 (as amended).

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TAXATION

The following is a discussion of the material British Virgin Islands and U.S. federal income tax consequences of the acquisition, ownership, and disposition of our units, callable Class A Shares, callable Class B Shares, redeemable warrants, and ordinary shares into which callable Class A Shares or Class B Shares, as the case may be, are converted or consolidated, which are sometimes referred to collectively, or individually, as our securities, covered by this prospectus. This discussion is based upon laws and relevant interpretations thereof in effect as of the date of this prospectus, all of which are subject to change. For purposes of this discussion, the callable Class A Shares, the callable Class B Shares or such ordinary shares are sometimes referred to as shares. This discussion does not deal with all possible tax consequences relating to an investment in our securities, such as the tax consequences under state, local and other tax laws.

British Virgin Islands Taxation

In the opinion of Forbes Hare, under the law of the British Virgin Islands as currently in effect, a holder of our shares who is not a resident of the British Virgin Islands is not liable for British Virgin Islands income tax on dividends paid with respect to our shares, and all holders of our securities are not liable to the British Virgin Islands for income tax on gains realized on the sale or disposal of such securities. The British Virgin Islands does not impose a withholding tax on dividends paid by a company incorporated or re-registered under the BVI Act.

There are no capital gains, gift or inheritance taxes levied by the British Virgin Islands on companies incorporated or re-registered under the BVI Act. In addition, securities of companies incorporated or re-registered under the BVI Act are not subject to transfer taxes, stamp duties or similar charges.

There is no income tax treaty or convention currently in effect between the United States and the British Virgin Islands, although a Tax Information Exchange Agreement is in force.

U.S. Federal Income Taxation

General

In the opinion of Loeb & Loeb LLP, the following are the material U.S. federal income tax consequences to an investor of the acquisition, ownership and disposition of our securities covered by this prospectus.

Because the components of a unit are separable at the option of the holder within a short period of time after the date of this prospectus, the holder of a unit generally will be treated, for U.S. federal income tax purposes, as the owner of the underlying callable Class A Share and redeemable warrant components of the unit. As a result, the discussion below of the U.S. federal income tax consequences with respect to actual holders of callable Class A Shares and redeemable warrants should also apply to holders of units (as the deemed owners of the callable Class A Shares and redeemable warrants underlying the units).

The discussion below of the U.S. federal income tax consequences to U.S. Holders will apply to a beneficial owner of our securities that is for U.S. federal income tax purposes:

- an individual citizen or resident of the United States;

a corporation (or other entity treated as a corporation) that is created or organized (or treated as created or organized) in or under the laws of the United States, any state thereof or the District of Columbia;
an estate whose income is includible in gross income for U.S. federal income tax purposes regardless of its source; or
a trust if (i) a U.S. court can exercise primary supervision over the trust s administration and one or more U.S. persons are authorized to control all substantial decisions of the trust, or (ii) it has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a beneficial owner of our securities is not described as a U.S. Holder and is not an entity treated as a partnership or other pass-through entity for U.S. federal income tax purposes, such owner will be considered a

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Non-U.S. Holder. The material U.S. federal income tax consequences of the acquisition, ownership and disposition of our securities applicable specifically to Non-U.S. Holders is described below under the heading Non-U.S. Holders.

This discussion is based on the Internal Revenue Code of 1986, as amended (the Code), its legislative history, Treasury regulations promulgated thereunder, published rulings and court decisions, all as currently in effect. These authorities are subject to change or differing interpretations, possibly on a retroactive basis.

This discussion does not address all aspects of U.S. federal income taxation that may be relevant to any particular holder based on such holder s individual circumstances. In particular, this discussion considers only holders that purchase units pursuant to this offering and own and hold our securities as capital assets within the meaning of Section 1221 of the Code, and does not address the alternative minimum tax. In addition, this discussion does not address the U.S. federal income tax consequences to holders that are subject to special rules, including:

- financial institutions or financial services entities;
- broker-dealers;
- persons that are subject to the mark-to-market accounting rules under Section 475 of the Code;
- tax-exempt entities;
- governments or agencies or instrumentalities thereof;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- certain expatriates or former long-term residents of the United States;
- persons that actually or constructively own 5% or more of our public shares (including persons that elect to convert our callable Class A Shares into Class C Shares);
- persons that acquired our securities pursuant to the exercise of employee options, in connection with employee incentive plans or otherwise as compensation;
- persons that hold our securities as part of a straddle, constructive sale, hedging, conversion or other integrated transaction; or
- persons whose functional currency is not the U.S. dollar.

This discussion does not address any aspect of U.S. federal non-income tax laws, such as gift or estate tax laws, state, local or non-U.S. tax laws or, except as discussed herein, any tax reporting obligations applicable to a holder of our securities. Additionally, this discussion does not consider the tax treatment of partnerships or other pass-through entities or persons who hold our securities through such entities. If a partnership (or other entity classified as a partnership for U.S. federal income tax purposes) is the beneficial owner of our securities, the U.S. federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. This discussion also assumes that any distributions made (or deemed made) by us on our securities and any consideration received (or deemed received) by a holder in consideration for the sale or other disposition of our securities will be in U.S. dollars.

We have not sought, and will not seek, a ruling from the Internal Revenue Service (IRS) as to any U.S. federal income tax consequence described herein. The IRS may disagree with the description herein, and its determination may be upheld by a court. Moreover, there can be no assurance that future legislation, regulations, administrative rulings or court decisions will not adversely affect the accuracy of the statements in this discussion.

THIS DISCUSSION OF THE MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF OUR SECURITIES IS NOT TAX ADVICE. EACH PROSPECTIVE INVESTOR IN OUR SECURITIES IS URGED TO CONSULT ITS OWN TAX

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ADVISOR WITH RESPECT TO THE PARTICULAR TAX CONSEQUENCES TO SUCH INVESTOR OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF OUR SECURITIES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL, AND NON-U.S. TAX LAWS, AS WELL AS U.S. FEDERAL TAX LAWS AND ANY APPLICABLE TAX TREATIES.

Allocation of Purchase Price and Characterization of a Unit and its Components

While not free from doubt, each unit should be treated for U.S. federal income tax purposes as an investment unit consisting of one callable Class A Share and one redeemable warrant to acquire one ordinary share. For U.S. federal income tax purposes, each holder of a unit generally must allocate the purchase price of a unit between the callable Class A Share and the redeemable warrant that comprise the unit based on the relative fair market values of each at the time of issuance. The price allocated to each callable Class A Share and the redeemable warrant generally will be the holder s tax basis in such share or redeemable warrant, as the case may be. While uncertain, the IRS, by analogy to the rules relating to the allocation of the purchase price to components of a unit consisting of debt and equity, may take the position that any allocation of the purchase price that we may make will be binding on a holder of a unit, unless the holder explicitly discloses in a statement attached to the holder s timely filed U.S. federal income tax return for the taxable year that includes the acquisition date of the unit that the holder s allocation of the purchase price between the callable Class A Share and the redeemable warrant that comprise the unit is different from our allocation. Any such allocation is not, however, binding on the IRS.

Although we intend to take a contrary position, if our callable Class A Shares or callable Class B Shares, as the case may be, are not viewed as participating in our corporate growth (i.e., our future earnings or increases in our net asset value) to any significant extent (other than by reason of any conversion feature), due to our limited potential for corporate growth prior to an acquisition transaction or due to an automatic trust liquidation and distribution if a post-acquisition tender offer is not commenced or completed within the allotted time, there is a risk that a holder s entitlement to receive payments upon redemption of its shares or upon our liquidation in excess of the holder s tax basis in its callable Class A Shares or callable Class B Shares, as the case may be, will result in constructive income to the holder. This could affect the timing and character of income recognition and result in U.S. federal income tax liability to the holder without the holder s receipt of cash from us.

Each holder is advised to consult its own tax advisor with respect to the risks associated with an investment in a unit (including alternative characterizations of a unit or the components thereof) and regarding the risks associated with an allocation of the purchase price between the callable Class A Share and the redeemable warrant that comprise a unit that is inconsistent with any allocation of the purchase price that we may make. The balance of this discussion assumes that our characterization of the units (and the components thereof) and any allocation of the purchase price as described above are respected for U.S. federal income tax purposes.

U.S. Holders

Tax Reporting

Certain U.S. Holders may be required to file an IRS Form 926 (Return by a U.S. Transferor of Property to a Foreign Corporation) to report a transfer of property, including cash, to us. Substantial penalties may be imposed on a U.S. Holder that fails to comply with this reporting requirement. Each U.S. Holder is urged to consult with its own tax advisor regarding this reporting obligation.

Taxation of Cash Distributions

Subject to the PFIC rules discussed below, a U.S. Holder generally will be required to include in gross income as ordinary income the amount of any cash dividend paid on our shares. A cash distribution on our shares generally will be treated as a dividend for U.S. federal income tax purposes to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Such dividend generally will not be eligible for the dividends-received deduction generally allowed to domestic corporations in respect of dividends received from other domestic corporations. The portion of such distribution, if any, in excess of such earnings and profits generally will constitute a return of capital that will be applied against and reduce (but not below zero) the U.S. Holder s adjusted tax basis in such shares. Any remaining excess generally will be treated as gain from the sale or other taxable disposition of such shares and will be treated as described under Taxation on the Disposition of Securities below.

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With respect to non-corporate U.S. Holders for taxable years beginning before January 1, 2013, dividends on our shares may be subject to U.S. federal income tax at the lower applicable long-term capital gains tax rate (see Taxation on the Disposition of Securities below) provided that (1) such shares are readily tradable on an established securities market in the United States, (2) we are not a PFIC, as discussed below, for either the taxable year in which the dividend was paid or the preceding taxable year, and (3) certain holding period requirements are met. It is not entirely clear, however, whether a U.S. Holder s holding period for such shares would be suspended for purposes of clause (3) above for the period that such holder had a right to have such shares redeemed by us. Under published IRS authority, our shares are considered for purposes of clause (1) above to be readily tradable on an established securities market in the United States only if they are listed on certain exchanges, which presently include the NASDAQ Capital Market. Although we have applied to list our callable Class A Shares on the NASDAQ Capital Market, we cannot guarantee that our application will be approved, or, if approved, that our shares will continue to be listed on the NASDAQ Capital Market. U.S. Holders should consult their own tax advisors regarding the availability of the lower rate for any cash dividends paid with respect to our shares. For taxable years beginning on or after January 1, 2013, the regular U.S. federal income tax rate applicable to such dividends currently is scheduled to return to the regular U.S. federal income tax rate generally applicable to ordinary income.

Possible Constructive Distributions with Respect to Redeemable Warrants

The terms of each redeemable warrant provide for an adjustment to the number of ordinary shares for which the redeemable warrant may be exercised in certain events, as discussed in the section of this prospectus captioned Description of Securities Warrants Public Shareholders Redeemable Warrants. An adjustment that has the effect of preventing dilution generally is not taxable. However, the U.S. Holders of the redeemable warrants would be treated as receiving a constructive distribution from us if, for example, the adjustment increases the redeemable warrant holders proportionate interest in our assets or earnings and profits (e.g., through an increase in the number of ordinary shares that would be obtained upon exercise) as a result of a distribution of cash to the holders of our shares, which is taxable to the U.S. Holders of such shares as described under Taxation of Cash Distributions, above. Such constructive distribution would be subject to tax as described under that section in the same manner as if the U.S. Holders of the redeemable warrants received a cash distribution from us equal to the fair market value of such increased interest.

Taxation on the Disposition of Securities

Upon a sale or other taxable disposition of our securities (which, in general, would include a distribution in connection with our liquidation or a redemption of our callable Class A Shares or callable Class B Shares, as described in Taxation on the Redemption of Callable Class A Shares or Callable Class B Shares below, or a redemption of redeemable warrants, including those underlying units), and subject to the PFIC rules discussed below, a U.S. Holder generally will recognize capital gain or loss in an amount equal to the difference between the amount realized and the U.S. Holder s adjusted tax basis in the securities. See Exercise or Lapse of Redeemable Warrants below for a discussion regarding a U.S. Holder s basis in the ordinary share acquired pursuant to the exercise of a warrant.

The regular U.S. federal income tax rate on capital gains recognized by U.S. Holders generally is the same as the regular U.S. federal income tax rate on ordinary income, except that long-term capital gains recognized by non-corporate U.S. Holders generally are subject to U.S. federal income tax at a maximum regular rate of 15% for taxable years beginning before January 1, 2013 (but currently scheduled to increase to 20% for taxable years beginning on or after January 1, 2013). Capital gain or loss will constitute long-term capital gain or loss if the U.S. Holder s holding period for the securities exceeds one year. As a result, non-corporate U.S. Holders that are on a calendar year and purchase securities pursuant to this offering are not expected to qualify for the 15% maximum

regular rate on long-term capital gains on a disposition of such securities under current law. The deductibility of capital losses is subject to various limitations.

Additional Taxes After 2012

For taxable years beginning on or after January 1, 2013, U.S. Holders that are individuals, estates or trusts and whose income exceeds certain thresholds generally will be subject to a 3.8% Medicare contribution tax on unearned income, including, without limitation, dividends on, and capital gains from the sale or other taxable

disposition of, our securities, subject to certain limitations and exceptions. U.S. Holders should consult their own tax advisors regarding the effect, if any, of such tax on their ownership and disposition of our securities.

Taxation on the Redemption of Callable Class A Shares or Callable Class B Shares

In the event that a U.S. Holder (i) elects to tender its callable Class A Shares or callable Class B Shares to us in connection with a tender offer, or (ii) has its callable Class B Shares automatically converted into a right to receive a pro rata portion of the trust account in the case of an automatic trust liquidation triggered by the failure to commence or complete a post-acquisition tender offer within the allotted time, the amount received on any such transfer or deemed transfer of shares generally will be treated for U.S. federal income tax purposes as a payment in consideration for the sale of our callable Class A Shares or callable Class B Shares, as the case may be, rather than as a distribution. Such amounts, however, will be treated as a distribution and taxed as described in Taxation of Cash Distributions, above, if (i) the redemption is essentially equivalent to a dividend (meaning that the U.S. Holder s percentage ownership in us (including shares the U.S. Holder is deemed to own under certain constructive ownership rules) after the redemption is not meaningfully reduced from what its percentage ownership in us (including constructive ownership) was prior to the redemption), (ii) the redemption is not substantially disproportionate as to that U.S. Holder (substantially disproportionate meaning, among other requirements, that the percentage of our outstanding voting shares owned (including constructive ownership) by such holder immediately following the redemption is less than 80% of that percentage owned (including constructive ownership) by such holder immediately before the redemption), and (iii) the redemption does not result in a complete termination of the U.S. Holder s interest in us (taking into account certain constructive ownership rules). If the U.S. Holder had a relatively minimal interest in our shares and its percentage ownership in us (including constructive ownership and taking into account the effect of redemptions by other holders) is reduced as a result of the redemption, such holder generally should be regarded as having a meaningful reduction in interest. For example, the IRS has indicated in a published ruling that even a small reduction in the proportionate interest of a small minority shareholder in a publicly held corporation who exercises no control over corporate affairs may constitute such a meaningful reduction. A U.S. Holder should consult with its own tax advisors as to the U.S. federal income tax consequences to it of any redemption of its callable Class A Shares or callable Class B Shares.

Exercise or Lapse of Redeemable Warrants

Subject to the PFIC rules discussed below, a U.S. Holder will not recognize gain or loss upon the acquisition of ordinary shares on the exercise of redeemable warrants for cash. Ordinary shares acquired pursuant to the exercise of redeemable warrants for cash will have a tax basis equal to the U.S. Holder s tax basis in the redeemable warrants, increased by the amount paid to exercise the redeemable warrants. The holding period of such ordinary shares should begin on the day after the date of exercise of the redeemable warrants. If redeemable warrants are allowed to lapse unexercised, a U.S. Holder generally will recognize a capital loss equal to such holder s adjusted tax basis in the redeemable warrants.

The tax consequences of a cashless exercise of redeemable warrants are not clear under current tax law. A cashless exercise may be tax-free, either because it is not a realization event (i.e., not a transaction in which gain or loss is realized) or because the transaction is treated as a recapitalization for U.S. federal income tax purposes. In either tax-free situation, a U.S. Holder s tax basis in the ordinary shares received would equal the U.S. Holder s basis in the redeemable warrants. If the cashless exercise were treated as not being a realization event, the U.S. Holder s holding period in the ordinary shares could be treated as commencing on the date following the date of exercise of the redeemable warrants. If the cashless exercise were treated as a recapitalization, the holding period of the ordinary

shares received would include the holding period of the redeemable warrants.

It is also possible that a cashless exercise could be treated as a taxable exchange in which gain or loss is recognized. In such event, a U.S. Holder could be deemed to have surrendered a number of redeemable warrants with a fair market value equal to the exercise price for the number of redeemable warrants deemed exercised. For this purpose, the number of redeemable warrants deemed exercised would be equal to the number of ordinary shares issued pursuant to the cashless exercise of the redeemable warrants. In this situation, the U.S. Holder would recognize capital gain or loss in an amount equal to the difference between

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the fair market value of the redeemable warrants deemed surrendered to pay the exercise price and the U.S. Holder s tax basis in such redeemable warrants deemed surrendered. Such gain or loss would be long-term or short-term depending on the U.S. Holder s holding period in the redeemable warrants. In this case, a U.S. Holder s tax basis in the ordinary shares received would equal the sum of the fair market value of the redeemable warrants deemed surrendered to pay the exercise price and the U.S. Holder s tax basis in the redeemable warrants deemed exercised, and a U.S. Holder s holding period for the ordinary shares should commence on the date following the date of exercise of the redeemable warrants. There also may be alternative characterizations of any such taxable exchange that would result in similar tax consequences, except that a U.S. Holder s gain or loss would be short-term.

Due to the absence of authority on the U.S. federal income tax treatment of a cashless exercise of redeemable warrants it is unclear which, if any, of the alternative tax consequences and holding periods described above would be adopted by the IRS or a court of law. Accordingly, U.S. Holders should consult their tax advisors regarding the tax consequences of a cashless exercise of redeemable warrants.

Passive Foreign Investment Company Rules

A foreign (i.e., non-U.S.) corporation will be a PFIC if at least 75% of its gross income in a taxable year of the foreign corporation, including its pro rata share of the gross income of any corporation in which it is considered to own at least 25% of the shares by value, is passive income. Alternatively, a foreign corporation will be a PFIC if at least 50% of its assets in a taxable year of the foreign corporation, ordinarily determined based on fair market value and averaged quarterly over the year, including its pro rata share of the assets of any corporation in which it is considered to own at least 25% of the shares by value, are held for the production of, or produce, passive income. Passive income generally includes dividends, interest, rents and royalties (other than certain rents or royalties derived from the active conduct of a trade or business) and gains from the disposition of passive assets.

Because we are a blank check company, with no current active business, we believe that it is likely that we will meet the PFIC asset or income test for our current taxable year. However, pursuant to a start-up exception, a corporation will not be a PFIC for the first taxable year the corporation has gross income, if (1) no predecessor of the corporation was a PFIC; (2) the corporation satisfies the IRS that it will not be a PFIC for either of the first two taxable years following the start-up year; and (3) the corporation is not in fact a PFIC for either of those years. The applicability of the start-up exception to us is uncertain. After the acquisition of a company or assets in an acquisition transaction, we may still meet one of the PFIC tests depending on the timing of the acquisition and the amount of our passive income and assets as well as the passive income and assets of the acquired business. Our actual PFIC status for our current taxable year or any subsequent taxable year, however, will not be determinable until after the end of such taxable year. We also do not plan to make annual determinations or otherwise notify U.S. Holders of our PFIC status. Accordingly, there can be no assurance with respect to our status as a PFIC for our current taxable year or any future taxable year.

If we are determined to be a PFIC for any taxable year (or portion thereof) that is included in the holding period of a U.S. Holder of our shares or redeemable warrants and, in the case of our shares, the U.S. Holder did not make either a timely QEF election for our first taxable year as a PFIC in which the U.S. Holder held (or was deemed to hold) such shares, or a mark-to-market election, as described below, such holder generally will be subject to special rules with respect to:

any gain recognized by the U.S. Holder on the sale or other disposition of its shares or redeemable warrants; and
any excess distribution made to the U.S. Holder (generally, any distributions to such U.S. Holder during a taxable year of the U.S. Holder that are greater than 125% of the average annual distributions received by such U.S. Holder in respect of the shares during the three preceding taxable years of such U.S. Holder or, if shorter, such U.S. Holder s

holding period for the shares).

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Under these rules,

the U.S. Holder s gain or excess distribution will be allocated ratably over the U.S. Holder s holding period for the shares or redeemable warrants;

the amount allocated to the U.S. Holder s taxable year in which the U.S. Holder recognized the gain or received the excess distribution, or to the period in the U.S. Holder s holding period before the first day of our first taxable year in which we are a PFIC, will be taxed as ordinary income;

the amount allocated to other taxable years (or portions thereof) of the U.S. Holder and included in its holding period will be taxed at the highest tax rate in effect for that year and applicable to the U.S. Holder; and

the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such other taxable year of the U.S. Holder.

In general, a U.S. Holder may avoid the PFIC tax consequences described above in respect to our shares by making a timely QEF election to include in income its pro rata share of our net capital gains (as long-term capital gain) and other earnings and profits (as ordinary income), on a current basis, in each case whether or not distributed, in the taxable year of the U.S. Holder in which or with which our taxable year ends. A U.S. Holder may make a separate election to defer the payment of taxes on undistributed income inclusions under the QEF rules, but if deferred, any such taxes will be subject to an interest charge.

A U.S. Holder may not make a QEF election with respect to its redeemable warrants. As a result, if a U.S. Holder sells or otherwise disposes of a redeemable warrant (other than upon exercise of the redeemable warrant), any gain recognized will be subject to the special tax and interest charge rules treating the gain as an excess distribution, as described above, if we were a PFIC at any time during the period the U.S. Holder held the redeemable warrants. If a U.S. Holder that exercises such redeemable warrants properly makes a QEF election with respect to the newly acquired ordinary shares (or has previously made a QEF election with respect to our shares), the QEF election will apply to the newly acquired ordinary shares, but the adverse tax consequences relating to PFIC shares, adjusted to take into account the current income inclusions resulting from the QEF election, will continue to apply with respect to such newly acquired ordinary shares (which generally will be deemed to have a holding period for purposes of the PFIC rules that includes the period the U.S. Holder held the redeemable warrants), unless the U.S. Holder makes a purging election. The purging election creates a deemed sale of such shares at their fair market value. The gain recognized by the purging election will be subject to the special tax and interest charge rules treating the gain as an excess distribution, as described above. As a result of the purging election, the U.S. Holder will increase the adjusted tax basis in its ordinary shares acquired upon the exercise of the redeemable warrants by the gain recognized and will also have a new holding period in such ordinary shares for purposes of the PFIC rules.

The QEF election is made on a shareholder-by-shareholder basis and, once made, can be revoked only with the consent of the IRS. A U.S. Holder generally makes a QEF election by attaching a completed IRS Form 8621 (Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund), including the information provided in a PFIC annual information statement, to a timely filed U.S. federal income tax return for the tax year to which the election relates. Retroactive QEF elections generally may be made only by filing a protective statement with such return and if certain other conditions are met or with the consent of the IRS.

In order to comply with the requirements of a QEF election, a U.S. Holder must receive certain information from us. Upon request from a U.S. Holder, we will endeavor to provide to the U.S. Holder no later than 90 days after the request such information as the IRS may require, including a PFIC annual information statement, in order to enable the U.S. Holder to make and maintain a QEF election. However, there is no assurance that we will have timely knowledge of our status as a PFIC in the future or of the required information to be provided.

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If a U.S. Holder has made a QEF election with respect to our shares and the special tax and interest charge rules do not apply to such shares (because of a timely QEF election for our first taxable year as a PFIC in which the U.S. Holder holds (or is deemed to hold) such shares or a purge of the PFIC taint pursuant to a purging election, as described above), any gain recognized on the sale or other taxable disposition of our shares will be taxable as capital gain and no interest charge will be imposed. As discussed above, U.S. Holders of a QEF are currently taxed on their pro rata shares of the QEF s earnings and profits, whether or not distributed. In such case, a subsequent distribution of such earnings and profits that were previously included in income should not be taxable as a dividend to such U.S. Holders. The adjusted tax basis of a U.S. Holder s shares in a QEF will be increased by amounts that are included in income, and decreased by amounts distributed but not taxed as dividends, under the above rules. Similar basis adjustments apply to property if by reason of holding such property the U.S. Holder is treated under the applicable attribution rules as owning shares in a QEF.

Although a determination as to our PFIC status will be made annually, an initial determination that our company is a PFIC will generally apply for subsequent years to a U.S. Holder who held shares or redeemable warrants while we were a PFIC, whether or not we meet the test for PFIC status in those subsequent years. A U.S. Holder who makes the QEF election discussed above for our first taxable year as a PFIC in which the U.S. Holder holds (or is deemed to hold) our shares however, will not be subject to the PFIC tax and interest charge rules discussed above in respect to such shares. In addition, such U.S. Holder will not be subject to the QEF inclusion regime with respect to such shares for any taxable year of us that ends within or with a taxable year of the U.S. Holder and in which we are not a PFIC. On the other hand, if the QEF election is not effective for each of our taxable years in which we are a PFIC and during which the U.S. Holder holds (or is deemed to hold) our shares, the PFIC rules discussed above will continue to apply to such shares unless the holder makes a purging election, as described above, with respect to such shares and pays the tax and interest charge with respect to the gain inherent in such shares attributable to the pre-QEF election period.

Alternatively, if a U.S. Holder, at the close of its taxable year, owns shares in a PFIC that are treated as marketable stock, the U.S. Holder may make a mark-to-market election with respect to such shares for such taxable year. If the U.S. Holder makes a valid mark-to-market election for the first taxable year of the U.S. Holder in which the U.S. Holder holds (or is deemed to hold) our shares and for which we are determined to be a PFIC, such holder generally will not be subject to the PFIC rules described above in respect to its shares. Instead, in general, the U.S. Holder will include as ordinary income each year the excess, if any, of the fair market value of its shares at the end of its taxable year over the adjusted tax basis in its shares. The U.S. Holder also will be allowed to take an ordinary loss in respect of the excess, if any, of the adjusted tax basis of its shares over the fair market value of its shares at the end of its taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). The U.S. Holder s adjusted tax basis in its shares will be adjusted to reflect any such income or loss amounts, and any further gain recognized on a sale or other taxable disposition of the shares will be treated as ordinary income. Currently, a mark-to-market election may not be made with respect to our redeemable warrants.

The mark-to-market election is available only for stock that is regularly traded on a national securities exchange that is registered with the Securities and Exchange Commission, including the NASDAQ Capital Market, or on a foreign exchange or market that the IRS determines has rules sufficient to ensure that the market price represents a legitimate and sound fair market value. Although we have applied to list our callable Class A Shares on the NASDAQ Capital Market, we cannot guarantee that our application will be approved, or, if approved, that our shares will continue to be listed and traded on the NASDAQ Capital Market. U.S. Holders should consult their own tax advisors regarding the availability and tax consequences of a mark-to-market election in respect to our shares under their particular circumstances.

If we are a PFIC and, at any time, have a foreign subsidiary that is classified as a PFIC, a U.S. Holder of our shares should be deemed to own a portion of the shares of such lower-tier PFIC, and could incur liability for the deferred tax

and interest charge described above if we receive a distribution from, or dispose of all or part of our interest in, or the U.S. Holder were otherwise deemed to have disposed of an interest in, the lower-tier PFIC. Upon request, we will endeavor to cause any lower-tier PFIC to provide to a U.S. Holder no later than 90 days after the request the information that may be required to make or maintain a QEF election with respect to the lower-tier PFIC. However, there is no assurance that we will have timely knowledge of the

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status of any such lower-tier PFIC, and we do not plan to make annual determinations or otherwise notify U.S. Holders of the PFIC status of any such lower-tier PFIC. There is also no assurance that we will be able to cause the lower-tier PFIC to provide the required information. U.S. Holders are urged to consult their own tax advisors regarding the tax issues raised by lower-tier PFICs.

Under recently enacted legislation, a U.S. Holder that owns (or is deemed to own) shares in a PFIC during any taxable year of the U.S. Holder generally will have to file an IRS Form 8621 (whether or not a QEF election or mark-to-market election is or has been made) with such U.S. Holder s U.S. federal income tax return and provide such other information as may be required by the U.S. Treasury Department.

The rules dealing with PFICs and with the QEF and mark-to-market elections are very complex and are affected by various factors in addition to those described above. Accordingly, U.S. Holders of our shares and redeemable warrants should consult their own tax advisors concerning the application of the PFIC rules to our shares and redeemable warrants under their particular circumstances.

Conversions and Consolidations

As described in the section of this prospectus captioned Description of Securities Ordinary Shares, above, the callable Class A Shares will be automatically consolidated into ordinary shares upon the consummation of our initial acquisition transaction, unless we grant our public shareholders their redemption rights by means of a post-acquisition tender offer. In connection with a post-acquisition tender offer, each callable Class A Share outstanding immediately following the consummation of the initial acquisition transaction will be automatically converted into a callable Class B Share. Such callable Class B Shares will be automatically consolidated into one class of ordinary shares upon consummation of such post-acquisition tender offer.

Subject to the PFIC rules, a U.S. Holder should not recognize gain or loss on such a conversion or consolidation. A U.S. Holder s adjusted tax basis in the callable Class B Shares or ordinary shares, as the case may be, that such holder received upon such a conversion or consolidation should be equal to the holder s adjusted tax basis in the callable Class A Shares or callable Class B Shares, as the case may be, that such holder surrendered. In addition, a U.S. Holder s holding period in the callable Class B Shares or ordinary shares, as the case may be, that such holder received upon such a conversion or consolidation should include such holder s holding period in the callable Class A Shares or callable Class B Shares, as the case may be, that such holder surrendered.

If a U.S. Holder of our shares is treated as owning shares in a PFIC such that the special tax and interest charge rules as described above under Passive Foreign Investment Company Rules apply to the shares, and the shares received on a conversion or consolidation are determined not to be interests in a PFIC subject to such rules, such holder may recognize gain equal to the difference between the fair market value of the shares received and the holder s adjusted tax basis in the shares surrendered, and if any such gain is recognized, then such gain may be subject to the special tax and interest charge rules described above. In such a case, a U.S. Holder s adjusted tax basis in such shares received should be equal to their fair market value, and such holder should have a new holding period in such shares for purposes of the PFIC rules. If the U.S. Holder made a QEF election with respect to the shares surrendered, such election should continue to apply to the shares received upon a conversion or consolidation.

Non-U.S. Holders

Dividends (including constructive dividends) paid or deemed paid to a Non-U.S. Holder in respect to its securities generally will not be subject to U.S. federal income tax, unless such dividends are effectively connected with the

Non-U.S. Holder s conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base that such holder maintains or maintained in the United States).

In addition, a Non-U.S. Holder generally will not be subject to U.S. federal income tax on any gain attributable to a sale or other taxable disposition of our securities unless such gain is effectively connected with its conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment or fixed base that such holder maintains or maintained in the United States) or the Non-U.S. Holder is an individual who is present in the United States for 183 days or

more in the taxable year of sale or other disposition and certain other conditions are met (in which case, such gain from U.S. sources generally is subject to tax at a 30% rate or a lower applicable tax treaty rate).

Dividends and gains that are effectively connected with the Non-U.S. Holder s conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base that such holder maintains or maintained in the United States) generally will be subject to U.S. federal income tax (but not the Medicare contribution tax) at the same regular U.S. federal income tax rates applicable to a comparable U.S. Holder and, in the case of a Non-U.S. Holder that is a corporation for U.S. federal income tax purposes, may also be subject to an additional branch profits tax at a 30% rate or a lower applicable tax treaty rate.

The U.S. federal income tax treatment of a Non-U.S. Holder s exercise of redeemable warrants, or the lapse of redeemable warrants held by a Non-U.S. Holder, generally will correspond to the U.S. federal income tax treatment of the exercise or lapse of redeemable warrants by a U.S. Holder, as described under U.S. Holders Exercise or Lapse of Redeemable Warrants, above. The U.S. federal income tax treatment of the automatic conversion of the callable Class A Shares into callable Class B Shares in connection with a post-acquisition tender offer or the automatic consolidation of the callable Class A Shares into ordinary shares or callable Class B Shares into ordinary shares, as the case may be, to a Non-U.S. Holder generally should correspond to the U.S. federal income tax treatment of such a conversion or consolidation to a U.S. Holder, as described under U.S. Holders Conversions and Consolidations, except that Non-U.S. Holders are not subject to the PFIC rules.

Backup Withholding and Information Reporting

In general, information reporting for U.S. federal income tax purposes should apply to distributions made on our securities within the United States to a U.S. Holder (other than an exempt recipient) and to the proceeds from sales and other dispositions of our securities by a U.S. Holder (other than an exempt recipient) to or through a U.S. office of a broker. Payments made (and sales and other dispositions effected at an office) outside the United States will be subject to information reporting in limited circumstances. Also, pursuant to recently enacted legislation effective as of January 1, 2013, we may be required to enter into an agreement with the IRS to disclose to the IRS certain information about our U.S. Holders. In addition, pursuant to recently enacted legislation, certain information concerning a U.S. Holder s adjusted tax basis in its securities and adjustments to that tax basis and whether any gain or loss with respect to such securities is long-term or short-term also may be required to be reported to the IRS, and certain holders may be required to file an IRS Form 8938 (Statement of Specified Foreign Financial Assets) to report their interest in our securities.

Moreover, backup withholding of U.S. federal income tax at a rate of 28% for taxable years beginning before January 1, 2013 (but currently scheduled to increase to 31% for taxable years beginning on or after January 1, 2013), generally will apply to dividends paid on our securities to a U.S. Holder (other than an exempt recipient) and the proceeds from sales and other dispositions of shares or warrants by a U.S. Holder (other than an exempt recipient), in each case who

- fails to provide an accurate taxpayer identification number;
- is notified by the IRS that backup withholding is required; or
- in certain circumstances, fails to comply with applicable certification requirements.

A Non-U.S. Holder generally may eliminate the requirement for information reporting and backup withholding by providing certification of its foreign status, under penalties of perjury, on a duly executed applicable IRS Form W-8 or by otherwise establishing an exemption.

Backup withholding is not an additional tax. Rather, the amount of any backup withholding will be allowed as a credit against a U.S. Holder s or a Non-U.S. Holder s U.S. federal income tax liability and may entitle such holder to a refund, provided that certain required information is timely furnished to the IRS. Holders are urged to consult their own tax advisors regarding the application of backup withholding and the availability of and procedures for obtaining an exemption from backup withholding in their particular circumstances.

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UNDERWRITING

In accordance with the terms and conditions contained in the underwriting agreement, we have agreed to sell to each of the underwriters named below, and each of the underwriters, for which Chardan Capital Markets, LLC is acting as lead managing underwriter and Maxim Group LLC is acting as qualified independent underwriter, have severally, and not jointly, agreed to purchase on a firm commitment basis the number of units offered in this offering set forth opposite their respective names below:

Underwriters	Number of Units
Chardan Capital Markets, LLC	[__]
Maxim Group LLC	[__]
The PrinceRidge Group LLC	[__]
Euro Pacific Capital, Inc.	[__]
	5,000,000

A copy of the underwriting agreement has been filed as an exhibit to the registration statement of which this prospectus forms a part.

The underwriters may deliver the prospectus via email, both as a PDF document and by a link to websites hosted by the underwriters, and the prospectus may also be made available on websites maintained by selected dealers and underwriting selling group members participating in this offering. The underwriters may agree to allocate a number of shares to underwriters and underwriting selling group members for sale to their online brokerage account holders. Internet distributions may be allocated by the representative to the underwriters and underwriting selling group members that may make Internet distributions on the same basis as other allocations.

Pricing of Securities

We have been advised by the underwriters that they propose to offer the units to the public at the offering price set forth on the cover page of this prospectus. They may allow some dealers concessions not in excess of $[___] per unit and the dealers may reallow a concession not in excess of $[ ] per unit to other dealers.

Prior to this offering there has been no public market for any of our securities. The public offering price of the units and the terms of the redeemable warrants were negotiated between us and the representative of the underwriters. Factors considered in determining the prices and terms of the units, including the ordinary shares and redeemable warrants issuable upon exercise of the units, include:

- the history and prospects of companies whose principal business is the acquisition of other companies;
- prior offerings of those companies;
- our prospects for acquiring an operating business at attractive values;
- our capital structure;
- an assessment of our management and their experience in identifying operating companies;
- general conditions of the securities markets at the time of the offering; and
- other factors as were deemed relevant.

However, although these factors were considered, the determination of our offering price is more arbitrary than the pricing of securities for an operating company in a particular industry since the underwriters are unable to compare

our financial results and prospects with those of public companies operating in the same industry.

Over-Allotment Option

We have also granted to the underwriters an option, exercisable during the 45-day period commencing on the date that the registration statement (of which this prospectus forms a part) becomes effective, to purchase from us at the offering price, less underwriting discounts and commissions, up to an aggregate of 450,000

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additional units for the sole purpose of covering over-allotments, if any. The over-allotment option will only be used to cover the net syndicate short position resulting from the initial distribution. The underwriters may exercise that option if the underwriters sell more units than the total number set forth in the table above. The underwriters are not entitled to net cash settlement and the over-allotment option (and the underlying securities) may only be settled by delivery of the units (and underlying securities) and not cash.

Commissions and Discounts

The following table shows the public offering price, underwriting discounts and commissions to be paid by us to the underwriters and the proceeds, before expenses, to us. This table assumes the underwriters do not exercise their over-allotment option.

	Per Unit	Total Proceeds
Public offering price	$ 10.00	$ 50,000,000
Underwriting discounts and commissions(1)(2)(3)	$ 0.18	$ 900,000
Total(4)	$ 9.82	$ 49,100,000

1) The underwriters will receive an underwriting discount equal to 1.8% of the gross proceeds from the sale of units in the firm commitment offering, and 1.75% of the gross proceeds from the sale of units pursuant to an exercise of the over-allotment option.
2) No discount or commissions are payable with respect to the placement warrants purchased in the private placement.
3) Does not include a non-accountable expense allowance of $100,000.
4) The underwriters have an option to purchase up to an additional 450,000 units of the company at the public offering price, less underwriting discounts and commissions, within 45 days after the date of effectiveness of the registration statement (of which this prospectus forms a part) to cover any over-allotments. If the underwriters exercise this option in full, the total public offering price, underwriting discounts and commissions and proceeds, before expenses to us, will be $54,500,000, $978,500 and $53,521,250, respectively.

Purchase Option

We have agreed to sell to Chardan Capital Markets, LLC, the representative of the underwriters, or its designees, for $100, an option to purchase up to a total of 350,000 units comprised of 350,000 ordinary shares and warrants to purchase 350,000 ordinary shares. The units issuable upon exercise of this option are identical to those offered by this prospectus, except that the warrants underlying the unit purchase option will not be redeemable by us. This option is exercisable for cash at $12.00 per unit from the later of (i) the consolidation of each class of our ordinary shares into one class of ordinary shares after consummation of an acquisition transaction or post-acquisition tender offer, as the case may be, or (ii) [_______], 2013 **[six months from the effective date of the registration statement of which this prospectus forms a part]**, and expiring on the earlier of [_______],2017 **[five years from the effective date of the registration statement of which this prospectus forms a part]** and the day immediately prior to the day on which we and all of our successors have been dissolved.

The option and the 350,000 units, the 350,000 ordinary shares and the 350,000 warrants underlying such units, and the 350,000 ordinary shares underlying such warrants, have been deemed to be underwriting compensation by the FINRA and are therefore subject to a 180-day lock-up pursuant to FINRA Rule 5110(g)(1). Chardan Capital Markets, LLC will not sell, transfer, assign, pledge, or hypothecate this option or the securities underlying this option, nor will they engage in any hedging, short sale, derivative, put, or call transaction that would result in the effective economic disposition of this option or the underlying securities for a period of 180 days from the effective date of the

registration statement of which this prospectus forms a part, except to any underwriter and selected dealer participating in the offering and their bona fide officers or partners. Although the purchase option and its underlying securities have been registered under the registration statement of which this prospectus forms a part, the option grants to holders demand and piggy back rights for periods of five and seven years, respectively, from the effective date of the registration statement of which this prospectus forms a part with respect to the registration under the Securities Act of the securities directly and indirectly issuable upon exercise of the option. We will bear all

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fees and expenses attendant to registering the securities, other than underwriting commissions which will be paid for by the holders themselves. The exercise price and/or number of units issuable upon exercise of the option may be adjusted in certain circumstances including in the event of a share dividend, or our recapitalization, reorganization, merger or consolidation. However, the option will not be adjusted for issuances of ordinary shares at a price below its exercise price.

Underwriter Shares

We have also agreed to sell to Chardan Capital Markets, LLC, the representative of the underwriters, The PrinceRidge Group LLC, an underwriter, and Maxim Group LLC, the qualified independent underwriter, of this offering, for $3,400, as additional compensation, an aggregate of 170,000 Class A Shares in a private placement to be completed immediately prior to the closing of this offering. Such shares will be placed in escrow until two years from the effective date of the registration statement of which this prospectus forms a part, and Chardan Capital Markets, LLC, The PrinceRidge Group LLC and Maxim Group LLC, have agreed to waive their rights to participate in any distribution from the trust account.

Regulatory Restrictions on Purchase of Securities

Rules of the SEC may limit the ability of the representative of the underwriters to bid for or purchase our securities before the distribution of the securities is completed. However, the underwriters may engage in the following activities in accordance with the rules:

Stabilizing Transactions. The underwriters may make bids or purchases for the purpose of pegging, fixing or maintaining the price of our securities, so long as stabilizing bids do not exceed the maximum price specified in Regulation M, which generally requires, among other things, that no stabilizing bid shall be initiated at or increased to a price higher than the lower of the offering price or the highest independent bid for the security on the principal trading market for the security.

Over-Allotments and Syndicate Coverage Transactions. In connection with the offering, the underwriters may make short sales of the issuer s units and may purchase the issuer s units on the open market to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of units than they are required to purchase in the offering. Covered short sales are sales made in an amount not greater than the underwriter s over-allotment option to purchase additional units in the offering. The underwriters may close out any covered short position by either exercising their over-allotment option or purchasing units in the open market. In determining the source of units to close out the covered short position, the underwriters will consider, among other things, the price of units available for purchase in the open market as compared to the price at which they may purchase units through the over-allotment option. Naked short sales are sales in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing units in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the units in the open market after pricing that could adversely affect investors who purchase in the offering. Similar to other purchase transactions, the underwriters purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our units or preventing or retarding a decline in the market price of our units. As a result, the price of the units may be higher than the price that might otherwise exist in the open market.

Penalty Bids. The representatives may reclaim a selling concession from a syndicate member when the units originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. The underwriters may close out any covered short position by either exercising their over-allotment option or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. Naked short sales are sales in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price

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of the shares in the open market after pricing that could adversely affect investors who purchase in the offering. Similar to other purchase transactions, the underwriters purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our stock or preventing or retarding a decline in the market price of our stock. As a result, the price of our stock may be higher than the price that might otherwise exist in the open market.

Stabilization and syndicate covering transactions may cause the price of the securities to be higher than they would be in the absence of these transactions. The imposition of a penalty bid might also have an effect on the prices of the securities if it discourages resales of the securities.

Neither we nor the underwriters make any representation or prediction as to the effect that the transactions described above may have on the prices of our securities. These transactions may occur on the NASDAQ Capital Market, in the over-the-counter market or on any trading market. If any of these transactions are commenced, they may be discontinued without notice at any time.

The distribution of our securities will end upon the underwriters cessation of selling efforts and stabilization activities, provided, however, in the event that the underwriters were to exercise their over-allotment option to purchase securities in excess of its short position, then the distribution will not be deemed to have been completed until all of the securities have been sold.

Qualified Independent Underwriter

As of [_______], 2012, Chardan Capital Markets, LLC, an underwriter of this offering and a member of the Financial Industry Regulatory Authority, or FINRA, beneficially owned an aggregate of 10.56% of our share capital. Chardan Capital Markets, LLC, is, therefore, deemed to have a conflict of interest under the applicable provisions of Rule 5121 promulgated by FINRA. Accordingly, this offering to be made in compliance with the applicable provisions of FINRA Rule 5121, in order for a qualified independent underwriter, as defined in the FINRA rules, must participate in the preparation of the prospectus and exercise the usual standards of due diligence in respect thereto. Maxim Group LLC is acting as the qualified independent underwriter. We have agreed to indemnify Maxim Group LLC in its capacity as the qualified independent underwriter against liabilities under the Securities Act, or contribute to payments that it may be required to make in that respect. In compensation for their services as qualified independent underwriter, we have agreed to sell to Maxim Group LLC 10,000 Class A Shares for $200 (see Underwriting Underwriter Shares).

Indemnification

Pursuant to the terms of the underwriting agreement, we have agreed to indemnify the underwriters against certain liabilities, including civil liabilities under the Securities Act relating to losses or claims resulting from material misstatements in or omissions from the registration statement and liabilities arising from breach of the underwriting agreement or the breach of our representations, warranties and covenants contained in the underwriting agreement. We are also obligated to pay for the defense of any claims against the underwriters. If we are unable to provide this indemnification, we will contribute to payments the underwriters may be required to make in respect to these liabilities. Our obligations under this section of the underwriting agreement continue after the closing of our initial public offering.

Foreign Regulatory Restrictions on Purchase of the Ordinary Shares

No action may be taken in any jurisdiction other than the United States that would permit a public offering of the ordinary shares or the possession, circulation or distribution of this prospectus in any jurisdiction where action for that purpose is required. Accordingly, the ordinary shares may not be offered or sold, directly or indirectly, and neither the prospectus nor any other offering material or advertisements in connection with the ordinary shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

In addition to the public offering of the shares in the United States, the underwriters may, subject to the applicable foreign laws, also offer the ordinary shares to certain institutions or accredited persons in the following countries:

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Notices to Non-U.S. Investors

Australia. If this document is issued or distributed in Australia it is issued or distributed to wholesale clients only, not to retail clients . For the purposes of this paragraph, the terms wholesale client and retail client have the meanings given in section 761 of the Australian Corporations Act 2001 (Cth). This document is not a disclosure document under the Australian Corporations Act, has not been lodged with the Australian Securities & Investments Commission and does not purport to include the information required of a disclosure document under the Australian Corporations Act. Accordingly, (i) the offer of securities under this document is only made to persons to whom it is lawful to offer such securities under one or more exemptions set out in the Australian Corporations Act, (ii) this document is only made available in Australia to those persons referred to in clause (i) above, and (iii) the offeree must be sent a notice stating in substance that, by accepting this offer, the offeree represents that the offeree is such a person as referred to in clause (i) above, and, unless permitted under the Australian Corporations Act, agrees not to sell or offer for sale within Australia any of the securities sold to the offeree within 12 months after its transfer to the offeree under this document.

China. THIS PROSPECTUS HAS NOT BEEN AND WILL NOT BE CIRCULATED OR DISTRIBUTED IN THE PRC, AND THE SECURITIES OFFERED HEREIN MAY NOT BE OFFERED OR SOLD, AND WILL NOT BE OFFERED OR SOLD TO ANY PERSON FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, TO ANY RESIDENT OF THE PRC EXCEPT PURSUANT TO APPLICABLE LAWS AND REGULATIONS OF THE PRC.

United Arab Emirates. The offering has not been approved or licensed by the Central Bank of the United Arab Emirates (the UAE), Securities and Commodities Authority of the UAE and/or any other relevant licensing authority in the UAE including any licensing authority incorporated under the laws and regulations of any of the free zones established and operating in the territory of the UAE, in particular the Dubai Financial Services Authority (the DFSA), a regulatory authority of the Dubai International Financial Centre (the DIFC). The offering does not constitute a public offer of securities in the UAE, DIFC and/or any other free zone in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended), DFSA Offered Securities Rules and NASDAQ Dubai Listing Rules, accordingly, or otherwise. The securities offered hereby may not be offered to the public in the UAE and/or any of the free zones, including, in particular, the DIFC. The securities offered hereby may be offered and issued only to a limited number of investors in the UAE or any of its free zones (including, in particular, the DIFC) who qualify as sophisticated investors under the relevant laws and regulations of the UAE or the free zone concerned, including, in particular, the DIFC. The company represents and warrants that the securities offered hereby will not be offered, sold, transferred or delivered to the public in the UAE or any of its free zones, including, in particular, the DIFC.

Dubai. The issuer is not licensed by the Dubai Financial Services Authority (DFSA) to provide financial services in the Dubai International Financial Centre (DIFC). The offering has not been approved or licensed by the Central Bank of the United Arab Emirates (the UAE), Securities and Commodities Authority of the UAE and/or any other relevant licensing authority in the UAE including any licensing authority incorporated under the laws and regulations of any of the free zones established and operating in the territory of the UAE, in particular the DFSA, a regulatory of the DIFC. The offering does not constitute a public offer of securities in the UAE, DIFC and/or any other free zone in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended), DFSA Offered Securities Rules and NASDAQ Dubai Listing Rules, accordingly, or otherwise. The securities offered hereby may not be offered to the public in the UAE and/or any of the free zones, including, in particular, the DIFC. The securities offered hereby may be offered and issued only to a limited number of investors in the UAE or any of its free zones (including, in particular, the DIFC) who qualify as sophisticated investors under the relevant laws and regulations of the UAE or the free zone concerned, including, in particular, the DIFC. The company represents and warrants that the securities offered hereby will not be offered, sold, transferred or delivered to the public in the UAE or any of its free zones,

including, in particular, the DIFC.

Israel. The securities offered by this prospectus have not been approved or disapproved by the Israeli Securities Authority (the ISA), or ISA, nor have such securities been registered for sale in Israel. The securities may not be offered or sold, directly or indirectly, to the public in Israel, absent the publication of a prospectus. The ISA has not issued permits, approvals or licenses in connection with the offering or publishing of the prospectus; nor has it authenticated the details included herein, confirmed their reliability or completeness, or rendered an opinion as to the quality of the securities being offered. Any resale, directly or indirectly, to the public of the securities offered by this prospectus is subject to restrictions on transferability and must be effected only in compliance with the Israeli securities laws and regulations.

Pakistan. The investors/subscribers in Pakistan will be responsible for ensuring their eligibility to invest under the applicable laws of Pakistan and to obtain any regulatory consents if required for such purpose.

Saudi Arabia. NO OFFERING OF SECURITIES IS BEING MADE IN THE KINGDOM OF SAUDI ARABIA, AND NO AGREEMENT RELATING TO THE SALE OF THE SECURITIES WILL BE CONCLUDED IN SAUDI ARABIA. THIS DOCUMENT IS PROVIDED AT THE REQUEST OF THE RECIPIENT AND IS BEING FORWARDED TO THE ADDRESS SPECIFIED BY THE RECIPIENT. NEITHER THE AGENT NOR THE OFFERING HAVE BEEN LICENSED BY THE SAUDI S SECURITIES AND EXCHANGE COMMISSION OR ARE OTHERWISE REGULATED BY THE LAWS OF THE KINGDOM OF SAUDI ARABIA. THEREFORE, NO SERVICES RELATING TO THE OFFERING, INCLUDING THE RECEIPT OF APPLICATIONS AND/OR THE ALLOTMENT OF THE SECURITIES, MAY BE RENDERED WITHIN THE KINGDOM BY THE AGENT OR PERSONS REPRESENTING THE OFFERING.

United Kingdom. The content of this prospectus has not been issued or approved by an authorized person within the meaning of the United Kingdom Financial Services and Markets Act 2000 (FSMA). Reliance on this prospectus for the purpose of engaging in any investment activity may expose an Investor to a significant risk of losing all of the property or other assets invested. This prospectus does not constitute a Prospectus within the meaning of the FSMA and is issued in reliance upon one or more of the exemptions from the need to issue such a prospectus contained in section 86 of the FSMA.

European Economic Area. In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a relevant member state), with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the relevant implementation date), an offer of units described in this prospectus may not be made to the public in that relevant member state prior to the publication of a prospectus in relation to the units that has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in that relevant member state, all in accordance with the Prospectus Directive, except that, with effect from and including the relevant implementation date, an offer of our units may be made to the public in that relevant member state at any time:

to any legal entity that is authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
to fewer than 100 natural or legal persons (other than qualified investors as defined below) subject to obtaining the prior consent of the underwriter for any such offer; or
in any other circumstances that do not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

Each purchaser of units described in this prospectus located within a relevant member state will be deemed to have represented, acknowledged and agreed that it is a qualified investor within the meaning of Article 2(1)(e) of the Prospectus Directive.

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For the purpose of this provision, the expression an offer to the public in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the units to be offered so as to enable an investor to decide to purchase or subscribe for the units, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each relevant member state.

We have not authorized and do not authorize the making of any offer of units through any financial intermediary on their behalf, other than offers made by the underwriters with a view to the final placement of the units as contemplated in this prospectus. Accordingly, no purchaser of the units, other than the underwriters, is authorized to make any further offer of the units on behalf of us or the underwriters.

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LEGAL MATTERS

The validity of the securities offered by this prospectus has been passed upon by Forbes Hare, which has provided an opinion to us related to the tax disclosure under the caption Taxation British Virgin Islands, which opinion is filed as an exhibit to the registration statement to which this prospectus forms a part. Loeb & Loeb, LLP, New York, New York, acted as U.S. counsel for us in connection with this offering and has provided an opinion to us related to the tax disclosure contained in this prospectus under the caption Taxation U.S. Federal Income Taxation, which opinion is filed as an exhibit to the registration statement to which this prospectus forms a part. In connection with this offering, Golenbock Eiseman Assor Bell & Peskoe LLP acted as counsel to the underwriters.

EXPERTS

The financial statements of CIS Acquisition Ltd. (a development stage company) as of October 31, 2012 and for the period from November 28, 2011 (inception) through October 31, 2012, appearing in this prospectus have been audited by Marcum LLP, independent registered public accounting firm, as set forth in their report thereon (which contains an explanatory paragraph relating to substantial doubt about the ability of CIS Acquisition Ltd. (a development stage company) to continue as a going concern as described in Note 1 to the financial statements), appearing elsewhere in this prospectus, and are included in reliance upon such report given on the authority of such firm as expert in accounting and auditing.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form F-1, which includes exhibits and schedules, under the Securities Act, with respect to the securities we are offering by this prospectus. Although this prospectus, which forms a part of the registration statement, contains all material information included in the registration statement, parts of the registration statement have been omitted as permitted by the rules and regulations of the SEC. For further information about us and our securities, we refer you to the registration statement and the exhibits and schedules filed with the registration statement. Whenever we make references in this prospectus to any of our contracts, agreements or other documents, the references are materially complete but may not include a description of all aspects of such contracts, agreements or other documents, and you should refer to the exhibits attached to the registration statement for copies of the actual contract, agreement or other document.

Upon consummation of this offering, we will be subject to the information requirements of the Exchange Act as applicable to foreign private issuers. Accordingly, we will be required to file reports, including annual reports on Form 20-F, and other information with the SEC. As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing the furnishing and content of proxy statements to shareholders, and our executive officers, directors and principal shareholders are exempt from certain of the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. You can read our SEC filings, including the registration statement, over the Internet at the SEC s website at *www.sec.gov*. You may also read and copy any document we file with the SEC at its public reference facility at 100 F Street, N.E., Washington, D.C. 20549.

You may also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities.

Documents concerning us which are referred to in this prospectus, and our annual accounts, auditors reports and other information referred to in our SEC filings may be inspected at c/o Loeb & Loeb LLP, 345 Park Avenue, New York, NY 10154.

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CIS Acquisition Ltd.
(A Development Stage Company)

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
CIS Acquisition Ltd.

We have audited the accompanying balance sheet of CIS Acquisition Ltd. (a development stage company) (the Company) as of October 31, 2012, and the related statements of operations, changes in shareholders equity and cash flows for the period from November 28, 2011 (inception) through October 31, 2012. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CIS Acquisition Ltd. (a development stage company), as of October 31, 2012, and the results of its operations and its cash flows for the period from November 28, 2011 (inception) through October 31, 2012 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has no present revenue, its business plan is dependent on the completion of a financing and the Company s cash and working capital as of October 31, 2012 are not sufficient to complete its planned activities for the upcoming year. These conditions raise substantial doubt about the Company s ability to continue as a going concern. Management s plans regarding these matters are also described in Notes 1 and 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Marcum LLP

Marcum LLP
New York, NY
November 30, 2012

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CIS Acquisition Ltd.
(A Development Stage Company)

Balance Sheet
As of October 31, 2012

ASSETS:	
Current Assets Cash and Cash Equivalents	$ 32,438
Deferred offering costs	342,344
Total assets	$ 374,782
LIABILITIES AND SHAREHOLDERS EQUITY:	
Current liabilities:	
Accrued expenses	$ 32,500
Note payable to an affiliate	322,155
Total current liabilities	354,655
Shareholders equity:	
Ordinary shares, par value $0.0001 per share; 150,000,000 shares authorized; 1,362,500 shares issued and outstanding(1)(2)	136
Additional paid in capital	24,864
Deficit accumulated during the development stage	(4,873)
Total shareholders equity	20,127
Total liabilities and shareholders equity	$ 374,782

(1) Includes an aggregate of 112,500 shares held by the founders that are subject to redemption for no consideration to the extent the underwriters over-allotment option is not exercised in full.

(2) Share amounts have been retroactively restated to reflect the effect of the contribution of an aggregate of 75,000 ordinary shares to the Company s capital at no cost to the Company and the subsequent cancellation of such shares on November 30, 2012.

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

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CIS Acquisition Ltd.

(A Development Stage Company)

Statement of Operations For the period from November 28, 2011 (date of inception) through October 31, 2012

Formation and operating expenses	$ 4,873
Loss from operations	(4,873)
Net loss	$ (4,873)
Weighted average number of ordinary shares outstanding, basic and diluted[1]	1,250,000
Net loss per ordinary share, basic and diluted	$ (0.00)

(1) Excludes an aggregate of 112,500 shares held by the founders subject to redemption for no consideration to the extent the underwriters over-allotment option is not exercised in full.

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

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CIS Acquisition Ltd.
(A Development Stage Company)

Statement of Changes in Shareholders Equity
For the Period from November 28, 2011
(date of inception) through October 31, 2012

	Ordinary Shares[1][2]		Additional Paid in Capital	Deficit Accumulated During the Development Stage	Total Shareholders Equity
	Shares	Amount			
Balance at November 28, 2011 (date of inception)		$	$	$	$
Sale of ordinary shares on November 28, 2011 at $0.0001 per share	47				
Sale of ordinary shares on February 13, 2012, at approximately $0.0087 per share	1,362,453	136	24,864		25,000
Net loss				(4,873)	(4,873)
Balance at October 31, 2012	$ 1,362,500	$ 136	$ 24,864	$ (4,873)	$ 20,127

(1) Includes an aggregate of 112,500 shares held by the founders that are subject to redemption for no consideration to the extent the underwriters over-allotment option is not exercised in full.

(2) Share amounts have been retroactively restated to reflect the effect of (i) the contribution of an aggregate of 1,437,500 shares of the Company s ordinary shares to the Company s capital at no cost to the Company and the subsequent cancellation of such shares on October 18, 2012 and (ii) the contribution of an aggregate of 75,000 ordinary shares to the Company s capital at no cost to the Company and the subsequent cancellation of such shares on November 30, 2012.

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

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CIS Acquisition Ltd.
(A Development Stage Company)

Statement of Cash Flows
For the Period from November 28, 2011
(date of inception) through October 31, 2012

Cash Flows from Operating Activities:	
Adjustments to reconcile net loss to net cash used in operating activities:	
Net loss	$ (4,873)
Change in operating assets and liabilities:	
Accrued expenses	
Net cash used in operating activities	$ (4,873)
Cash Flows From Financing Activities:	
Payment of deferred offering costs	(309,844)
Proceeds from issuance of ordinary shares	25,000
Proceeds from note payable to an affiliate	322,185
Net cash provided by financing activities	37,311
Increase in cash and cash equivalents	32,438
Cash and cash equivalents at beginning of period	
Cash and cash equivalents at end of period	$ 32,438
Supplemental Disclosure of Non-cash Financing Activities:	
Accrual of deferred offering costs	$ 32,500

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

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CIS Acquisition Ltd.
(A Development Stage Company)

Notes to Financial Statements
For the period from November 28, 2011 (date of Inception) to October 31, 2012

1. Organization and Going Concern

CIS Acquisition Ltd. (a corporation in the development stage) (the Company) is a newly formed company established under the laws of the British Virgin Islands as an innovated public acquisition company (IPAC) on November 28, 2011. An IPAC is a blank check company that permits the Company to return funds from the trust account to redeeming shareholders after an Acquisition Transaction (as defined below) is completed. The Company was formed to acquire, through a merger, share exchange, asset acquisition, share purchase, reorganization, exchangeable share transaction or other similar business transaction, one or more operating businesses or assets that the Company has not yet identified (Acquisition Transaction). The Company has neither engaged in any operations nor generated any income to date. The Company is considered to be in the development stage as defined in Financial Accounting Standards Board (FASB) Accounting Standard Codification, or ASC 915, Development Stage Entities, and is subject to risks associated with activities of development stage companies. Although the Company is not limited to a particular geographic region or industry, it intends to focus on operating businesses with primary operations in Russia and Eastern Europe.

At October 31, 2012, the Company had cash in the bank of $32,438, a working capital deficit of $322,217 and has limited financial resources. Until such time as the Company may complete the Acquisition Transaction, it remains dependent on loans from its initial stockholder and officers as well as favorable credit terms from vendors providing services in connection with the Acquisition Transaction. The Company has incurred and expects to incur significant costs in pursuit of its financing and acquisition plans. These conditions raise substantial doubt about the Company s ability to continue as a going concern. Management plans to address this uncertainty through the Proposed Offering as discussed in Note 2. There is no assurance that the Company s plan to raise capital or consummate an Acquisition Transaction will be successful or successful within the required time periods. The Financial Statements do not include any adjustment that might result from this uncertainty.

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

The accompanying financial statements are presented in U.S. dollars and have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) and pursuant to the accounting and disclosure rules and regulations of the U.S. Securities and Exchange Commission (the SEC).

2. Proposed Offering and Business Operations

The Company will offer for sale up to 5,000,000 Units at $10.00 per unit (Units) (the Proposed Offering). Each Unit will consist of one callable Class A share, $0.0001 par value, and one redeemable warrant (Warrant) to purchase one

ordinary share of the Company. Each Warrant will entitle the holder to purchase from the Company one ordinary share at an exercise price of $10.00 commencing on the later of (a) one year from the date of the registration statement related to the Proposed Offering (the Effective Date) and (b) the consolidation of each class of the Company s ordinary shares into one class of ordinary shares, and will expire on the earlier of five years from the Effective Date or the date of the Company s dissolution and liquidation of the trust account, unless such Warrants are earlier redeemed.

The Warrants may be redeemed by the Company at a price of $0.01 per Warrant in whole but not in part upon 30 days prior written notice after the Warrants become exercisable, only in the event that the last sale price of our ordinary shares is at least $15.00 per share for any 20 trading days within a 30 trading day period ending on the third business day prior to the date on which notice of redemption is given. In the event that there is no effective registration statement or prospectus covering the ordinary shares issuable upon exercise of the Warrants, holders of Warrants may elect to exercise them on a cashless basis by paying the exercise price by surrendering their Warrants for that number of ordinary shares equal to the quotient obtained by dividing (x) the product of the number of shares underlying the redeemable warrants, multiplied by the difference between the exercise price of the Warrants and the fair market value (defined below) by (y) the fair market value.

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For the period from November 28, 2011 (date of Inception) to October 31, 2012

2. Proposed Offering and Business Operations (continued)

The fair market value means the average reported last sale price of our ordinary shares for the 10 trading days ending on the third trading day prior to the date on which the Warrant notice is sent to the warrant agent. The Company would not receive additional proceeds to the extent the redeemable warrants are exercised on a cashless basis.

The callable Class A Shares and Warrants will begin separate trading on the earlier of the 90th day after the Effective Date or the announcement by the underwriters of the decision to allow earlier trading, subject to the filing by the Company of a Report of Foreign Private Issuer on Form 6-K with the SEC containing an audited Balance Sheet reflecting the receipt of the proceeds from the Proposed Offering. The callable Class A Shares will continue to trade until the Acquisition Transaction has completed, at which time they will either: (i) automatically be consolidated with all ordinary shares into one class, if redemption rights were granted prior to, or concurrently with, the completion of the Acquisition Transaction; or (ii) automatically separate from the units and convert to callable Class B Shares, if the Acquisition Transaction is completed prior to a post-acquisition tender offer. After the post-acquisition tender offer, the callable Class B Shares will be consolidated with other outstanding ordinary shares. Upon consummation of the Proposed Offering, the ordinary shares purchased by the founders will be exchanged for Class A Shares (Note 6). Such shares will not be redeemable, will be placed in escrow and will not be released until 2 years after the Effective Date.

The Company has agreed to sell to Chardan Capital Markets, LLC (the Underwriter), for an aggregate of $100, an option to purchase 350,000 units comprised of 350,000 ordinary shares and warrants to purchase 350,000 ordinary shares. The Underwriter s unit purchase option will be exercisable at any time, in whole or in part, from the later of (i) the consolidation of each class of the Company s ordinary shares into one class of ordinary shares, or (ii) six months from the Effective Date, and expiring on the earlier of five years from the Effective Date and the day immediately prior to the day on which the Company has been dissolved. The Company intends to account for the fair value of the unit purchase option, inclusive of the receipt of $100 cash payment, as an expense of the Proposed Offering resulting in a charge directly to shareholders equity. The Company estimates that the fair value of this unit purchase option is approximately $1,262,018 (or $3.61 per unit) using a Black-Scholes option-pricing model. The fair value of the unit purchase option to be granted to the underwriter is estimated as of the date of grant using the following assumptions: (1) expected volatility of 45%, (2) risk-free interest rate of 0.88% and (3) expected life of five years. The Company will have no obligation to net cash settle the exercise of the unit purchase option or the Warrants underlying the unit purchase option. If the holder is unable to exercise the unit purchase option or underlying Warrants, the unit purchase option or Warrants, as applicable, will expire worthless.

The Company has agreed to sell to Chardan Capital Markets, LLC, the representative of the underwriters, The PrinceRidge Group LLC, an underwriter, and Maxim Group LLC, the qualified independent underwriter of the Proposed Offering, for an aggregate of $3,400, an aggregate of 170,000 Class A Shares (the Underwriter Shares) in a private placement to be completed immediately prior to the closing of the Proposed Offering. Such shares will not be redeemable, will be placed in escrow and will not be released until two years after the Effective Date. Additionally, Chardan Capital Markets, LLC, The PrinceRidge Group LLC and Maxim Group LLC have agreed to waive their rights to participate in any distribution from the Trust Account. The Company intends to account for the fair value of the Underwriter Shares, inclusive of the receipt of $3,400 cash payment, as an expense of the Proposed Offering resulting in a charge directly to shareholders equity. The Company estimates that the fair value of these Underwriter Shares is approximately $1,700,000 ($10.00 per share).

The founders and certain of their designees have committed to purchase 4,500,000 warrants (the Placement Warrants) at a price of $0.75 per warrant for an aggregate purchase price of $3,375,000 in a private placement that will occur immediately prior to the closing of the Proposed Offering. The proceeds from the sale of the Placement Warrants will be held in the trust account pending completion of the Acquisition

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For the period from November 28, 2011 (date of Inception) to October 31, 2012

2. Proposed Offering and Business Operations (continued)

Transaction. The Placement Warrants will be identical to the Warrants, except that the Placement Warrants are (i) subject to certain transfer restrictions described below, (ii) cannot be redeemed by the Company, and (iii) may be exercised during the applicable exercise period, on a for cash or cashless basis, at any time after the consolidation of each class of the Company s ordinary shares into one class of ordinary shares after consummation of an Acquisition Transaction or post-acquisition tender offer, as the case may be, even if there is not an effective registration statement relating to the shares underlying the Placement Warrants, so long as such warrants are held by the founders, their designees, or their affiliates. Notwithstanding the foregoing, if the Placement Warrants are held by holders other than the founders or their permitted transferees, the Placement Warrants will only be exercisable by the holders on the same basis as the Warrants included in the units being sold in the Proposed Offering.

The founders have agreed, subject to certain exceptions below, not to sell, assign or otherwise transfer any of their placement warrants until the consummation of the Acquisition Transaction or the completion of a post-acquisition tender offer, as the case may be. Prior to the consummation of the Acquisition Transaction or the completion of a post-acquisition tender offer, as the case may be, the Placement Warrants may only be transferred (i) by gift to an affiliate or a member of the holder s immediate family (or a member of the immediate family of its officers or directors) or to a trust or other entity, the beneficiary of which is the holder (or one of its officers or directors or a member of their respective immediate families), (ii) by virtue of the laws of descent and distribution upon death of any holder, or (iii) pursuant to a qualified domestic relations order; provided, however, that as relates to the Placement Warrants, any such transfers may be implemented only upon the respective transferee s written agreement to be bound by the terms and conditions of the insider letter agreement executed by the transferring holder.

The Company s management has broad discretion with respect to the specific application of the net proceeds of the Proposed Offering, although substantially all of the net proceeds of the Proposed Offering are intended to be generally applied toward consummating an Acquisition Transaction. Furthermore, there is no assurance that the Company will be able to successfully effect an Acquisition Transaction. An amount equal to 103% of the gross proceeds of the Proposed Offering, will be held in a trust account (Trust Account) maintained by Continental Stock Transfer & Trust Co acting as Trustee.

The Company is not required to obtain shareholder approval for the Acquisition Transaction, unless the nature of the acquisition would require such approval under applicable British Virgin Islands law. Public shareholders will be entitled to redeem or will have their shares automatically redeemed for cash equal to the pro rata portion of the trust account in connection with the Acquisition Transaction, regardless of how it is structured. The manner in which public shareholders may redeem their shares or will have their shares automatically redeemed will depend on one of the

following structures of the transaction:

The Acquisition Transaction must be with one or more target businesses whose fair market value, individually or collectively, is equal to at least 80% of the balance in the trust account (excluding taxes payable) at the time of such transaction.

Pre-acquisition tender offer: Prior to the consummation of an Acquisition Transaction, a tender offer would be initiated for all outstanding callable Class A Shares at a price equal to a pro rata share of the trust account. Public shareholders will be entitled to tender all or a portion of their callable Class A Shares. However the Company s Founders will agree not to tender any callable Class A Shares they own in such tender offer.

Post-acquisition tender offer: A Report of Foreign Private Issuer would be filed on Form 6-K with the SEC disclosing that the Company has entered into a definitive acquisition transaction agreement and intends to consummate the Acquisition Transaction without shareholder vote or a pre-acquisition tender offer. After filing, the Acquisition Transaction will be completed upon satisfaction of all closing

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CIS Acquisition Ltd.
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Notes to Financial Statements
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2. Proposed Offering and Business Operations (continued)

conditions and, within 30 days of the closing, the Company will commence a tender offer for all outstanding callable Class B Shares. Public shareholders will be entitled to tender all or a portion of their callable Class B Shares. Prior to the consummation of the Acquisition Transaction, the Company shall seek to have certain Class A shareholders (accredited investors who own 5% or more of shares) elect to convert all of their callable Class A Shares into Class C Shares on a one-for-one basis, with any remaining callable Class A Shares other than the Founders Shares and the Underwriter Shares automatically converting to callable Class B Shares immediately following consummation of the Acquisition Transaction. The Class C Shares are not eligible to participate in any post-acquisition tender offer. In case of (i) failure to commence the issuer tender offer within 30 days of consummation of the Acquisition Transaction, (ii) failure to complete the issuer tender offer within 6 months or (iii) failure to complete the issuer tender offer within 21 months of the consummation of the Proposed Offering, then within 5 business days thereafter, the Company will automatically liquidate the trust account and release a pro rata portion of the trust account to public shareholders of Class B Shares.

If the Company is no longer an FPI and shareholder approval of the transaction is required by British Virgin Islands law or the NASDAQ Capital Market or the Company decides to obtain shareholder approval for business reasons, the Company will:

conduct the redemptions in conjunction with a proxy solicitation pursuant to Regulation 14A of the Exchange Act, which regulates the solicitation of proxies, and not pursuant to the tender offer rules, and

file proxy materials with the SEC.

The Company will consummate an Acquisition Transaction only if holders of no more than 90.0% of the shares sold in the Proposed Offering exercise their redemption rights.

The Company will have a period of 18 months to complete the Acquisition Transaction. If the Company has an executed letter of intent, agreement in principal or definitive agreement with respect to an Acquisition Transaction within 18 months following the consummation of the Proposed Offering, the time period will be automatically extended to 21 months following the consummation of the Proposed Offering if an initial filing with the SEC of a tender offer, proxy, or registration statement is made, but the Acquisition Transaction is not completed, within 18 months following the consummation of the Proposed Offering.

If the Company is unable to complete an Acquisition Transaction within the allotted time, the Company will automatically dissolve and as promptly as practicable liquidate the trust account and release only to public shareholders a pro rata share of the trust account, plus any remaining net assets. If the Company elects to effect a

post-acquisition tender offer and complete an Acquisition Transaction prior to such time period, but have not completed a post-acquisition tender offer within the stated period, the Company will not be required to liquidate and wind up affairs; however, the release of the funds in the case of a post-acquisition tender offer will be conditioned upon completion of such tender offer. The founders and the holders of Underwriter Shares have agreed to waive the right to participate in any distribution from the trust account, but not with respect to any units or callable Class A Shares they acquire in the Proposed Offering or in the aftermarket.

Placing funds in the Trust Account may not protect those funds from third party claims against the Company. Although the Company will seek to have all vendors, service providers, prospective target businesses or other entities it engages, execute agreements with the Company waiving any claim of any kind in or to any monies held in the Trust Account, there is no guarantee that such persons will execute such agreements. If the Company is unable to complete an Acquisition Transaction and is forced to dissolve and liquidate, our founders, by agreement, will jointly and severally indemnify the Company for all claims of contracted parties, to the extent the Company fails to obtain valid and enforceable waivers from such parties. Under these

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2. Proposed Offering and Business Operations (continued)

circumstances, the Company s board of directors would have a fiduciary obligation to the Company s shareholders to bring a claim against our founders to enforce their indemnification obligations. The Company has questioned our founders on their financial net worth and reviewed their financial information and believes they will be able to satisfy any indemnification obligations that may arise, although there can be no assurance of this. Our founders are under no obligation to us to preserve their assets or provide the Company with information regarding changes in their ability to satisfy these obligations.

3. Summary of Significant Accounting Policies

Cash and cash equivalents

The Company considers all short-term investments with a maturity date of three months or less when purchased to be cash equivalents.

Loss per ordinary share

The Company complies with accounting and disclosure requirements of FASB ASC 260, Earnings Per Share. Loss per ordinary share is computed by dividing net loss by the weighted average number of common shares outstanding for the period. Weighted average shares was reduced for the effect of 187,500 shares subject to forfeiture. At October 31, 2012, the Company did not have any dilutive securities and other contracts that could, potentially, be exercised or converted into common stock and then share in the earnings of the Company. As a result, diluted loss per common share is the same as basic loss per common share for the period.

Use of estimates

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

Deferred offering costs

Deferred offering costs of $342,345 consist principally of legal, accounting, printer and underwriter costs incurred through the balance sheet date that are related to the Proposed Offering and will be charged to shareholder s equity upon the completion of the Proposed Offering or charged to operations if the Proposed Offering is not completed.

Income tax

The Company complies with FASB ASC 740, Income Taxes, which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in future taxable or deductible amounts, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. FASB ASC 740 also establishes recognition requirements for the accounting for uncertainty in income taxes. The Company has identified the British Virgin Islands as its only major tax jurisdiction. There were no unrecognized tax benefits as of October 31, 2012. Since the Company was incorporated on November 28, 2011, the evaluation was performed for the tax year ended October 31, 2012, which will be the only period subject to examination. The section prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The Company recognizes accrued interest and penalties related to unrecognized tax benefits as income tax expense. No

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3. Summary of Significant Accounting Policies (continued)

amounts were accrued for the payment of interest and penalties at October 31, 2012. The Company is currently not aware of any issues under review that could result in significant payments, accruals or material deviation from its position.

Recent Accounting Pronouncements

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

4. Commitments

The Company will enter into an agreement with the underwriters (Underwriting Agreement). The Underwriting Agreement will require the Company to pay an underwriting discount of 1.8% of the gross proceeds of the Proposed Offering, or $900,000, upon the consummation of the Proposed Offering, plus 1.75% of the gross proceeds of the sale of any Units sold pursuant to the exercise of the underwriter's over-allotment option, an aggregate of $78,750 if the underwriters over-allotment option is exercised in full.

The holders of the founders shares, as well as the holders of the Placement Warrants (and underlying securities), will be entitled to registration rights pursuant to an agreement to be signed prior to or on the Effective Date. The holders of the majority of these securities are entitled to make up to two demands that the Company register such securities. The holders of the majority of the founders shares can elect to exercise these registration rights at any time commencing three months prior to the date on which the founders shares are to be released from escrow. The holders of a majority of the Placement Warrants (or underlying securities) can elect to exercise these registration rights at any time after the Company consummates an Acquisition Transaction or completes a post-acquisition tender offer, as the case may be. In addition, the holders have certain piggy-back registration rights with respect to registration statements filed subsequent to the consummation of an Acquisition Transaction or post-acquisition tender offer. The Company will bear the expenses incurred in connection with the filing of any such registration statements.

5. Related Party Transactions

The Company issued a $180,155 unsecured promissory note to Intercarbo Holding AG on February 13, 2012. Additional unsecured promissory notes in the amounts of $52,000 and $170,000 were issued on April 30, 2012 and

July 16, 2012, respectively. The notes are non-interest bearing and is payable promptly after the consummation of the Proposed Offering. Intercarbo Holding AG is an affiliate of Mr. Taras Vazhnov, a director of the Company. Through October 31, 2012, the Company had received $322,155 pursuant to the notes.

The Company intends to pay to CIS Acquisition Holding Co. Ltd. a total of $7,500 per month for office space, administrative services and secretarial support for a period commencing on the effective date of the Proposed Offering and ending on the earlier of the consummation of an Acquisition Transaction or liquidation. The payments shall begin to accrue immediately after the Proposed Offering and shall be paid at the time of an Acquisition Transaction, or in the event of liquidation, only out of interest earned on the trust account or assets not held in trust, if any.

6. Ordinary Shares

The Company is authorized to issue 150,000,000 ordinary shares with a par value of $0.0001 per share.

On November 28, 2011, the Company issued 100 ordinary shares to Kyle Shostak, the Company s initial shareholder and founder, for a consideration of $0.01. On February 13, 2012, the Company issued 2,804,562 ordinary shares to CIS Acquisition Holding Co. Ltd. and 70,338 ordinary shares to Mr. Shostak for an aggregate consideration of $24,999.99, or approximately $0.0087 per share. On October 18, 2012, the Founders contributed an aggregate of 1,437,500 shares of the Company s ordinary shares to the Company s

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6. Ordinary Shares (continued)

capital at no cost to the Company and subsequently cancelled such shares. On November 30, 2012, the founders contributed an aggregate of 75,000 shares of the Company s ordinary shares to the Company s capital at no cost to the Company and subsequently cancelled such shares. All references in the accompanying financial statements to the number of ordinary shares have been retroactively restated to reflect this contribution of shares. CIS Acquisition Holding Co. Ltd. and Mr. Shostak are collectively referred to as the Founders. Immediately prior to the consummation of the Proposed Offering, the Founders will exchange all 1,362,500 ordinary shares for their respective portion of 1,362,500 newly-issued Class A Shares (the Founders Shares). The Company will redeem up to 112,500 of the Founders Class A shares for no consideration to the extent the underwriters do not exercise the over-allotment option in full so that the Company s Founders will own 20% of total of the Founders shares and the shares that will be sold in the Proposed Offering. Additionally, the Founders, Chardan Capital Markets, LLC, The PrinceRidge Group LLC and Maxim Group LLC will agree that they will not redeem or tender the Class A Shares that they hold. The Founders Shares and the Underwriter Shares will automatically convert to Class C Shares upon consummation of an Acquisition Transaction.

7. Subsequent Events

The Company has evaluated subsequent events to determine if events or transactions occurring through November 30, 2012, the date these financial statements were available to be issued, require potential adjustment or disclosure in the financial statements and has concluded that no other subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

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CIS ACQUISITION LTD.

PROSPECTUS

Chardan Capital Markets, LLC
Maxim Group LLC
The PrinceRidge Group LLC
Euro Pacific Capital, Inc.

Through and including , 2012 (the 25th day after the date of this offering), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer s obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 6. Indemnification of Directors and Officers.

British Virgin Islands law does not limit the extent to which a company s Amended and Restated Memorandum and Articles of Association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the British Virgin Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our Articles of Association provides for indemnification of our officers and directors for any liability incurred in their capacities as such, except through their own fraud or dishonesty.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is theretofore unenforceable.

Item 7. Recent Sales of Unregistered Securities.

On November 28, 2011, we issued 100 ordinary shares to Kyle Shostak, our initial shareholder and founder, for a consideration of $0.01. On February 13, 2012, we issued 2,804,562 ordinary shares to CIS Acquisition Holding Co. Ltd. and 70,338 ordinary shares to Mr. Shostak for an aggregate consideration of $24,999.99, or $0.0087 per share. On May 2, 2012, CIS Acquisition Holding Co. Ltd. transferred 7,000 ordinary shares to Levan Vasadze and 7,000 ordinary shares to David Ansell for an aggregate consideration of $1.40, or $0.0001 per share. On October 18, 2012, our founders contributed an aggregate of 1,437,500 shares of our outstanding ordinary shares to our capital at no cost to us and we subsequently cancelled such shares.

On November 30, 2012, our founders contributed an aggregate of 75,000 shares of our outstanding ordinary shares to our capital at no cost to us and we subsequently cancelled such shares. Also on November [30], 2012, CIS Acquisition Holding Co. Ltd. transferred 498 ordinary shares to Levan Vasadze and 498 ordinary shares to David Ansell for an aggregate consideration of approximately $0.10, or $0.0001 per share.

Immediately prior to the consummation of this offering, the founders will exchange all 1,362,500 ordinary shares for their respective portion of 1,362,500 newly-issued Class A Shares. We will redeem up to 112,500 of the founders shares for no consideration to the extent the underwriters do not exercise the over-allotment option in full. Such shares were issued pursuant to the exemption from registration contained in Section 4(2) of the Securities Act of 1933, as amended, as they were sold to our officers and directors or their affiliates, each of whom was involved in our formation. No underwriting discounts or commissions were paid with respect to such securities.

Immediately prior to the consummation of this offering, the founders and their designees will purchase an aggregate of 4,500,000 warrants for an aggregate purchase price of $3,375,000, or $0.75 per warrant. Each warrant entitles its holder to purchase one ordinary share for a price of $10.00, and is exercisable commencing on the later of (i) one (1) year after the date that this registration statement is declared effective by the SEC, and (ii) the consummation of our

initial acquisition transaction, and ending five years after the date that this registration statement is declared effective by the SEC. The securities were sold in reliance on the exemption from registration contained in Section 4(2) of the Securities Act since they were sold to our officers and directors. No underwriting discounts or commissions were paid with respect to such securities.

Concurrently with the closing of this offering, we will sell to Chardan Capital Markets, LLC, the representative of the underwriters or its designees, for an aggregate of $100, an option to purchase 350,000 units (an amount which is equal to 7% of the total number of units sold in this offering), for $12.00 per unit, with each unit comprised of one ordinary share and one warrant. The units issuable upon exercise of this option are identical to those offered by this prospectus, except that the warrants underlying the unit purchase option will not be redeemable by us. The unit purchase option will be exercisable at any time, in whole or in part, from the later of (i) the consolidation of each class of our ordinary shares into one class of ordinary shares after consummation of an acquisition transaction or post-acquisition tender offer, as the case may be, or (ii) [_______], 2013 **[six months from the effective date of the registration statement of which this prospectus forms a part],** and

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expiring on the earlier of [_______], 2017 **[five years from the effective date of the registration statement of which this prospectus forms a part]** and the day immediately prior to the day on which we and all of our successors have been dissolved, at a price per unit of $12.00 (120% of the public offering price). The securities were sold in reliance on the exemption from registration contained in Section 4(2) of the Securities Act since they were sold to the underwriters in our initial public offering. No underwriting discounts or commissions were paid with respect to such securities.

We have also agreed to sell to Chardan Capital Markets, LLC, the representative of the underwriters, The PrinceRidge Group LLC, an underwriter, and Maxim Group LLC, the qualified independent underwriter, of this offering, for $3,400, as additional compensation, an aggregate of 170,000 Class A Shares in a private placement to be completed immediately prior to the closing of this offering. Such shares will be subject to transfer restrictions until two years from the effective date of the registration statement of which this prospectus forms a part, and Chardan Capital Markets, LLC, The PrinceRidge Group LLC and Maxim Group LLC have agreed to waive their rights to participate in any distribution from the trust account.

Item 8. Exhibits and Financial Statement Schedules.

The following exhibits are filed as part of this Registration Statement:

Exhibit No.	Description
1.1*	Form of Underwriting Agreement
3.1**	Memorandum and Articles of Association
3.2**	Amended and Restated Memorandum of Association
3.3	Amended and Restated Articles of Association
4.1	Specimen Unit Certificate
4.2	Specimen Class A Share Certificate
4.3	Specimen Class B Share Certificate
4.4	Specimen Class C Share Certificate
4.5**	Specimen Public Warrant Certificate
4.6**	Specimen Placement Warrant Certificate
4.7	Form of Warrant Agreement
4.8*	Form of Unit Purchase Option
5.1	Opinion of Forbes Hare, British Virgin Islands counsel to the Registrant
5.2	Opinion of Loeb & Loeb LLP
8.1**	Loeb & Loeb LLP Tax Opinion
8.2**	Forbes Hare Tax Opinion
10.1	Form of Letter Agreement by and among the Registrant, Chardan Capital Markets, LLC and the founders
10.2**	Form of Investment Management Trust Agreement between Continental Stock Transfer & Trust Company and the Registrant
10.3	Form of Securities Escrow Agreement between the Registrant, Continental Stock Transfer & Trust Company and the Founders
10.4**	Form of Services Agreement between the Registrant and Chardan Capital Markets, LLC
10.5	Form of Registration Rights Agreement among the Registrant and the Founders
10.6	Form of Placement Warrant Purchase Agreement between the Registrant and the founders

10.7**	Promissory Note, dated February 13, 2012, issued by the Registrant to Intercarbo Holding AG
10.8**	Agreement, dated January 10, 2012, among the Registrant, Kyle Shostak and CIS Acquisition Holding Co. Ltd.
10.9**	Promissory Note, dated April 30, 2012, issued by the Registrant to Intercarbo Holding AG
10.10**	Promissory Note, dated July 16, 2012, issued by the Registrant to Intercarbo Holding AG
10.11*	Form of Underwriter Share Purchase Agreement among the Registrant, Chardan Capital Markets, LLC, The PrinceRidge Group LLC and Maxim Group LLC
14.1**	Code of Ethics
23.1	Consent of Marcum LLP
23.2	Consent of Forbes Hare, British Virgin Islands counsel to the Registrant (included in Exhibit 5.1)
23.3	Consent of Loeb & Loeb LLP counsel to the Registrant (included in Exhibit 5.2)

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Exhibit No.	Description
24.1**	Power of Attorney for Anatoly Danilitskiy, Kyle Shostak, Taras Vazhnov and Levan Vasadze (included on the signature page of this registration statement)
24.2**	Power of Attorney for David R. Ansell (included on the signature page of this registration statement)
99.1**	Audit Committee Charter
99.2**	Compensation Committee Charter
99.3**	Governance and Nominating Committee Charter

* To be filed by Amendment.

** Previously filed.

Item 9. Undertakings.

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

i. To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

ii. To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement.

iii. To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) If the registrant is subject to Rule 430C, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(5) That for the purpose of determining any liability under the Securities Act of 1933 in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered

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Item 9. Undertakings.

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or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

i. Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

ii. Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

iii. The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

iv. Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser

(b) The undersigned hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(d) If the registrant is a foreign private issuer, to file a post-effective amendment to the registration statement to include any financial statements required by Item 8.A. of Form 20-F at the start of any delayed offering or throughout a continuous offering. Financial statements and information otherwise required by Section 10(a)(3) of the Act need not be furnished, provided that the registrant includes in the prospectus, by means of a post-effective amendment, financial statements required pursuant to this paragraph (d) and other information necessary to ensure that all other information in the prospectus is at least as current as the date of those financial statements. Notwithstanding the foregoing, with respect to registration statements on Form F-3, a post-effective amendment need not be filed to include financial statements and information required by Section 10(a)(3) of the Act or Rule 3-19 of this chapter if such financial statements and information are contained in periodic reports filed with or furnished to the Commission by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the Form F-3.

(e) The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-1 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in New York, New York on November 30, 2012.

CIS ACQUISITION LTD.
By:

/s/ Anatoly Danilitskiy
Name: Anatoly Danilitskiy
Title: Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities held on the dates indicated.

Signature	Title	Date
/s/ Anatoly Danilitskiy Anatoly Danilitskiy	Chief Executive Officer and Chairman (principal executive officer)	November 30, 2012
/s/ Kyle Shostak Kyle Shostak	Chief Financial Officer, Secretary and Director (principal financial and accounting officer)	November 30, 2012
/s/ Taras Vazhnov Taras Vazhnov	Director	November 30, 2012
/s/ Levan Vasadze* Levan Vasadze	Director	November 30, 2012
/s/ David Ansell* David Ansell	Director	November 30, 2012

*By:

/s/ Anatoly Danilitskiy
Anatoly Danilitskiy,
Attorney-in-Fact

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SIGNATURE OF AUTHORIZED REPRESENTATIVE IN THE UNITED STATES

Pursuant to the Securities Act of 1933, as amended, the undersigned, the duly authorized representative in the United States of CIS Acquisition Ltd., has signed this registration statement or amendment thereto in New York, New York on November 30, 2012.

Authorized U.S. Representative
By

/s/ Kyle Shostak
Kyle Shostak

5.1

Texas

930 **2.6** 1,125 3.3

New York

896 **2.5** 909 2.6

New Jersey

295 **0.8** 357 1.0

District of Columbia

261 **0.7** 20 0.0

Maryland

72 **0.2** 89 0.3

Virginia

42 **0.1** 52 0.2

Other

93 **0.2** 107 0.3

Total retail banking	**4,103**	**11.3**	4,413	12.8
Total consumer banking	**$36,315**	**100.0%**	$34,383	100.0%

Commercial Banking represented $34.0 billion, or 25%, of our loan portfolio as of December 31, 2011, up from 24% as of December 31, 2010. We operate our Commercial Banking business primarily in the geographies in which we maintain retail bank branches. As a result, most of the portfolio is located in New York, Louisiana and Texas, our largest retail banking markets. Our small-ticket commercial real estate portfolio was originated on a national basis through a broker network and is in run-off mode. See Table 23 below for additional information.

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Table 23: Commercial Banking Concentrations

	December 31,			
	2011		2010	
(Dollars in millions)	Loans	% of Total	Loans	% of Total
Commercial lending:				
New York	**$ 13,213**	**38.9%**	$ 11,997	40.3%
Texas	**4,246**	**12.5**	2,990	10.1
Louisiana	**3,915**	**11.5**	2,968	10.0
New Jersey	**2,031**	**6.0**	2,149	7.2
Maryland	**921**	**2.7**	646	2.2
Massachusetts	**911**	**2.7**	800	2.7
District of Columbia	**763**	**2.2**	389	1.3
Pennsylvania	**743**	**2.2**	594	2.0
Virginia	**730**	**2.1**	534	1.8
California	**654**	**1.9**	598	2.0
Other	**4,371**	**12.9**	4,235	14.2
Total commercial lending	**32,498**	**95.6**	27,900	93.8
Small-ticket commercial real estate:				
New York	**616**	**1.8**	751	2.5
California	**329**	**1.0**	402	1.4
Massachusetts	**117**	**0.3**	146	0.5
New Jersey	**83**	**0.2**	102	0.3
Florida	**57**	**0.2**	76	0.3
Other	**301**	**0.9**	365	1.2
Total small-ticket commercial real estate	**1,503**	**4.4**	1,842	6.2
Total commercial banking	**$ 34,001**	**100.0%**	$ 29,742	100.0%

Credit Risk Measurement

We closely monitor economic conditions and loan performance trends to manage and evaluate our exposure to credit risk. Trends in delinquency ratios are an indicator, among other considerations, of credit risk within our loan portfolios. The level of nonperforming assets represents another indicator of the potential for future credit losses. Accordingly, key metrics we track and use in evaluating the credit quality of our loan portfolio include delinquency and nonperforming asset rates, as well as charge-off rates and our internal risk ratings of larger balance, commercial loans. The improvements we have experienced in our credit trends across all of our businesses are stabilizing and our credit performance is increasingly driven by seasonal trends. We present information in the section below on the credit performance of our loan portfolio, including the key metrics we use in tracking changes in the credit quality of our loan portfolio. See Note 5 Loans for additional details.

Delinquency Rates

We consider the entire balance of an account to be delinquent if the minimum required payment is not received by the first statement cycle date equal to or following the due date specified on the customer s billing statement. Table 24 compares 30+ day performing loan delinquency rates, by loan category, as of December 31, 2011 and 2010. We also present total 30+ day delinquent loans.

Our 30+ day delinquency metrics include all held for investment loans that are 30 or more days past due, whereas our 30+ day performing delinquency metrics include loans that are 30 or more days past due and that are also currently classified as performing and accruing interest. The 30+ day delinquency and 30+ day performing

delinquency metrics are the same for credit card loans, as we continue to classify credit card loans as performing until they are charged-off, generally when the loan is 180 days past due. However, the 30+ day delinquency and 30+ day performing delinquency metrics differ for other loan categories based on our policies for classifying loans as nonperforming. See Note 5 Loans for additional information on our policies for classifying loans as nonperforming and for charging-off loans.

The delinquency rates presented are calculated, by loan category, based on our total loan portfolio. Our total loan portfolio consists of loans recorded on our balance sheet, which includes purchased credit-impaired (PCI) loans acquired from Chevy Chase Bank and loans held in our securitization trusts. Loans acquired from Chevy Chase Bank were recorded at fair value at acquisition. We separately track and report the performance of PCI loans and exclude these loans from the numerator in calculating our net charge-off, delinquency, nonperforming loan and nonperforming asset rates.

Table 24: 30+ Day Delinquencies

	December 31, 2011				December 31, 2010			
	30+ Day Performing		30+ Day Total		30+ Day Performing		30+ Day Total	
(Dollars in millions)	Amount	Rate[1]	Amount	Rate[1]	Amount	Rate[1]	Amount	Rate[1]
Credit Card business:[3]								
Domestic credit card and installment	**$ 2,073**	**3.66%**	**$ 2,073**	**3.66%**	$ 2,200	4.09%	$ 2,200	4.09%
International credit card and installment	**438**	**5.18**	**438**	**5.18**	432	5.75	432	5.75
Total credit card	**2,511**	**3.86**	**2,511**	**3.86**	2,632	4.29	2,632	4.29
Consumer Banking business:								
Auto	**1,498**	**6.88**	**1,604**	**7.36**	1,355	7.58	1,453	8.13
Home loan[2]	**93**	**0.89**	**478**	**4.58**	77	0.64	504	4.16
Retail banking[2]	**34**	**0.83**	**94**	**2.29**	41	0.93	93	2.11
Total consumer banking[2]	**1,625**	**4.47**	**2,176**	**5.99**	1,473	4.28	2,050	5.96
Commercial Banking business:								
Commercial and multifamily real estate[2]	**217**	**1.41**	**341**	**2.21**	147	1.10	302	2.25
Middle market[2]	**58**	**0.46**	**112**	**0.88**	28	0.27	89	0.85
Specialty lending	**20**	**0.44**	**41**	**0.93**	33	0.81	58	1.44
Small-ticket commercial real estate	**104**	**6.94**	**141**	**9.38**	95	5.16	131	7.11
Total commercial banking[2]	**399**	**1.17**	**635**	**1.87**	303	1.02	580	1.95
Other:								
Other loans	**17**	**3.38**	**46**	**9.18**	22	4.88	69	15.30
Total	**$ 4,552**	**3.35%**	**$ 5,368**	**3.95%**	$ 4,430	3.52%	$ 5,331	4.23%

(1) Delinquency rates are calculated by loan category by dividing 30+ day delinquent loans as of the end of the period by period-end loans held for investment for the specified loan category.

(2) The 30+ day performing delinquency rate, excluding the impact of loans acquired from Chevy Chase Bank from the denominator, for home loan, retail banking, total consumer banking, commercial and multifamily real estate, middle market, and total commercial banking was 1.47%, 0.84%, 5.06%, 1.43%, 0.47% and 1.19%, respectively, as of December 31, 2011, compared with 1.06%, 0.97%, 5.01%, 1.12%, 0.28% and 1.04%, respectively, as of December 31, 2010.

(3) In the third quarter of 2011, we revised the manner in which we estimate expected recoveries of finance charge and fee amounts previously considered to be uncollectible. This revision resulted in an increase of 11 basis points in the 30+ day delinquency rate for Domestic Card. For International Card, the change did not have a significant impact on the 30+ day delinquency rate.

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Table 25 presents an aging of 30+ day performing delinquent loans included in the above table.

Table 25: Aging of 30+ Day Delinquent Loans

	December 31,			
	2011		2010	
(Dollars in millions)	Amount	% of Total Loans[1]	Amount	% of Total Loans[1]
Total loan portfolio	**$ 135,892**	**100.00%**	$ 125,947	100.00%
Delinquency status:				
30 59 days	**$ 2,306**	**1.70%**	$ 2,008	1.59%
60 89 days	**1,092**	**0.80**	1,103	0.88
90 + days	**1,970**	**1.45**	2,220	1.76
Total	**$ 5,368**	**3.95%**	$ 5,331	4.23%
Geographic region:				
Domestic	**$ 4,930**	**3.63%**	$ 4,899	3.89%
International	**438**	**0.32**	432	0.34
Total	**$ 5,368**	**3.95%**	$ 5,331	4.23%

[1] Calculated by dividing loans in each delinquency status category and geographic region as of the end of the period by the total loan portfolio.

Table 26 summarizes loans that were 90 days or more past due as to interest or principal and still accruing interest as of December 31, 2011, 2010 and 2009. These loans consist primarily of credit card accounts between 90 days and 179 days past due. As permitted by regulatory guidance issued by the FFIEC, we continue to accrue interest on credit card loans through the date of charge-off, typically in the period the account becomes 180 days past due. While credit card loans remain on accrual status until the loan is charged-off, we establish a reserve for finance charges and fees billed but not expected to be collected and exclude this amount from revenue.

Table 26: 90+ Days Delinquent Loans Accruing Interest

	December 31,					
	2011		2010		2009	
(Dollars in millions)	Amount	% of Total Loans	Amount	% of Total Loans	Amount	% of Total Loans
Loan category:[1]						
Credit card[2]	**$ 1,196**	**1.84%**	$ 1,379	2.25%	$ 2,054	3.00%
Consumer	**5**	**0.01**	5	0.01	58	0.15
Commercial	**41**	**0.12**	14	0.05	11	0.04
Total	**$ 1,242**	**0.91%**	$ 1,398	1.11%	$ 2,123	1.55%
Geographic region:[3]						
Domestic	**$ 1,047**	**0.77%**	$ 1,195	0.95%	$ 1,838	1.34%
International	**195**	**0.14**	203	0.16	285	0.21
Total	**$ 1,242**	**0.91%**	$ 1,398	1.11%	$ 2,123	1.55%

(1) Delinquency rates are calculated by loan category by dividing 90+ day delinquent loans accruing interest as of the end of the period by period-end loans held for investment for the specified loan category.

(2) Includes credit card loans that continue to accrue finance charges and fees until charged-off at 180 days. The amounts reported for credit card loans are net of billed finance charges and fees that we do not expect to collect. The estimated uncollectible portion of billed finance charges and fees excluded from revenue totaled $372 million, $950 million and

$2.1 billion in 2011, 2010 and 2009, respectively. The reserve for uncollectible billed finance charges and fees totaled $74 million, $211 million and $624 million as of December 31, 2011, 2010 and 2009, respectively.

(3) Calculated by dividing loans in each geographic region as of the end of the period by the total loan portfolio.

Nonperforming Assets

Nonperforming assets consist of nonperforming loans and foreclosed property and repossessed assets. Nonperforming loans generally include loans that have been placed on nonaccrual status and certain restructured loans whose contractual terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulty. We do not report loans accounted for under the fair value option and loans held for sale as nonperforming.

Our policies for classifying loans as nonperforming, by loan category, are as follows:

Credit card loans: As permitted by regulatory guidance issued by the FFIEC, our policy is generally to exempt credit card loans from being classified as nonperforming as these loans are generally charged off in the period the account becomes 180 days past due. Consistent with industry conventions, we generally continue to accrue interest and fees on delinquent credit card loans until the loans are charged-off. When we do not expect full payment of billed finance charges and fees, we reduce the balance of the credit card account by the estimated uncollectible portion of any billed finance charges and fees and exclude this amount from revenue. Installment loans are included in our credit card segment and classified as nonperforming when the loan is 120 days past due.

Consumer loans: We classify other non-credit card consumer loans as nonperforming at the earlier of the date when we determine that the collectability of interest or principal on the loan is not reasonably assured or when the loan is 90 days past due for auto, home loans, and unsecured small business revolving lines of credit and 120 days past due for all other non-credit card consumer loans.

Commercial loans: We classify commercial loans as nonperforming as of the date we determine that the collectability of interest or principal on the loan is not reasonably assured.

Modified loans and troubled debt restructurings: Modified loans, including troubled debt restructurings (TDRs), that are current at the time of the restructuring remain on accrual status if there is demonstrated performance prior to the restructuring and continued performance under the modified terms is expected. Otherwise, the modified loan is classified as nonperforming and placed on nonaccrual status until the borrower demonstrates a sustained period of performance over several payment cycles, generally six months of consecutive payments, under the modified terms of the loan.

Purchased credit-impaired loans: PCI loans primarily include loans acquired from Chevy Chase Bank, which we recorded at fair value at acquisition. Because the initial fair value of these loans included an estimate of credit losses expected to be realized over the remaining lives of the loans, our subsequent accounting for PCI loans differs from the accounting for non-PCI loans. We therefore separately track and report PCI loans and exclude these loans from our delinquency and nonperforming loan statistics.

Table 27 presents comparative information on nonperforming loans, by loan category, as of December 31, 2011 and 2010, and the ratio of nonperforming loans to our total loans. Nonperforming loans held for sale are excluded from nonperforming loans, as they are recorded at lower of cost or fair value.

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Table 27: Nonperforming Loans and Other Nonperforming Assets[1][2]

	December 31,			
	2011[3]		2010	
(Dollars in millions)	Amount	% of Total HFI Loans	Amount	% of Total HFI Loans
Nonperforming loans held for investment:				
Consumer Banking business:				
Auto	**$ 106**	**0.48%**	$ 99	0.55%
Home loan	**456**	**4.37**	486	4.01
Retail banking	**90**	**2.18**	91	2.07
Total consumer banking	**652**	**1.79**	676	1.97
Commercial Banking business:				
Commercial and multifamily real estate	**206**	**1.34**	276	2.06
Middle market	**92**	**0.73**	133	1.27
Specialty lending	**33**	**0.74**	48	1.20
Total commercial lending	**331**	**1.02**	457	1.64
Small-ticket commercial real estate	**40**	**2.63**	38	2.04
Total commercial banking	**371**	**1.09**	495	1.66
Other:				
Other loans	**36**	**7.28**	54	12.12
Total nonperforming loans held for investment[4]	**$ 1,059**	**0.78%**	$ 1,225	0.97%
Other nonperforming assets:				
Foreclosed property[5]	**$ 169**	**0.13%**	$ 306	0.24%
Repossessed assets	**20**	**0.01**	20	0.02
Total other nonperforming assets	**189**	**0.14**	326	0.26
Total nonperforming assets	**$ 1,248**	**0.92%**	$ 1,551	1.23%

(1) The ratio of nonperforming loans as a percentage of total loans held for investment is calculated based on the nonperforming loans in each loan category divided by the total outstanding unpaid principal balance of loans held for investment in each loan category. The denominator used in calculating the nonperforming asset ratios consists of total loans held for investment and other nonperforming assets.

(2) The nonperforming loan ratios, excluding the impact of loans acquired from Chevy Chase Bank from the denominator, for home loan, retail banking, total consumer banking, commercial and multifamily real estate, middle market, total commercial banking, and total nonperforming loans held for investment were 7.22%, 2.21%, 2.03%, 1.35%, 0.75%, 1.11% and 0.81%, respectively, as of December 31, 2011, compared with 6.67%, 2.16%, 2.30%, 2.11%, 1.30%, 1.69% and 1.02%, respectively, as of December 31, 2010. The nonperforming asset ratio, excluding loans acquired from Chevy Chase Bank, was 0.95% and 1.29% as of December 31, 2011 and 2010, respectively.

(3) We recognized interest income for loans classified as nonperforming of $31 million in 2011. Interest income foregone related to nonperforming loans was $44 million in 2011. Foregone interest income represents the amount of interest income that would have been recorded during the period for nonperforming loans as of the end of the period had the loans performed according to their contractual terms.

(4) Nonperforming loans as a percentage of loans held for investment, excluding credit card loans from the denominator, was 1.50% and 1.90% as of December 31, 2011 and 2010, respectively.

(5) Includes $86 million and $201 million of foreclosed properties related to loans acquired from Chevy Chase Bank, as of December 31, 2011 and 2010, respectively.

Total nonperforming loans, including, TDRs totaling $170 million and $96 million as of December 31, 2011 and 2010, respectively. The decrease in our nonperforming loan ratio to 0.78% as of December 31, 2011, from 0.97% as of December 31, 2010 was primarily attributable to the improvement in the credit quality our commercial banking loans.

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Net Charge-Offs

Net charge-offs consist of the unpaid principal balance of loans held for investment that we determine are uncollectible, net of recovered amounts. We exclude accrued and unpaid finance charges and fees and fraud losses from charge-offs. Charge-offs are recorded as a reduction to the allowance for loan and lease losses and subsequent recoveries of previously charged off amounts are credited to the allowance for loan and lease losses. Costs incurred to recover charged-off loans are recorded as collection expense and included in our consolidated statements of income as a component of other non-interest expense. Our charge-off time frame for loans, which varies based on the loan type, is presented below.

Credit card loans: We generally charge-off credit card loans when the account is 180 days past due from the statement cycle date. Credit card loans in bankruptcy are charged-off within 30 days of receipt of a complete bankruptcy notification from the bankruptcy court, except for U.K. credit card loans, which are charged-off within 60 days. Credit card loans of deceased account holders are charged-off within 60 days of receipt of notification.

Consumer loans: We generally charge-off consumer loans at the earlier of the date when the account is a specified number of days past due or upon repossession of the underlying collateral. Our charge-off time frame is 180 days for home loans and unsecured small business lines of credit and 120 days for auto and other non-credit card consumer loans. We calculate the charge-off amount for home loans based on the difference between our recorded investment in the loan and the fair value of the underlying property and estimated selling costs as of the date of the charge-off. We update our home value estimates on a regular basis and recognize additional charge-offs for declines in home values below our initial fair value and selling cost estimate at the date home loans are charged-off. Consumer loans in bankruptcy, except for auto and home loans, generally are charged-off within 40 days of receipt of notification from the bankruptcy court. Auto and home loans in bankruptcy are charged-off in the period that the loan is both 60 days or more past due and 60 days or more past the bankruptcy notification date or in the period the loan becomes 120 days past due for auto loans and 180 days past due for home loans regardless of the bankruptcy notification date. Consumer loans of deceased account holders are charged-off within 60 days of receipt of notification.

Commercial loans: We charge-off commercial loans in the period we determine that the unpaid principal loan amounts are uncollectible.

Purchased credit-impaired loans: We do not record charge-offs on purchased-credit impaired loans that are performing in accordance with or better than our expectations as of the date of acquisition, as the fair values of these loans already reflect a credit component. We record charge-offs on purchased credit-impaired loans only if actual losses exceed estimated losses incorporated into the fair value recorded at acquisition.

Table 28 presents our net charge-off amounts and rates, by business segment, for 2011, 2010 and 2009. We provide information on charge-off amounts by loan category below in Table 30.

Table 28: Net Charge-Offs

	Year Ended December 31,					
	2011		2010		2009	
(Dollars in millions)	Amount	Rate[1]	Amount	Rate[1]	Amount	Rate[1]
Managed:						
Credit card[2]	**$ 3,056**	**4.92%**	$ 5,505	8.79%	$ 6,688	9.15%
Consumer banking[3][4]	**484**	**1.39**	655	1.82	1,094	2.74
Commercial banking[3][4]	**177**	**0.57**	390	1.32	434	1.45
Other	**54**	**11.52**	107	21.18	205[5]	37.11
Total charge-offs[4]	**$ 3,771**	**2.94%**	$ 6,657	5.18%	$ 8,421	5.87%

Average loans held for investment[6]	**$ 128,424**		$ 128,622		$ 143,514	
Reported:						
Total charge-offs	**$ 3,771**	**2.94%**	$ 6,651	5.18%	$ 4,568	4.58%
Average loans held for investments[6]	**128,424**		128,526		99,787	

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(1) Calculated for each loan category by dividing net charge-offs for the period by average loans held for investment during the period.
(2) The reduction in the provision for loan and lease losses attributable to Kohl s was $257 million for 2011. Loss sharing amounts attributable to Kohl s reduced net charge-offs by $118 million in 2011. The expected reimbursement from Kohl s netted in our allowance for loan and lease losses was approximately $139 million as of December 31, 2011.
(3) Excludes losses on the purchased credit-impaired loans acquired from Chevy Chase Bank. We separately track and report these loans. We provide additional information on the loans acquired from Chevy Chase Bank in Note 5 Loans.
(4) The average loans held for investment used in calculating net charge-off rates includes the impact of loans acquired as part of the Chevy Chase Bank acquisition. Our total net charge-off rate, excluding the impact of acquired Chevy Chase Bank loans, was 3.06%, 5.44% and 6.09% for 2011, 2010 and 2009, respectively.
(5) During the first quarter of 2009, loans acquired from Chevy Chase Bank were included in the Other category.
(6) The average balances of the acquired Chevy Chase Bank loan portfolio, which are included in the total average loans held for investment used in calculating the net charge-off rates, were $5.0 billion, $6.3 billion and $6.8 billion for 2011, 2010 and 2009, respectively.

Loan Modifications and Restructurings

As part of our customer retention efforts, we may modify loans for certain borrowers who have demonstrated performance under the previous terms. As part of our loss mitigation efforts, we may make loan modifications to a borrower experiencing financial difficulty that are intended to minimize our economic loss and avoid the need for foreclosure or repossession of collateral. We may provide short-term (three to twelve months) or long-term (greater than twelve months) modifications to improve the long-term collectability of the loan. Our most common types of modifications include a reduction in the borrower s initial monthly or quarterly principal and interest payment through an extension of the loan term, a reduction in the interest rate, or a combination of both. These modifications may result in our receiving the full amount due, or certain installments due, under the loan over a period of time that is longer than the period of time originally provided for under the terms of the loan. In some cases, we may curtail the amount of principal owed by the borrower. Loan modifications in which an economic concession has been granted to a borrower experiencing financial difficulty are accounted for and reported as TDRs. We also classify loan modifications that involve a trial period as TDRs.

In the third quarter of 2011, we adopted accounting guidance that provides clarification on determining whether a debtor is experiencing financial difficulties and whether a concession has been granted to the debtor for purposes of determining if a loan modification constitutes a TDR. The new guidance applies retrospectively to our loan restructurings on or after January 1, 2011.

Table 29 presents the loan balances as of December 31, 2011 and 2010 of loan modifications made as part of our loss mitigation efforts, all of which are considered to be TDRs. Table 29 excludes loan modifications that do not meet the definition of a TDR and acquired loans from Chevy Chase Bank, which we track and report separately. We provide additional detail on acquired loans from Chevy Chase Bank below under Purchased Credit-Impaired Loans.

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Table 29: Loan Modifications and Restructurings[1]

(Dollars in millions)	December 31, 2011	2010[2]
Modified and restructured loans:		
Credit card[3]	**$ 898**	$ 913
Auto[4]	**58**	
Home loan	**104**	57
Retail banking	**80**	13
Commercial	**426**	162
Total	**$ 1,566**	$ 1,145
Status of modified and restructured loans:		
Performing	**$ 1,396**	$ 1,049
Nonperforming	**170**	96
Total	**$ 1,566**	$ 1,145

(1) Reflects modifications and restructuring of loans in our total loan portfolio. The total loan portfolio includes loans recorded on our balance sheet and loans held in securitization trusts.
(2) Certain prior period amounts have been reclassified to conform to the current period presentation.
(3) Amount reported reflects the total outstanding customer balance, which consists of unpaid principal balance, accrued interest and fees.
(4) Prior to the first quarter of 2011, modified Auto loans were charged-off at the net collateral value and the remaining asset balance was reclassified to Other Assets on our consolidated balance sheet.

The outstanding balance of loan modifications made to assist borrowers experiencing financial difficulties increased to $1.6 billion as of December 31, 2011, from $1.1 billion as of December 31, 2010. Of these modifications, approximately $170 million, or 11%, were classified as nonperforming as of December 31, 2011, compared with $96 million, or 8%, as of December 31, 2010.

Credit card loan modifications have accounted for the majority of our TDR loan modifications, representing $898 million, or 57%, of the outstanding balance of total TDR loans as of December 31, 2011, and $913 million, or 80%, of the outstanding balance of total TDR loans as of December 31, 2010. The vast majority of our credit card TDR loan modifications involve a reduction in the interest rate on the account and placing the customer on a fixed payment plan not exceeding 60 months. In some cases, the interest rate on a credit card account is automatically increased due to non-payment, late payment or similar events. We determine the effective interest rate for purposes of measuring impairment on modified loans that involve an increase and are considered to be a TDR based on the interest rate in effect immediately prior to the loan entering the modification program. In all cases, we cancel the customer s available line of credit on the credit card. If the cardholder does not comply with the modified payment terms, then the credit card loan agreement will revert back to its original payment terms, with the amount of any loan outstanding reflected in the appropriate delinquency category. The loan amount may then be charged-off in accordance with our standard charge-off policy.

Home loan modifications represented $104 million, or 7%, of the outstanding balance of total modified loans as of December 31, 2011, compared with $57 million, or 5%, of the outstanding balance of total modified loans as of December 31, 2010. The majority of our modified home loans involve a combination of an interest rate reduction, term extension or principal reduction.

Retail banking loan modifications represented $80 million, or 5% of the outstanding balance of total modified loans as of December 31, 2011 compared with $13 million or 1% of the outstanding balance of total loans as of December 31, 2010. Small business loan modifications represent $60 million or 75% of the outstanding Retail banking loan modifications as of December 31, 2011. Approximately, 50% of the Small Business TDRs in 2011 were added as a result of the adoption of the accounting guidance clarifying TDRs.

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Commercial loan modifications represented $426 million, or 27%, of the outstanding balance of total modified loans as of December 31, 2011, compared with $162 million, or 14%, of the outstanding balance of total modified loans as of December 31, 2010. As a result of the adoption of the accounting guidance clarifying TDRs, $120 million or 40% of Commercial TDRs were added in 2011. The vast majority of modified commercial loans include a reduction in interest rate or a term extension.

We provide additional information on modified loans accounted for as TDRs, including the performance of those loans subsequent to modification, in Note 5 Loans.

Impaired Loans

A loan is considered impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due from the borrower in accordance with the original contractual terms of the loan. Loans defined as individually impaired, based on applicable accounting guidance, include larger balance commercial nonperforming loans and TDR loans. We do not report nonperforming consumer loans that have not been modified in a TDR as individually impaired, as we collectively evaluate these smaller-balance homogenous loans for impairment in accordance with applicable accounting guidance. Loans held for sale are also not reported as impaired, as these loans are recorded at lower of cost or fair value. Impaired loans also exclude loans acquired from Chevy Chase Bank because these loans were recorded at fair value upon acquisition.

Impaired loans, including TDRs, totaled $1.8 billion as of December 31, 2011, compared with $1.5 billion as of December 31, 2010. TDRs accounted for $1.6 billion and $1.1 billion of impaired loans as of December 31, 2011 and 2010, respectively. We provide additional information on our impaired loans, including the allowance established for these loans, in Note 5 Loans and Note 6 Allowance for Loan and Lease Losses.

Purchased Credit-Impaired Loans

Purchased credit-impaired loans decreased to $4.7 billion as of December 31, 2011, from $5.6 billion as of December 31, 2010. Our portfolio of purchased credit-impaired loans consists of loans acquired in the Chevy Chase Bank transaction, which were recorded at fair value at the date of acquisition. The fair value of these loans included an estimate of credit losses expected to be realized over the remaining lives of the loans. Therefore, no allowance for loan and lease losses was recorded for these loans as of the acquisition date. However, we regularly update the amount of expected principal and interest to be collected from these loans and evaluate the results on an aggregated pool basis for loans with common risk characteristics. Probable decreases in expected loan principal cash flows would trigger the recognition of impairment through our provision for loan and lease losses. Probable and significant increases in expected cash flows would first reverse any previously recorded allowance for loan and losses, with any remaining increase in expected cash flows recognized prospectively in interest income over the remaining estimated life of the underlying loans. We reduced the allowance related to this pool of loans by $6 million for the year ended December 31, 2011. We recorded impairment through our provision for loan and losses of $33 million for the year ended December 31, 2010. The cumulative impairment recognized on PCI loans totaled $27 million as of December 31, 2011 and $33 million as of December 31, 2010. The credit performance of the remaining pools has generally been in line with our expectations, and, in some cases, more favorable than expected, which has resulted in the reclassification of amounts from the nonaccretable difference to the accretable yield. We provide additional information on the PCI loans acquired from Chevy Chase Bank in Note 5 Loans.

Allowance for Loan and Lease Losses

Our allowance for loan and lease losses represents management s best estimate of incurred loan and lease credit losses inherent in our held-for-investment portfolio as of each balance sheet date. We do not maintain an allowance for held-for-sale loans or purchased-credit impaired loans that are performing in accordance with or better than our expectations as of the date of acquisition, as the fair values of these loans already reflect a credit component. The allowance for loan and lease losses is increased through the provision for loan and lease losses

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and reduced by net charge-offs. The provision for loan and lease losses, which is charged to earnings, reflects credit losses we believe have been incurred and will eventually be reflected over time in our charge-offs. Charge-offs of uncollectible amounts are deducted from the allowance and subsequent recoveries are added. We describe our process for determining our allowance for loan and lease losses in Note 1 Summary of Significant Accounting Policies.

Table 30, which displays changes in our allowance for loan and lease losses for 2011, 2010 and 2009, details, by loan type, the provision for credit losses recognized in our consolidated statements of income each period and the charge-offs recorded against our allowance for loan and lease losses.

Table 30: Summary of Allowance for Loan and Lease Losses

		December 31,	
(Dollars in millions)	**2011**	**2010**	**2009**
Balance at beginning of period, as reported	**$ 5,628**	$ 4,127	$ 4,524
Impact from January 1, 2010 adoption of new consolidation accounting standards		4,317[1]	
Balance at beginning of period, as adjusted	**5,628**	8,444	4,524
Provision for loan and lease losses[2] [3]	**2,401**	3,895	4,230
Charge-offs:			
Credit Card business:[3]			
Domestic credit card and installment	**(3,558)**	(6,020)	(3,050)
International credit card and installment	**(752)**	(761)	(284)
Total credit card	**(4,310)**	(6,781)	(3,334)
Consumer Banking business:			
Auto	**(529)**	(672)	(1,110)
Home loan	**(104)**	(97)	(87)
Retail banking	**(99)**	(129)	(160)
Total consumer banking	**(732)**	(898)	(1,357)
Commercial Banking business:			
Commercial and multifamily real estate	**(76)**	(207)	(208)
Middle market	**(40)**	(101)	(53)
Specialty lending	**(21)**	(36)	(49)
Total commercial lending	**(137)**	(344)	(310)
Small-ticket commercial real estate	**(77)**	(100)	(134)
Total commercial banking	**(214)**	(444)	(444)
Other loans	**(59)**	(115)	(207)
Total charge-offs	**(5,315)**	(8,238)	(5,342)
Recoveries:			
Credit Card business:			
Domestic credit card and installment	**1,036**	1,113	447
International credit card and installment	**218**	169	52
Total credit card	**1,254**	1,282	499

Consumer Banking business:			
Auto	**195**	215	238
Home loan	**27**	4	3
Retail banking	**26**	24	22
Total consumer banking	**248**	243	263

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(Dollars in millions)	2011	December 31, 2010	2009
Commercial Banking business:			
Commercial and multifamily real estate	**12**	20	2
Middle market	**14**	24	3
Specialty lending	**6**	8	3
Total commercial lending	**32**	52	8
Small-ticket commercial real estate	**5**	2	2
Total commercial banking	**37**	54	10
Other loans	**5**	8	2
Total recoveries	**1,544**	1,587	774
Net charge-offs	**(3,771)**	(6,651)	(4,568)
Impact from acquisitions, sales and other changes	**(8)**[4]	(60)[5]	(59)
Balance at end of period[3]	**$ 4,250**	$ 5,628	$ 4,127
Allowance for loan and lease losses as a percentage of loans held for investment	**3.13%**	4.47%	4.55%

	2011	December 31, 2010	2009
Allowance for loan and lease losses by geographic distribution:			
Domestic	**$ 3,778**	$ 5,168	$ 3,928
International	**472**	460	199
Total allowance for loan and lease losses	**$ 4,250**	$ 5,628	$ 4,127
Allowance for loan and lease losses by loan category:			
Domestic card	**$ 2,375**	$ 3,581	$ 1,927
International card	**472**	460	199
Consumer banking	**652**	675	1,076
Commercial banking	**711**	826	785
Other	**40**	86	140
Allowance for loan and lease losses	**$ 4,250**	$ 5,628	$ 4,127

(1) Includes an adjustment of $53 million made in the second quarter of 2010 for the impact as of January 1, 2010 of impairment on consolidated loans accounted for as TDRs.

(2) Excludes a negative provision for unfunded lending commitments of $41 million and a provision for unfunded lending commitments of $12 million for 2011 and 2010, respectively.

(3) The reduction in the provision for loan and lease losses attributable to Kohl s was $257 million for 2011. Loss sharing amounts attributable to Kohl s reduced charge-offs by $118 million in 2011. The expected reimbursement from Kohl s netted in our allowance for loan and lease losses was approximately $139 million as of December 31, 2011.

(4) Includes foreign translation adjustment of $8 million for 2011.

(5) Includes a reduction in our allowance for loan and lease losses of $73 million during the first quarter of 2010 attributable to the sale of certain interest-only option-ARM bonds and the deconsolidation of the related securitization trusts related to Chevy Chase Bank in the first quarter of 2010.

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Table 31 presents an allocation of our allowance for loan and lease losses by loan category as of December 31, 2011 and 2010.

Table 31: Allocation of the Allowance for Loan and Lease Losses

	December 31,			
	2011		2010	
(Dollars in millions)	Amount	% of Total Loans[1]	Amount	% of Total Loans[1]
Credit Card:				
Domestic credit card and installment[2]	**$ 2,375**	**4.20%**	$ 3,581	6.65%
International credit card and installment	**472**	**5.58**	460	6.12
Total credit card[2]	**2,847**	**4.37**	4,041	6.58
Consumer Banking:				
Auto	**391**	**1.80**	353	1.98
Home loan	**98**	**0.94**	112	0.93
Retail banking	**163**	**3.97**	210	4.76
Total consumer banking	**652**	**1.80**	675	1.96
Commercial Banking:				
Commercial and multifamily real estate	**411**	**2.67**	495	3.70
Middle market	**128**	**1.01**	162	1.55
Specialty lending	**71**	**1.61**	91	2.26
Total commercial lending	**610**	**1.88**	748	2.68
Small-ticket commercial real estate	**101**	**6.72**	78	4.23
Total commercial banking	**711**	**2.09**	826	2.78
Other loans	**40**	**7.98**	86	19.07
Total[2]	**$ 4,250**	**3.13%**	$ 5,628	4.47%
Total allowance coverage ratios:				
Period-end loans	**$ 135,892**	**3.13%**	$ 125,947	4.47%
Nonperforming loans[3]	**1,059**	**401.32**	1,225	459.43
Allowance coverage ratios by loan category:				
Credit card (30 + day delinquent loans)	**$ 2,511**	**113.38%**	$ 2,632	153.53%
Consumer banking (30 + day delinquent loans)	**2,176**	**29.96**	2,050	32.93
Commercial banking (nonperforming loans)	**371**	**191.64**	495	166.87

(1) Calculated based on the allowance for loan and lease losses attributable to each loan category divided by the outstanding balance of loans within the specified loan category.

(2) The reduction in the provision for loan and lease losses attributable to Kohl s was $257 million for 2011. Loss sharing amounts attributable to Kohl s reduced net charge-offs by $118 million in 2011. The expected reimbursement from Kohl s netted in our allowance for loan and lease losses was approximately $139 million as of December 31, 2011.

(3) As permitted by regulatory guidance issued by the FFEIC, our policy is generally not to classify credit card loans as nonperforming. We accrue interest on credit card loans through the date of charge-off, typically in the period that the loan becomes 180 days past due. The allowance for loan and lease losses as a percentage of nonperforming loans, excluding the allowance related to our credit card loans, was

132.48% as of December 31, 2011 and 129.55% as of December 31, 2010.

The reduction in our allowance reflected the continued improvement in credit performance trends across our portfolios as a result of the slowly improving economy coupled with actions we have taken over the past several years to tighten our underwriting standards and exit certain portfolios. While we reduced the amount of our allowance for loan and lease losses in 2011, our allowance as a percentage of our total loan portfolio also decreased to 3.13% as of December 31, 2011, from 4.47% as of December 31, 2010.

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LIQUIDITY RISK PROFILE

We have established liquidity guidelines that are intended to ensure that we have sufficient asset-based liquidity to withstand the potential impact of deposit attrition or diminished liquidity in the funding markets. Our guidelines include maintaining an adequate liquidity reserve to cover our potential funding requirements and diversified funding sources to avoid over-dependence on volatile, less reliable funding markets. Our liquidity reserves consist of cash and cash equivalents, unencumbered available-for-sale securities and undrawn committed securitization borrowing facilities. Table 32 below presents the composition of our liquidity reserves as of December 31, 2011 and 2010. Our liquidity reserves decreased by $3.1 billion in 2011 to $35.8 billion as of December 31, 2011.

Table 32: Liquidity Reserves

	December 31,	
(Dollars in millions)	**2011**	**2010**
Cash and cash equivalents	**$ 5,838**	$ 5,249
Securities available for sale[1]	**38,759**	41,537
Less: Pledged available for sale securities	**(8,762)**	(8,088)
Unencumbered available-for-sale securities	**29,997**	33,449
Undrawn committed securitization borrowing facilities		207
Total liquidity reserves	**$ 35,835**	$ 38,905

[1] The weighted average life of our available-for-sale securities was approximately 2.9 and 3.8 years as of December 31, 2011 and 2010, respectively.

Deposits

Our deposits provide a stable and relatively low cost of funds and are our largest source of funding. We have expanded our opportunities for deposit growth through direct and indirect marketing channels, our existing branch network and branch expansion. These channels offer a broad range of deposit products that include demand deposits, money market deposits, negotiable order of withdrawal (NOW) accounts, savings accounts and certificates of deposit. Table 33 presents the composition of our deposits by type as of December 31, 2011 and 2010.

Table 33: Deposits

	December 31,	
(Dollars in millions)	**2011**	**2010**
Non-interest bearing	**$ 18,281**	$ 15,048
NOW accounts	**15,038**	13,536
Money market deposit accounts	**46,496**	44,485
Savings accounts	**31,433**	26,077
Other consumer time deposits	**11,471**	15,753
Total core deposits	**122,719**	114,899

Public fund certificates of deposit $100,000 or more	**85**	177
Certificates of deposit $100,000 or more	**4,501**	6,300
Foreign time deposits	**921**	834
Total deposits	**$ 128,226**	$ 122,210

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Total deposits increased by $6.0 billion, or 5%, in 2011 to $128.2 billion as of December 31, 2011. Of our total deposits, approximately $921 million and $834 million were held in foreign banking offices as of December 31, 2011 and 2010, respectively. Large domestic denomination certificates of deposits of $100,000 or more represented $4.6 billion and $6.5 billion of our total deposits as of December 31, 2011 and 2010, respectively.

We have brokered deposits, which we obtained through the use of third-party intermediaries. Brokered deposits are included in money market deposit accounts and other consumer time deposits in Table 33 above. The Federal Deposit Insurance Corporation Improvement Act of 1991 limits the use of brokered deposits to well-capitalized insured depository institutions and, with a waiver from the Federal Deposit Insurance Corporation, to adequately capitalized institutions. COBNA and CONA were well-capitalized, as defined under the federal banking regulatory guidelines, as of December 31, 2011, and therefore permitted to maintain brokered deposits. Our brokered deposits totaled $13.0 billion, or 10% of total deposits, as of December 31, 2011. Brokered deposits totaled $16.5 billion, or 14% of total deposits, as of December 31, 2010. Based on our historical access to the brokered deposit market, we expect to replace maturing brokered deposits with new brokered deposits or direct deposits and branch deposits.

Table 34 presents the future contractual maturities of large denomination time deposits. Our funding and liquidity planning factors into the maturities of these deposits. Based on past activity, we expect to retain a portion of these deposits as they mature. Accordingly, the expected net cash outflows will be less than the amounts reported based on the contractual maturities.

Table 34: Maturities of Large Domestic Denomination Certificates $100,000 or More

	December 31,			
	2011		2010	
(Dollars in millions)	Amount	Percent	Amount	Percent
Three months or less	**$ 496**	**10.8%**	$ 707	10.9%
Over 3 through 6 months	**460**	**10.0**	650	10.0
Over 6 through 12 months	**643**	**14.0**	1,612	24.9
Over 12 months through 10 years	**2,987**	**65.2**	3,508	54.2
Total	**$ 4,586**	**100.0%**	$ 6,477	100.0%

Table 35 provides a summary of the composition of period end, average deposits, interest expense and the average deposit rate paid for the periods presented.

Table 35: Deposit Composition and Average Deposit Rates

	December 31, 2011				
(Dollars in millions)	Period End Balance	Average Balance	Interest Expense	% of Average Deposits	Average Deposit Rate
Non-interest bearing	**$ 18,281**	**$ 17,051**	**N/A**	**13.5%**	**N/A**
NOW accounts	**15,038**	**13,285**	**$ 41**	**10.5**	**0.31%**
Money market deposit accounts	**46,496**	**46,455**	**396**	**36.6**	**0.85**
Savings accounts	**31,433**	**29,640**	**218**	**23.4**	**0.74**
Other consumer time deposits	**11,471**	**13,855**	**351**	**10.9**	**2.53**
Total core deposits	**122,719**	**120,286**	**1,006**	**94.9**	**0.84**
Public fund certificates of deposit of $100,000 or more	**85**	**108**	**2**	**0.1**	**1.85**
Certificates of deposit of $100,000 or more	**4,501**	**5,526**	**175**	**4.4**	**3.17**
Foreign time deposits	**921**	**774**	**4**	**0.6**	**0.52**
Total deposits	**$ 128,226**	**$ 126,694**	**$ 1,187**	**100.0%**	**0.94%**

(Dollars in millions)	December 31, 2010 Period End Balance	Average Balance	Interest Expense	% of Average Deposits	Average Deposit Rate
Non-interest bearing	$ 15,048	$ 14,267	N/A	12.0%	N/A
NOW accounts	13,536	12,032	$ 36	10.1	0.30%
Money market deposit accounts	44,485	42,159	409	35.4	0.97
Savings accounts	26,077	21,854	188	18.4	0.86
Other consumer time deposits	15,753	20,655	585	17.4	2.83
Total core deposits	114,899	110,967	1,218	93.3	1.10
Public fund certificates of deposit of $100,000 or more	177	265	5	0.2	2.03
Certificates of deposit of $100,000 or more	6,300	6,912	237	5.8	3.43
Foreign time deposits	834	866	5	0.7	0.57
Total deposits	$ 122,210	$ 119,010	$ 1,465	100.0%	1.23%

Short-Term Borrowings

We also have access to and utilize various other short-term borrowings to support our operations. These borrowings are generally in the form of federal funds purchased and resale agreements, most of which are overnight borrowings. Other short- term borrowings do not represent a significant portion of our overall funding. Table 36 provides information on our short-term borrowing during 2011 and 2010.

Table 36: Short-Term Borrowings

(Dollars in millions)	Maximum Month-End Outstanding Amount	Year-End Outstanding Amount	Average Outstanding Amount	Average Interest Rate	Year-End Weighted Average Interest Rate
2011:					
Federal funds purchased and resale agreements	**$ 2,111**	**$ 1,464**	**$ 2,186**	**0.21%**	**0.35%**
FHLB advances	**5,385**	**5,835**	**1,110**	**0.17**	**0.13**
2010:					
Federal funds purchased and resale agreements	$ 2,469	$ 1,517	$ 1,731	0.23%	0.13%

Other Funding Sources

We also access the capital markets to meet our funding needs through the use of federal funds purchased and securities loaned or sold under agreements to repurchase, the issuance of senior and subordinated notes and other borrowings and, to a lesser extent, loan securitization transactions. In addition, we utilize advances from the FHLB for our funding needs. FHLB advances are secured by certain of our loan portfolios and investment securities.

Our debt, including federal funds purchased and securities loaned or sold under agreements to repurchase, senior and subordinated notes and other borrowings, such as FHLB advances, but excluding securitized debt obligations, totaled $23.0 billion as of December 31, 2011, up from $14.9 billion as of December 31, 2010. We had no open committed loan securitization conduit lines as of December 31, 2011. The $8.1 billion increase in our debt, excluding securitized debt obligations, was primarily attributable to the proceeds of approximately $3.0 billion from the issuance of senior notes, a $5.8 billion increase in short term FHLB advances, and a decrease of $854 million due to the maturity of one senior note.

The $3.0 billion of senior notes were issued in July 2011 and included four different series of our senior notes: $250 million aggregate principal amount of our Floating Rate Senior Notes due 2014; $750 million aggregate

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principal amount of our 2.125% Senior Notes due 2014; $750 million aggregate principal amount of our 3.150% Senior Notes due 2016 and $1.25 billion aggregate principal amount of our 4.750% Senior Notes due 2021.

We participate in the federal funds market daily to take advantage of attractive offers and to keep a visible presence in the market, which is intended to ensure that we are able to access the federal funds market in a time of need. We expect monthly fluctuations in our borrowings, as borrowing amounts are highly dependent on our counterparties cash positions. Our FHLB membership is secured by our investment in FHLB stock, which totaled $362 million as of December 31, 2011.

Table 37 presents our short-term borrowings and long-term debt and the maturity profile based on expected maturities as of December 31, 2011. We provide additional information on our short-term borrowings and long-term debt in Note 10 Deposits and Borrowings.

Table 37: Expected Maturity Profile of Short-term Borrowings and Long-term Debt

(Dollars in millions)	Up to 1 Year	> 1 Year to 2 Years	> 2 Years to 3 Years	> 3 Years to 4 Years	> 4 Years to 5 Years	> 5 Years	Total
Short-term borrowings:							
Federal funds purchased and securities loaned or sold under agreements to repurchase	$ 1,464	$	$	$	$	$	$ 1,464
FHLB advances	5,835						5,835
Total short-term borrowings	7,299						7,299
Long-term debt:							
Securitized debt obligations	5,163	2,649	2,869	501	1,325	4,020	16,527
Senior and subordinated notes:							
Unsecured senior debt	283	292	2,332	411	748	3,034	7,100
Unsecured subordinated debt	357	519	106		1,195	1,757	3,934
Total senior and subordinated notes	640	811	2,438	411	1,943	4,791	11,034
Other long-term borrowings:							
Junior subordinated debt						3,642	3,642
FHLB advances	17	18	946	22	20	36	1,059
Other long-term borrowings	17	18	946	22	20	3,678	4,701
Total long-term debt[1]	5,820	3,478	6,253	934	3,288	12,489	32,262
Total short-term borrowings and long-term debt	$ 13,119	$ 3,478	$ 6,253	$ 934	$ 3,288	$ 12,489	$ 39,561
Percentage of total	33%	9%	16%	2%	8%	32%	100%

[1] Includes fair value adjustments of $817 million and net unamortized discount of $28 million as of December 31, 2011.

Borrowing Capacity

As of December 31, 2011, we had an effective shelf registration statement filed with the U.S. Securities & Exchange Commission (SEC) under which, from time to time, we may offer and sell an indeterminate aggregate amount of senior or subordinated debt securities, preferred stock, depository shares representing preferred stock, common stock, purchase contracts, warrants, units, trust preferred securities, junior subordinated debt securities, guarantees of trust preferred securities and certain back-up obligations. There is no limit under this shelf registration statement to the amount or number of such securities that we may offer and sell. Under

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SEC rules, the shelf registration statement, which we filed in May 2009, expires three years after filing. As previously discussed, during the third quarter of 2011, we issued four different series of our senior notes for total proceeds of approximately $3.0 billion. The offering of senior notes included $250 million aggregate principal amount of our Floating Rate Senior Notes due 2014, $750 million aggregate principal amount of our 2.125% Senior Notes due 2014, $750 million aggregate principal amount of our 3.150% Senior Notes due 2016 and $1.25 billion aggregate principal amount of our 4.750% Senior Notes due 2021.

In addition to issuance capacity under the shelf registration statement, we also have access to FHLB Advances and Letters of Credit with a maximum borrowing capacity of $11.2 billion as of December 31, 2011. We had $6.6 billion outstanding as of December 31, 2011, and $4.6 billion still available to us to borrow against under this program. This funding source is non-revolving, and funding availability is subject to market conditions. The ability to draw down funding is based on membership status, and the amount is dependent upon the Banks ability to post collateral.

Covenants

The terms of certain lease and credit facility agreements related to other borrowings and operating leases include several financial covenants that require performance measures and equity ratios to be met. If these covenants are not met, there may be an acceleration of the payment due dates noted in Table 38. As of December 31, 2011, we were not in default of any such covenants.

Contractual Obligations

In the normal course of business, we enter into various contractual obligations that may require future cash payments that affect our short- and long-term liquidity and capital resource needs. Our primary future cash outflows primarily relate to deposits, borrowings and operating leases. Table 38 summarizes, by remaining contractual maturity, our significant contractual cash obligations based on the undiscounted future cash payments as of December 31, 2011. The actual timing and amounts of future cash payments may differ from the amounts presented below due to a number of factors, such as discretionary debt repurchases. Table 38 excludes certain obligations where the obligation is short-term or subject to valuation based on market factors, such as trade payables and trading liabilities. The table also excludes the representation and warranty reserve of $943 million as of December 31, 2011 and obligations for pension and postretirement benefit plans, which are discussed in more detail in Note 17 Employee Benefit Plans.

Table 38: Contractual Obligations

	December 31, 2011				
(Dollars in millions)	**Up to 1 Year**	**> 1 Year to 3 Years**	**> 3 Years to 5 Years**	**> 5 Years**	**Total**
Interest-bearing time deposits[1]	**$ 6,505**	**$ 7,008**	**$ 2,133**	**$ 411**	**$ 16,057**
Senior and subordinated notes	**640**	**3,249**	**2,354**	**4,791**	**11,034**
Other borrowings[2]	**12,480**	**6,481**	**1,869**	**7,697**	**28,527**
Operating leases	**172**	**330**	**282**	**806**	**1,590**
Purchase obligations[3][4]	**323**	**121**	**86**	**37**	**567**
Total obligations	**$ 20,120**	**$ 17,189**	**$ 6,724**	**$ 13,742**	**$ 57,775**

(1) Includes only those interest bearing deposits which have a contractual maturity date.

(2) Other borrowings includes secured borrowings for our on-balance sheet auto loan securitizations, junior subordinated capital securities and debentures, FHLB advances and other short-term borrowings.

(3) Represents agreements to purchase goods or services that are enforceable and legally binding and specify all significant terms. The purchase obligations are included through the termination date of the agreements even if the contract is renewable. These include capital expenditures, contractual commitments to purchase equipment and services, software

acquisition/license commitments, contractual minimum media commitments and any contractually required cash payments for acquisitions.

(4) Excludes funding commitments entered into in the ordinary course of business. See Note 21 Commitments, Contingencies and Guarantees for further details.

Credit Ratings

Our credit ratings have a significant impact on our ability to access capital markets and our borrowing costs. Rating agencies base their ratings on numerous factors, including liquidity, capital adequacy, asset quality, quality of earnings and the probability of systemic support. Significant changes in these factors could result in different ratings. Our equity capital and funding strategies are designed, among other things, to maintain appropriate and stable unsecured debt ratings from the major credit ratings agencies, Moody s, S&P, Fitch and DBRS. Such ratings help to support our cost effective unsecured funding as part of our overall financing programs. Table 39 provides a summary of the credit ratings for the senior unsecured debt of Capital One Financial Corporation, COBNA and CONA as of December 31, 2011, and as of the date of this Report.

Table 39: Senior Unsecured Debt Credit Ratings

	December 31, 2011		
(Dollars or dollar equivalents in millions)	Capital One Financial Corporation	Capital One Bank (USA), N.A.	Capital One, N.A.
Moody s	**Baa1**	**A3**	**A3**
S&P	**BBB**	**BBB+**	**BBB+**
Fitch	**A-**	**A-**	**A-**
DBRS	**BBB****	**A***	**A***

* low
** high

As of February 21, 2012, DBRS and Moody s had us on a stable outlook, while Fitch and S&P had us on negative outlook.

MARKET RISK PROFILE

Market risk is inherent in the financial instruments associated with our operations and activities, including loans, deposits, securities, short-term borrowings, long-term debt and derivatives. Below we provide additional information about our primary sources of market risk, our market risk management strategies and measures used to evaluate our market risk exposure.

Primary Market Risk Exposures

Our primary sources of market risk include interest rate risk and foreign exchange risk.

Interest Rate Risk

Interest rate risk, which represents exposure to instruments whose yield or price varies with the level or volatility of interest rates, is our most significant source of market risk exposure. Banks are inevitably exposed to interest rate risk due to differences in the timing between the maturities or repricing of assets and liabilities. For example, if more assets are repricing than deposits and other borrowings when interest rates are declining, our earnings will decrease. Similarly, if more deposits and other borrowings are repricing than assets when interest rates are rising, our earnings will decrease.

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Interest rate risk also results from changes in customer behavior and competitors responses to changes in interest rates or other market conditions. For example, decreases in mortgage rates generally result in faster than expected prepayments, which may adversely affect earnings. Increases in interest rates, coupled with strong demand from competitors for deposits, may influence industry pricing. Such competition may affect customer decisions to maintain balances in the deposit accounts, which may require replacing lower cost deposits with higher cost alternative sources of funding.

Foreign Exchange Risk

Foreign exchange risk represents exposure to changes in the values of current holdings and future cash flows denominated in other currencies. The types of instruments exposed to this risk include investments in foreign subsidiaries, foreign currency-denominated loans and securities, future cash flows in foreign currencies arising from foreign exchange transactions, foreign currency-denominated debt and various foreign exchange derivative instruments whose values fluctuate with changes in the level or volatility of currency exchange rates or foreign interest rates.

We are exposed to changes in foreign exchange rates, which may impact the earnings of our foreign operations. Our asset/liability management policy requires that we use derivatives to hedge material foreign currency denominated transactions to limit our earnings exposure to foreign exchange risk. The estimated reduction in our 12-month earnings due to adverse foreign exchange rate movements corresponding to a 95% probability was less than 2% as of December 31, 2011 and 2010. The precision of this estimate is limited due to the inherent uncertainty of the underlying forecast assumptions.

Market Risk Management

We employ several techniques to manage our interest rate and foreign currency risk, which include, but are not limited to, changing the maturity and re-pricing characteristics of our various assets and liabilities. Derivatives are one of the primary tools we use in managing interest rate and foreign exchange risk. We execute our derivative contracts in both over-the-counter and exchange-traded derivative markets. Although the majority of our derivatives are interest rate swaps, we also use a variety of other derivative instruments, including caps, floors, options, futures and forward contracts, to manage our interest rate and foreign currency risk. The outstanding notional amount of our derivative contracts totaled $73.2 billion as of December 31, 2011, compared with $50.7 billion as of December 31, 2010. This increase was primarily attributable to actions we took to manage the anticipated impact of the ING Direct acquisition on our market risk exposure and regulatory capital requirements.

From the date we entered into the agreement to acquire ING Direct to early August 2011, interest rates declined substantially, which resulted in an increase in the estimated fair value of the ING Direct net assets and liabilities. In order to capture some of the anticipated benefits to regulatory capital on the closing date attributable to this decline in interest rates, in early August 2011, we entered into various interest-rate swap transactions with a total notional principal amount of approximately $23.8 billion. We subsequently rebalanced the hedge in October 2011 adding an additional $1 billion in notional principal for a total combined notional principal amount of approximately $24.8 billion. These combined swap transactions were intended to mitigate the effect of a rise in interest rates on the fair values of a significant portion of the ING Direct assets and liabilities during the period from when we entered into the swap transactions to the anticipated closing date of the ING Direct acquisition in early 2012. Although the interest-rate swaps represented economic hedges, they were not designated for hedge accounting under U.S. GAAP. Therefore, we recorded changes in the fair value of these interest-rate swaps in earnings. In 2011, we recorded a mark-to-market loss of $277 million related to these interest-rate swaps, which was attributable to the decline in interest rates. In conjunction with the acquisition of ING Direct on February 17, 2012, we terminated the $24.8 billion in interest-rate swaps related to the acquisition. At termination, the fair value of the swaps was a net loss of $355 million. Based on current estimates, we believe the interest-rate swaps related to the acquisition were effective in meeting our hedging objective. See Note 11 Derivative Instruments and Hedging Activities for additional information.

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Market Risk Measurement

We have prescribed risk management policies and limits established by our Asset/Liability Management Committee. Our objective is to manage our asset/liability risk position and exposure to market risk in accordance with these policies and prescribed limits based on prevailing market conditions and long-term expectations. Because no single measure can reflect all aspects of market risk, we use various industry standard market risk measurement techniques and analyses to measure, assess and manage the impact of changes in interest rates and foreign exchange rates on our earnings and the economic value of equity.

We consider the impact on both earnings and economic value of equity in measuring and managing our interest rate risk. Our earnings sensitivity measure estimates the impact on net interest income and the valuation of our mortgage servicing rights, including derivative hedging activity, resulting from movements in interest rates. Our economic value of equity sensitivity measure estimates the impact on the net present value of our assets and liabilities, including derivative hedging activity, resulting from movements in interest rates. Our earnings sensitivity and economic value of equity measurements are based on our existing assets and liabilities, including derivatives, and do not incorporate business growth assumptions or projected plans for funding mix changes. We do, however, assess and factor into our interest rate risk management decisions the potential impact of growth assumptions, changing business activities and alternative interest rate scenarios, such as a steepening or flattening of the yield curve.

Under our current asset/liability management policy, our objective is to: (i) limit the potential decrease in our projected net interest income resulting from a gradual plus or minus 200 basis point change in forward rates to less than 5% over the next 12 months and (ii) limit the adverse change in the economic value of our equity due to an instantaneous parallel interest rate shock to spot rates of plus or minus 200 basis points to less than 12%. The federal funds rate remained at a target range of zero to 0.25% during 2011. Given the level of short-term rates as of December 31, 2011 and 2010, a scenario where interest rates would decline by 200 basis points is not plausible. In 2008, we temporarily revised our customary declining interest rate scenario of 200 basis points to a 50 basis point decrease, except in scenarios where a 50 basis point decline would result in a rate less than 0% (in which case we assume a rate scenario of 0%), to compensate for the continued low rate environment. Our current asset/liability management policy also includes the use of derivatives to hedge material foreign currency denominated transactions to limit our earnings exposure to foreign exchange risk.

Table 40 shows the estimated percentage impact on our adjusted projected net interest income and economic value of equity, calculated under our base case interest rate scenario, as of December 31, 2011 and 2010, resulting from selected hypothetical interest rate scenarios. Our adjusted projected net interest income consists of net interest income adjusted to include changes in the fair value of mortgage service rights, including related derivative hedging activity, and changes in the fair value of free-standing interest rate swaps. In measuring the sensitivity of interest rate movements on our adjusted projected net interest income, we assume a hypothetical gradual increase in interest rates of 200 basis points and a hypothetical gradual decrease of 50 basis points to forward rates over the next twelve months. In measuring the sensitivity of interest rate movements on our economic value of equity, we assume a hypothetical instantaneous parallel shift in the level of interest rates of plus 200 basis points and minus 50 basis points to spot rates in measuring the sensitivity of the valuation of our economic value of equity.

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Table 40: Interest Rate Sensitivity Analysis

	December 31, 2011		
	Excluding ING Direct Swaps[1]	Including ING Direct Swaps	December 31, 2010
Impact on adjusted projected base-line net interest income:			
+ 200 basis points	**1.2%**	**13.7%**	(0.7)%
- 50 basis points	**(0.5)**	**(3.9)**	(0.2)
Impact on economic value of equity:			
+ 200 basis points	**(1.0)**	**3.2**	(3.8)%
- 50 basis points	**(0.4)**	**(1.5)**	0.1

(1) Calculated excluding the impact of the interest-rate swap transactions of approximately $24.8 billion entered into to mitigate some of the interest rate risk related to the ING Direct acquisition.

Because of the large but temporary impact of the ING Direct-related swap transactions on our standard interest rate risk reporting measures, we expanded our standard interest rate sensitivity analysis to present our interest rate risk measures with and without the impact of the $24.8 billion of interest rate swaps described above. This presentation highlights changes in our core interest rate risk profile and the incremental impact of the ING Direct-related swaps on our core profile over the time period that the swaps will remain outstanding. Excluding the $24.8 billion swap transactions, our interest rate sensitivity measures reflect that we became more asset sensitive between December 31, 2010 and December 31, 2011. Our asset sensitivity position is larger when factoring in the effect of the $24.8 billion of swaps, given their net pay-fixed structure and non-designation for hedge accounting in accordance with GAAP. Our projected net interest income and economic value of equity sensitivity measures, both including and excluding the impact of the ING Direct related swap transactions, were within our prescribed asset/liability policy limits as of December 31, 2011 and 2010. As noted above, in conjunction with our close of the ING Direct acquisition on February 17, 2012, we terminated the ING Direct related swap transactions in February 2012.

The interest rate risk models that we use in deriving these measures incorporate contractual information, internally-developed assumptions and proprietary modeling methodologies, which project borrower and deposit behavior patterns in certain interest rate environments. Other market inputs, such as interest rates, market prices and interest rate volatility, are also critical components of our interest rate risk measures. We regularly evaluate, update and enhance these assumptions, models and analytical tools as we believe appropriate to reflect our best assessment of the market environment and the expected behavior patterns of our existing assets and liabilities.

Limitations of Market Risk Measures

There are inherent limitations in any methodology used to estimate the exposure to changes in market interest rates. The above sensitivity analyses contemplate only certain movements in interest rates and are performed at a particular point in time based on the existing balance sheet, and do not incorporate other factors that may have a significant effect, most notably future business activities and strategic actions that management may take to manage interest rate risk. Actual earnings and economic value of equity could differ from the above sensitivity analyses.

ACCOUNTING CHANGES AND DEVELOPMENTS

See Note 1 Summary of Significant Accounting Policies for information concerning recently issued accounting pronouncements, including those that we have not yet adopted and that will likely affect our consolidated financial statements.

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SUPPLEMENTAL TABLES

TABLE A LOAN PORTFOLIO COMPOSITION

(Dollars in millions)	December 31, 2011	2010	2009	2008	2007
Reported loans held for investment:					
Credit Card business:					
Credit card loans:					
Domestic credit card loans	**$ 54,682**	$ 49,979	$ 13,374	$ 20,624	$ 17,447
International credit card loans	**8,466**	7,513	2,229	2,872	3,657
Total credit card loans	**63,148**	57,492	15,603	23,496	21,104
Installment loans:					
Domestic installment loans	**1,927**	3,870	6,693	10,131	10,474
International installment loans		9	44	119	355
Total installment loans	**1,927**	3,879	6,737	10,250	10,829
Total credit card business	**65,075**	61,371	22,340	33,746	31,933
Consumer Banking business:					
Auto	**21,779**	17,867	18,186	21,495	25,018
Home loan	**10,433**	12,103	14,893	10,098	11,562
Retail banking	**4,103**	4,413	5,135	5,604	5,659
Total consumer banking business	**36,315**	34,383	38,214	37,197	42,239
Total consumer loans	**101,390**	95,754	60,554	70,943	74,172
Commercial Banking business:					
Commercial and multifamily real estate	**15,410**	13,396	13,843	13,303	12,414
Middle market	**12,684**	10,484	10,062	10,082	8,289
Specialty lending	**4,404**	4,020	3,555	3,547	2,948
Total commercial lending	**32,498**	27,900	27,460	26,932	23,651
Small-ticket commercial real estate	**1,503**	1,842	2,153	2,609	3,396
Total commercial banking business	**34,001**	29,742	29,613	29,541	27,047
Other:					
Other loans[1]	**501**	451	452	534	586
Total reported loans held for investment	**$ 135,892**	$ 125,947	$ 90,619	$ 101,018	$ 101,805

Securitization adjustments:					
Credit Card business:					
Credit card loans:					
Domestic credit card loans	**$**	$	$ 39,827	$ 39,254	$ 39,833
International credit card loans			5,951	5,729	7,645
Total credit card loans			45,778	44,983	47,478
Installment loans:					
Domestic installment loans			406	936	1,969
Consumer Banking business:					
Auto					110
Total consumer banking business					110
Total securitization adjustments	**$**	$	$ 46,184	$ 45,919	$ 49,557

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(Dollars in millions)	2011	2010	December 31, 2009	2008	2007
Managed loans held for investment:					
Credit Card business:					
Credit card loans:					
Domestic credit card loans	**$ 54,682**	$ 49,979	$ 53,201	$ 59,878	$ 57,280
International credit card loans	**8,466**	7,513	8,180	8,601	11,302
Total credit card loans	**63,148**	57,492	61,381	68,479	68,582
Installment loans:					
Domestic installment loans	**1,927**	3,870	7,099	11,067	12,443
International installment loans		9	44	119	355
Total installment loans	**1,927**	3,879	7,143	11,186	12,798
Total credit card business	**65,075**	61,371	68,524	79,665	81,380
Consumer Banking business:					
Auto	**21,779**	17,867	18,186	21,495	25,128
Home loan	**10,433**	12,103	14,893	10,098	11,562
Retail banking	**4,103**	4,413	5,135	5,604	5,659
Total consumer banking business	**36,315**	34,383	38,214	37,197	42,349
Total consumer loans	**101,390**	95,754	106,738	116,862	123,729
Commercial Banking business:					
Commercial and multifamily real estate	**15,410**	13,396	13,843	13,303	12,414
Middle market	**12,684**	10,484	10,062	10,082	8,289
Specialty lending	**4,404**	4,020	3,555	3,547	2,948
Total commercial lending	**32,498**	27,900	27,460	26,932	23,651
Small-ticket commercial real estate	**1,503**	1,842	2,153	2,609	3,396
Total commercial banking business	**34,001**	29,742	29,613	29,541	27,047
Other:					
Other loans	**501**	451	452	534	586
Total managed loans held for investment	**$ 135,892**	$ 125,947	$ 136,803	$ 146,937	$ 151,362

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TABLE B PERFORMING DELINQUENCIES

	December 31,									
	2011[2]		2010[2]		2009[2]		2008		2007	
(Dollars in millions)	Loans	% of Total Loans[3]	Loans	% of Total Loans[3]	Loans	% of Total Loans[3]	Loans	% of Total Loans[3]	Loans	% of Total Loans[3]
Reported:[1]										
Loans held for investment	**$ 135,892**	**100.00%**	$ 125,947	100.00%	$ 90,619	100.00%	$ 101,018	100.00%	$ 101,805	100.00%
Delinquent loans:										
30-59 days	**$ 2,267**	**1.67%**	$ 1,968	1.56%	$ 1,908	2.10%	$ 2,325	2.30%	$ 2,052	2.02%
60-89 days	**1,043**	**0.77**	1,064	0.85	985	1.09	1,094	1.08	869	0.86
90-119 days	**497**	**0.36**	559	0.44	356	0.39	410	0.41	290	0.28
120-149 days	**390**	**0.29**	446	0.36	190	0.21	230	0.23	195	0.19
150 or more days	**355**	**0.26**	393	0.31	164	0.18	194	0.19	155	0.15
Total	**$ 4,552**	**3.35%**	$ 4,430	3.52%	$ 3,603	3.98%	$ 4,253	4.21%	$ 3,561	3.50%
By geographic area:										
Domestic	**$ 4,114**	**3.03%**	$ 3,998	3.18%	$ 3,460	3.82%	$ 4,107	4.07%	$ 3,433	3.37%
International	**438**	**0.32**	432	0.34	143	0.16	146	0.14	128	0.13
Total	**$ 4,552**	**3.35%**	$ 4,430	3.52%	$ 3,603	3.98%	$ 4,253	4.21%	$ 3,561	3.50%
Managed:[1]										
Loans held for investment	**$ 135,892**	**100.00%**	$ 125,947	100.00%	$ 136,803	100.00%	$ 146,937	100.00%	$ 151,362	100.00%
Delinquent loans:										
30-59 days	**$ 2,267**	**1.67%**	$ 1,968	1.56%	$ 2,623	1.92%	$ 2,987	2.03%	$ 2,738	1.81%
60-89 days	**1,043**	**0.77**	1,064	0.84	1,576	1.15	1,582	1.08	1,343	0.89
90-119 days	**497**	**0.36**	559	0.44	895	0.65	817	0.56	681	0.45
120-149 days	**390**	**0.29**	446	0.35	660	0.48	569	0.39	513	0.34
150 or more days	**355**	**0.26**	393	0.31	568	0.42	476	0.32	429	0.28
Total	**$ 4,552**	**3.35%**	$ 4,430	3.52%	$ 6,322	4.62%	$ 6,431	4.38%	$ 5,704	3.77%
By geographic area:										
Domestic	**$ 4,114**	**3.03%**	$ 3,998	3.18%	$ 5,783	4.23%	$ 5,915	4.03%	$ 5,112	3.38%
International	**438**	**0.32**	432	0.34	539	0.39	516	0.35	592	0.39
Total	**$ 4,552**	**3.35%**	$ 4,430	3.52%	$ 6,322	4.62%	$ 6,431	4.38%	$ 5,704	3.77%

(1) Includes credit card loans that continue to accrue finance charges and fees until the account is charged-off at 180 days. The amounts reported for credit card loans are net of uncollectible billed finance charges and fees. In accordance with our finance charge and fee revenue recognition policy, amounts billed but not included in revenue totaled $372 million, $950 million, $2.1 billion, $1.9 billion and $1.1 billion in 2011, 2010, 2009, 2008 and 2007, respectively.

(2) The Chevy Chase Bank acquired loan portfolio is included in loans held for investment, but excluded from delinquent loans as these loans are considered performing in accordance with our expectations as of the purchase date, as we recorded these loans at estimated fair value when we acquired them. As of December 31, 2011, 2010 and 2009, the acquired loan portfolio s contractual 30 to 89 day delinquencies total

$162 million, $199 million and $294 million, respectively. For loans 90+ days past due, see Table C Nonperforming Assets.

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(3) Calculated by dividing loans in each delinquency status category and geographic region as of the end of the period by the total loan portfolio.

TABLE C NONPERFORMING ASSETS

			December 31,		
(Dollars in millions)	**2011**	**2010**	**2009**	**2008**	**2007**
Nonperforming loans held for investment:[1][2]					
Consumer Banking business:					
Auto	**$ 106**	$ 99	$ 143	$ 165	$ 157
Home loan	**456**	486	323	104	98
Retail banking[3]	**126**	145	121	150	58
Total consumer banking business	**688**	730	587	419	313
Commercial Banking business:					
Commercial and multifamily real estate	**206**	276	429	142	29
Middle market	**92**	133	104	39	29
Specialty lending	**33**	48	74	37	6
Total commercial lending	**331**	457	607	218	64
Small-ticket commercial real estate	**40**	38	95	167	16
Total commercial banking business	**371**	495	702	385	80
Total nonperforming loans held for investment	**1,059**	1,225	1,289	804	393
Other nonperforming assets:					
Foreclosed property[4]	**169**	306	234	89	48
Repossessed assets	**20**	20	24	66	57
Total nonperforming assets	**$ 1,248**	$ 1,551	$ 1,547	$ 959	$ 498
Nonperforming loans as a percentage of loans held for investment[2]	**0.78%**	0.97%	0.94%	0.80%	0.39%
Nonperforming assets as a percentage of loans held for investment plus total other nonperforming assets[2]	**0.92%**	1.23%	1.13%	0.95%	0.49%

(1) The ratio of nonperforming loans as a percentage of total loans held for investment is calculated based on the nonperforming loans in each loan category divided by the total outstanding unpaid principal balance of loans held for investment in each loan category. The denominator used in calculating the nonperforming asset ratios consists of total loans held for investment and other nonperforming assets.

(2) Our calculation of nonperforming loan and asset ratios includes the impact of loans acquired from Chevy Chase Bank. However, we do not report loans acquired from Chevy Chase Bank as nonperforming unless they do not perform in accordance with our expectations as of the purchase date, as we recorded these loans at estimated fair value when we acquired them. The nonperforming loan ratios, excluding the impact of loans acquired from Chevy Chase Bank, for commercial and multifamily real estate, middle market, total commercial banking, home loan, retail banking, total consumer banking, and total nonperforming loans held for investment were 1.35%, 0.75%, 1.11%, 7.22%, 2.21%, 2.03% and 0.81%, respectively, as of December 31, 2011, compared with 2.11%, 1.30%, 1.69%, 6.67%, 2.16%, 2.30% and 1.02%, respectively, as of December 31, 2010. The nonperforming asset ratio, excluding loans acquired from Chevy Chase Bank, was 0.95% and 1.29% as of December 31, 2011 and 2010, respectively.

(3) Other loans are included in retail banking for all years presented.

(4) Includes $86 million and $201 million of foreclosed properties related to loans acquired from Chevy Chase Bank, as of December 31, 2011 and 2010, respectively.

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TABLE D NET CHARGE-OFFS[1]

(Dollars in millions)	Year Ended December 31, 2011	2010	2009	2008	2007
Reported:					
Average loans held for investment[2]	**$ 128,424**	$ 128,526	$ 99,787	$ 98,971	$ 93,542
Net charge-offs	**3,771**	6,651	4,568	3,478	1,961
Net charge-offs rate[3]	**2.94%**	5.18%	4.58%	3.51%	2.10%
Managed:					
Average loans held for investment[2]	**$ 128,424**	$ 128,622	$ 143,514	$ 147,812	$ 144,727
Net charge-offs	**3,771**	6,657	8,421	6,425	4,162
Net charge-off rate[3]	**2.94%**	5.18%	5.87%	4.35%	2.88%

(1) Net charge-offs reflect charge-offs, net of recoveries, related to our total held-for-investment loan portfolio, which we previously referred to as our managed loan portfolio. The total held-for-investment loan portfolio includes loans recorded on our balance sheet and loans held in our securitization trusts.

(2) The average balances of the acquired Chevy Chase Bank loan portfolio, which are included in the total average loans held for investment used in calculating the net charge-off rates, were $5.0 billion , $6.3 billion and $6.8 billion for 2011, 2010 and 2009, respectively.

(3) Calculated for each loan category by dividing net charge-offs for the period divided by average loans held for investment during the period.

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TABLE E SUMMARY OF ALLOWANCE FOR LOAN AND LEASE LOSSES

			December 31,		
(Dollars in millions)	**2011**	**2010**	**2009**	**2008**	**2007**
Balance as of beginning of period, as reported	**$ 5,628**	$ 4,127	$ 4,524	$ 2,963	$ 2,180
Impact from January 1, 2010 adoption of new consolidation accounting standards		4,317[1]			
Balance at beginning of period, as adjusted	**5,628**	8,444	4,524	2,963	2,180
Provision for loan and lease losses[2][3]	**2,401**	3,895	4,230	5,101	2,717
Charge-offs:					
Domestic credit card and installment[3]	**(3,558)**	(6,020)	(3,050)	(2,244)	(1,315)
International credit card and installment	**(752)**	(761)	(284)	(255)	(253)
Consumer banking	**(732)**	(898)	(1,357)	(1,396)	(965)
Commercial banking	**(214)**	(444)	(444)	(87)	(17)
Other loans	**(59)**	(115)	(207)	(169)	(31)
Total charge-offs	**(5,315)**	(8,238)	(5,342)	(4,151)	(2,581)
Recoveries:					
Domestic credit card and installment	**1,036**	1,113	447	425	393
International credit card and installment	**218**	169	52	65	72
Consumer banking	**248**	243	263	178	151
Commercial banking	**37**	54	10	4	4
Other loans	**5**	8	2	1	
Total recoveries	**1,544**	1,587	774	673	620
Net charge-offs	**(3,771)**	(6,651)	(4,568)	(3,478)	(1,961)
Impact from acquisitions, sales and other changes[4]	**(8)**	(60)	(59)	(62)	27
Balance as of end of period	**$ 4,250**	$ 5,628	$ 4,127	$ 4,524	$ 2,963
Allowance for loan and lease losses as a percentage of loans held for investment	**3.13%**	4.47%	4.55%	4.48%	2.91%
Allowance for loan and lease losses by geographic distribution:					
Domestic	**$ 3,778**	$ 5,168	$ 3,928	$ 4,331	$ 2,754
International	**472**	460	199	193	209
Total	**$ 4,250**	$ 5,628	$ 4,127	$ 4,524	$ 2,963
Allowance for loan and lease losses by loan category:					
Domestic card	**$ 2,375**	$ 3,581	$ 1,927	$ 2,544	$ 1,429
International card	**472**	460	199	193	209
Consumer banking	**652**	675	1,076	1,314	1,005
Commercial banking	**711**	826	785	301	153
Other	**40**	86	140	172	167
Total	**$ 4,250**	$ 5,628	$ 4,127	$ 4,524	$ 2,963

(1) Includes an adjustment of $53 million made in the second quarter of 2010 for the impact as of January 1, 2010 of impairment on consolidated loans accounted for as TDRs.

(2) Excludes a negative provision for unfunded lending commitments of $41 million and a provision for unfunded lending commitments of $12 million for 2011 and 2010, respectively.

(3) The reduction in the provision for loan and lease losses attributable to Kohl s was $257 million for 2011. Loss sharing amounts attributable to Kohl s reduced charge-offs by $118 million in 2011. The expected reimbursement from Kohl s netted in our allowance for loan and lease losses was approximately $139 million as of December 31, 2011.

(4) Includes a reduction in our allowance for loan and lease losses of $73 million during the first quarter of 2010 attributable to the sale of certain interest-only option-ARM bonds and the deconsolidation of the related securitization trusts related to Chevy Chase Bank in the first quarter of 2010.

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TABLE F RECONCILIATION OF NON-GAAP MEASURES AND CALCULATION OF REGULATORY CAPITAL MEASURES

(Dollars in millions)	2011	2010	December 31, 2009	2008	2007
Stockholders equity to non-GAAP tangible common equity					
Total stockholders equity	**$ 29,666**	$ 26,541	$ 26,590	$ 26,611	$ 24,294
Less: Intangible assets[1]	**(13,908)**	(13,983)	(14,107)	(12,445)	(13,480)
Tangible common equity	**$ 15,758**	$ 12,558	$ 12,483	$ 14,166	$ 10,814
Total assets to tangible assets					
Total assets	**$ 206,019**	$ 197,503	$ 169,646	$ 165,913	$ 150,590
Less: Assets from discontinued operations	**(305)**	(362)	(24)		
Total assets from continuing operations	**205,714**	197,141	169,622	165,913	150,590
Less: Intangible assets[1]	**(13,908)**	(13,983)	(14,107)	(12,445)	(13,480)
Tangible assets	**$ 191,806**	$ 183,158	$ 155,515	$ 153,468	$ 137,110
Non-GAAP TCE ratio					
Tangible common equity	**$ 15,758**	$ 12,558	$ 12,483	$ 14,166	$ 10,814
Tangible assets	**191,806**	183,158	155,515	153,468	137,110
TCE ratio[2]	**8.2%**	6.9%	8.0%	9.2%	7.9%
Regulatory capital and non-GAAP Tier 1 common equity ratios					
Total stockholders equity	**$ 29,666**	$ 26,541	$ 26,590	$ 26,611	$ 24,294
Less: Net unrealized gains recorded in AOCI[3]	**(289)**	(368)	(200)	783	(9)
Net losses on cash flow hedges recorded in AOCI[3]	**71**	86	92	215	73
Disallowed goodwill and other intangible assets[4]	**(13,855)**	(13,953)	(14,125)	(12,482)	(13,580)
Disallowed deferred tax assets	**(534)**	(1,150)			
Other	**(2)**	(2)	(10)	(2)	(1)
Tier 1 common equity	**$ 15,057**	$ 11,154	$ 12,347	$ 15,125	$ 10,777
Plus: Tier 1 restricted core capital items[5]	**3,635**	3,636	3,642	1,642	1,632
Tier 1 capital	**$ 18,692**	$ 14,790	$ 15,989	$ 16,767	$ 12,409
Plus: Long-term debt qualifying as Tier 2 capital	**2,438**	2,827	3,018	1,813	1,934
Qualifying allowance for loan and lease losses	**1,979**	3,748	1,581	1,630	1,634
Other Tier 2 components	**23**	29	4	1	
Tier 2 capital	**$ 4,440**	$ 6,604	$ 4,603	$ 3,444	$ 3,568
Total risk-based capital[6]	**$ 23,132**	$ 21,394	$ 20,592	$ 20,211	$ 15,977
Risk-weighted assets[7]	**$ 155,657**	$ 127,043	$ 116,309	$ 121,380	$ 122,456
Tier 1 common equity ratio[8]	**9.7%**	8.8%	10.6%	12.5%	8.8%
Tier 1 risk-based capital ratio[9]	**12.0**	11.6	13.8	13.8	10.1
Total risk-based capital ratio[10]	**14.9**	16.8	17.7	16.7	13.1

(1) Includes impact from related deferred taxes.
(2) Calculated based on tangible common equity divided by tangible assets.
(3) Amounts presented are net of tax.
(4) Disallowed goodwill and other intangible assets are net of related deferred tax liability.
(5) Consists primarily of trust preferred securities.
(6) Total risk-based capital equals the sum of Tier 1 capital and Tier 2 capital.
(7) Calculated based on prescribed regulatory guidelines.
(8) Tier 1 common equity ratio is a non-GAAP measure calculated based on Tier 1 common equity divided by risk-weighted assets.
(9) Tier 1 risk-based capital ratio is a regulatory capital measure calculated based on Tier 1 capital divided by risk-weighted assets.
(10) Total risk-based capital ratio is a regulatory capital measure calculated based on total risk-based capital divided by risk-weighted assets.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

For a discussion of the quantitative and qualitative disclosures about market risk, see MD&A Risk Management Market Risk Management and MD&A Market Risk Profile.

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MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Capital One Financial Corporation (the Company or Capital One) is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the Company s principal executive and principal financial officers, or persons performing similar functions, and effected by the Company s Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America.

Capital One s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company s assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of the Company s management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management completed an assessment of the effectiveness of the Company s internal control over financial reporting as of December 31, 2011, based on the framework in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the COSO criteria.

Based on the assessment performed, management concluded that, as of December 31, 2011, the Company s internal control over financial reporting was effective based on the criteria established by COSO in Internal Control Integrated Framework. Additionally, based upon management s assessment, the Company determined that there were no material weaknesses in its internal control over financial reporting as of December 31, 2011.

The effectiveness of the Company s internal control over financial reporting as of December 31, 2011, has been audited by Ernst and Young LLP, an independent registered public accounting firm, as stated in their accompanying report, which expresses an unqualified opinion on the effectiveness of the Company s internal control over financial reporting as of December 31, 2011.

/s/ RICHARD D. FAIRBANK
Richard D. Fairbank
Chairman of the Board, Chief Executive Officer

and President

/s/ GARY L. PERLIN
Gary L. Perlin
Chief Financial Officer

February 28, 2012

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Capital One Financial Corporation:

We have audited Capital One Financial Corporation s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Capital One Financial Corporation s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Capital One Financial Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Capital One Financial Corporation as of December 31, 2011 and 2010, and the related consolidated statements of income, changes in stockholders equity and cash flows for each of the three years in the period ended December 31, 2011 of Capital One Financial Corporation and our report dated February 28, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

McLean, Virginia
February 28, 2012

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Capital One Financial Corporation:

We have audited the accompanying consolidated balance sheets of Capital One Financial Corporation as of December 31, 2011 and 2010, and the related consolidated statements of income, changes in stockholders equity, and cash flows for each of the three years in the period ended December 31, 2011. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Capital One Financial Corporation at December 31, 2011 and 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for transfers of financial assets and consolidations effective January 1, 2010.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Capital One Financial Corporation s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

McLean, Virginia
February 28, 2012

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Item 8. Financial Information and Supplementary Data

CAPITAL ONE FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
(Dollars in millions, except per share-related data)	**2011**	**2010**	**2009**
Interest income:			
Loans held for investment, including past-due fees	**$ 13,774**	$ 13,934	$ 8,757
Investment securities	**1,137**	1,342	1,610
Other	**76**	77	297
Total interest income	**14,987**	15,353	10,664
Interest expense:			
Deposits	**1,187**	1,465	2,093
Securitized debt obligations	**422**	809	282
Senior and subordinated notes	**300**	276	260
Other borrowings	**337**	346	332
Total interest expense	**2,246**	2,896	2,967
Net interest income	**12,741**	12,457	7,697
Provision for loan and lease losses	**2,360**	3,907	4,230
Net interest income after provision for loan and lease losses	**10,381**	8,550	3,467
Non-interest income:			
Servicing and securitizations	**44**	7	2,280
Service charges and other customer-related fees	**1,979**	2,073	1,997
Interchange fees, net	**1,318**	1,340	502
Total other-than-temporary losses	**(131)**	(128)	(287)
Less: Non-credit component of other-than-temporary losses recorded in AOCI	**110**	63	255
Net other-than-temporary impairment losses recognized in earnings	**(21)**	(65)	(32)
Other	**218**	359	539
Total non-interest income	**3,538**	3,714	5,286
Non-interest expense:			
Salaries and associate benefits	**3,023**	2,594	2,478
Marketing	**1,337**	958	588
Communications and data processing	**681**	693	740
Supplies and equipment	**539**	520	500
Occupancy	**490**	486	451
Restructuring expense	**0**	0	119
Other	**3,262**	2,683	2,541
Total non-interest expense	**9,332**	7,934	7,417
Income from continuing operations before income taxes	**4,587**	4,330	1,336
Income tax provision	**1,334**	1,280	349
Income from continuing operations, net of tax	**3,253**	3,050	987
Loss from discontinued operations, net of tax	**(106)**	(307)	(103)

Net income	**3,147**	2,743	884
Preferred stock dividends, accretion of discount and other	**(26)**	0	(564)
Net income available to common stockholders	**$ 3,121**	$ 2,743	$ 320
Basic earnings per common share:			
Income from continuing operations	**$ 7.08**	$ 6.74	$ 0.99
Loss from discontinued operations	**(0.23)**	(0.67)	(0.24)
Net income per basic common share	**$ 6.85**	$ 6.07	$ 0.75
Diluted earnings per common share:			
Income from continuing operations	**$ 7.03**	$ 6.68	$ 0.98
Loss from discontinued operations	**(0.23)**	(0.67)	(0.24)
Net income per diluted common share	**$ 6.80**	$ 6.01	$ 0.74
Dividends paid per common share	**$ 0.20**	$ 0.20	$ 0.53

See Notes to Consolidated Financial Statements.

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CAPITAL ONE FINANCIAL CORPORATION

CONSOLIDATED BALANCE SHEETS

	December 31,	
(Dollars in millions, except per share data)	2011	2010
Assets:		
Cash and due from banks	**$ 2,097**	$ 2,067
Interest-bearing deposits with banks	**3,399**	2,776
Federal funds sold and securities purchased under agreements to resell	**342**	406
Cash and cash equivalents	**5,838**	5,249
Restricted cash for securitization investors	**791**	1,602
Securities available for sale, at fair value	**38,759**	41,537
Loans held for investment:		
Unsecuritized loans held for investment, at amortized cost	**88,242**	71,921
Restricted loans for securitization investors	**47,650**	54,026
Total loans held for investment	**135,892**	125,947
Less: Allowance for loan and lease losses	**(4,250)**	(5,628)
Net loans held for investment	**131,642**	120,319
Loans held for sale, at lower-of-cost-or-fair value	**201**	228
Accounts receivable from securitizations	**94**	118
Premises and equipment, net	**2,748**	2,749
Interest receivable	**1,029**	1,070
Goodwill	**13,592**	13,591
Other	**11,325**	11,040
Total assets	**$ 206,019**	$ 197,503
Liabilities:		
Interest payable	**$ 466**	$ 488
Customer deposits:		
Non-interest bearing deposits	**18,281**	15,048
Interest bearing deposits	**109,945**	107,162
Total customer deposits	**128,226**	122,210
Securitized debt obligations	**16,527**	26,915
Other debt:		
Federal funds purchased and securities loaned or sold under agreements to repurchase	**1,464**	1,517
Senior and subordinated notes	**11,034**	8,650
Other borrowings	**10,536**	4,714
Total other debt	**23,034**	14,881
Other liabilities	**8,100**	6,468
Total liabilities	**176,353**	170,962
Stockholders equity:		
Preferred stock, par value $.01 per share; authorized 50,000,000 shares; zero shares issued or outstanding as of December 31, 2011 and 2010	**0**	0
Common stock, par value $.01 per share; authorized 1,000,000,000 shares; 508,594,308 and 504,801,064 issued as of December 31, 2011 and 2010, respectively	**5**	5

Paid-in capital, net	**19,274**	19,084
Retained earnings	**13,462**	10,406
Accumulated other comprehensive income	**169**	248
Less: Treasury stock, at cost; 48,647,091 and 47,787,697 shares as of December 31, 2011 and 2010, respectively	**(3,244)**	(3,202)
Total stockholders equity	**29,666**	26,541
Total liabilities and stockholders equity	**$ 206,019**	$ 197,503

See Notes to Consolidated Financial Statements.

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CAPITAL ONE FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

	Common Stock		Preferred	Additional Paid-In	Retained	Accumulated Other Comprehensive Income	Treasury	Total Stockholders
(Dollars in millions, except per share data)	**Shares**	**Amount**	**Stock**	**Capital**	**Earnings**	**(Loss)**	**Stock**	**Equity**
Balance as of December 31, 2008	438,434,235	$ 4	$ 3,096	$ 17,278	$ 10,621	$ (1,222)	$ (3,166)	$ 26,611
Comprehensive income:								
Net income					884			884
Other comprehensive income (loss), net of tax:								
Unrealized gains on securities, net of taxes of $520 million						996		996
Postretirement benefit plan adjustments, net of taxes of $7 million						13		13
Net change in foreign currency translation adjustments						202		202
Net unrealized gains related to cash flow hedge relationships, net of taxes of $61 million						94		94
Other comprehensive income						1,305		1,305
Total comprehensive income								2,189
Cash dividends common stock $0.53 per share					(214)			(214)
Cash dividends preferred stock 5% per annum			(23)		(82)			(105)
Purchases of treasury stock							(14)	(14)
Issuances of common stock and restricted stock, net of forfeitures	61,041,008	1		1,535				1,536
Exercise of stock options and tax benefits of exercises and restricted stock vesting	358,552			(6)				(6)
Accretion of preferred stock discount			34		(34)			0
Redemption of preferred stock			(3,107)		(448)			(3,555)
Compensation expense for restricted stock awards and stock options				116				116
Issuance of common stock for acquisition	2,560,601			31				31
Allocation of ESOP shares				1				1
Balance as of December 31, 2009	502,394,396	$ 5	$ 0	$ 18,955	$ 10,727	$ 83	$ (3,180)	$ 26,590
Cumulative effect from January 1, 2010 adoption of new consolidation accounting standards, net of taxes					(2,957)	(16)		(2,973)
Cumulative effect from July 1, 2010 adoption of new embedded credit derivatives accounting standard, net of taxes					(16)			(16)
Comprehensive income:								
Net income					2,743			2,743
Other comprehensive income (loss), net of tax:								
Unrealized gains on securities, net of taxes of $48 million						134		134
Other-than-temporary impairment not recognized in earnings on securities, net of taxes of $27 million						49		49
Foreign currency translation adjustments						(10)		(10)
Unrealized gains in cash flow hedge instruments, net of taxes of $5 million						8		8
Other comprehensive income						181		181

Total comprehensive income								2,924
Cash dividends common stock $0.20 per share					(91)			(91)
Purchases of treasury stock							(22)	(22)
Issuances of common stock and restricted stock, net of forfeitures	1,823,652			30				30
Exercise of stock options and tax benefits of exercises and restricted stock vesting	583,016			3				3
Compensation expense for restricted stock awards and stock options				96				96
Balance as of December 31, 2010	504,801,064	$ 5	$ 0	$ 19,084	$ 10,406	$ 248	$ (3,202)	$ 26,541

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CAPITAL ONE FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

	Common Stock			Additional		Accumulated Other Comprehensive		Total
(Dollars in millions, except per share data)	**Shares**	**Amount**	**Preferred Stock**	**Paid-In Capital**	**Retained Earnings**	**Income (Loss)**	**Treasury Stock**	**Stockholders Equity**
Comprehensive income:								
Net income					**3,147**			**3,147**
Other comprehensive income (loss), net of tax:								
Unrealized losses on securities, net of tax benefit of $15 million						**(39)**		**(39)**
Other-than-temporary impairment not recognized in earnings on securities, net of tax benefit of $26 million						**(39)**		**(39)**
Defined benefit plans, net of income tax benefit of $7 million						**(14)**		**(14)**
Foreign currency translation adjustments						**(13)**		**(13)**
Unrealized gains in cash flow hedge instruments, net of taxes of $18 million						**26**		**26**
Other comprehensive income						**(79)**		**(79)**
Total comprehensive income								**3,068**
Cash dividends common stock $0.20 per share					**(91)**			**(91)**
Cash dividends preferred stock 5% per annum								
Purchases of treasury stock							**(42)**	**(42)**
Issuances of common stock and restricted stock, net of forfeitures	**2,606,736**			**40**				**40**
Exercise of stock options and tax benefits of exercises and restricted stock vesting	**1,186,508**			**57**				**57**
Compensation expense for restricted stock awards and stock options				**93**				**93**
Balance as of December 31, 2011	**508,594,308**	**$ 5**	**$ 0**	**$ 19,274**	**$ 13,462**	**$ 169**	**$ (3,244)**	**$ 29,666**

See Notes to Consolidated Financial Statements.

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CAPITAL ONE FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
(Dollars in millions)	**2011**	**2010**	**2009**
Operating activities:			
Income from continuing operations, net of tax	**$ 3,253**	$ 3,050	$ 987
Loss from discontinued operations, net of tax	**(106)**	(307)	(103)
Net income	**3,147**	2,743	884
Adjustments to reconcile net income to cash provided by operating activities:			
Provision for loan and lease losses	**2,360**	3,907	4,230
Depreciation and amortization, net	**600**	582	683
Net gains on sales of securities available for sale	**(259)**	(141)	(218)
Net gains on deconsolidation	**0**	(177)	0
Loans held for sale:			
Originations/Transfers in	**(1,031)**	(180)	(1,194)
(Gains) losses on sales	**(28)**	(1)	0
Proceeds from sales	**1,086**	241	1,228
Stock plan compensation expense	189	149	146
Changes in assets and liabilities, net of effects from purchase of companies acquired and the effect of new accounting standards:			
(Increase) decrease in interest receivable	**41**	(137)	(108)
(Increase) decrease in accounts receivable from securitizations[(1)]	**24**	(475)	(2,015)
(Increase) decrease in other assets[(1)]	**(150)**	1,432	339
Decrease in interest payable	**(22)**	(21)	(167)
Increase (decrease) in other liabilities[(1)]	**1,403**	(133)	(1,709)
Net cash provided by (used in) operating activities attributable to discontinued operations	**95**	353	(17)
Net cash provided by operating activities	**7,455**	8,142	2,082
Investing activities:			
Increase in restricted cash for securitization investors[(1)]	**811**	2,897	727
Purchases of securities available for sale	**(16,060)**	(26,378)	(27,827)
Proceeds from paydowns and maturities of securities available for sale	**9,710**	11,567	9,541
Proceeds from sales of securities available for sale	**9,169**	12,466	13,410
Proceeds from securitizations of loans	**0**	0	12,068
Proceeds from sale of interest-only bonds	**0**	57	0
Net (increase) decrease in loans held for investment[(1)]	**(13,777)**	2,607	1,934
Principal recoveries of loans previously charged off	**1,543**	1,587	774
Additions of premises and equipment	**(315)**	(340)	(243)
Net cash provided by (payment for) companies acquired	**(1,444)**	0	778
Net cash provided by (used in) investing activities	**(10,363)**	4,463	11,162
Financing activities:			
Net increase (decrease) in deposits	**6,010**	6,401	(6,369)
Net decrease in securitized debt obligations	**(10,388)**	(21,385)	(3,557)
Net decrease in other borrowings[(1)]	**5,774**	(293)	(2,356)
Maturities of senior notes	**(855)**	(666)	(1,447)
Redemptions of acquired debt and noncontrolling interests	**0**	0	(464)
Issuance of senior and subordinated notes and junior subordinated debentures	**2,992**	0	4,500
Purchases of treasury stock	**(42)**	(22)	(14)
Dividends paid on common stock	**(91)**	(91)	(214)
Dividends paid on preferred stock	**0**	0	(105)
Net proceeds from issuances of common stock	**40**	30	1,536
Net payments from redemption of preferred stock and warrants	**0**	0	(3,555)

Proceeds from share-based payment activities	**57**	3	(6)
Net cash provided by (used in) financing activities attributable to discontinued operations	**0**	(18)	1
Net cash provided by (used in) financing activities	**3,497**	(16,041)	(12,050)
Increase in cash and cash equivalents	**589**	(3,436)	1,194
Cash and cash equivalents at beginning of the period	**5,249**	8,685	7,491
Cash and cash equivalents at end of the period	**$ 5,838**	$ 5,249	$ 8,685
Supplemental cash flow information:			
Non-cash items:			
Impact of the net fair value of assets acquired and liabilities assumed for acquisitions	**$ 3**	$ 0	$ 0
Cumulative effect from adoption of new consolidation accounting standards	**0**	2,973	0

(1) Excludes the initial impact from the January 1, 2010 adoption of the new consolidation accounting standards.

See Notes to Consolidated Financial Statements.

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CAPITAL ONE FINANCIAL CORPORATION

NOTES TO CONSOLIDATED STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company

Capital One Financial Corporation, which was established in 1995, is a diversified financial services holding company headquartered in McLean, Virginia. Capital One Financial Corporation and its subsidiaries (the Company) offer a broad array of financial products and services to consumers, small businesses and commercial clients through branches, the internet and other distribution channels. Our principal subsidiaries include Capital One Bank (USA), National Association (COBNA) and Capital One, National Association (CONA). The Company and its subsidiaries are hereafter collectively referred to as we , us or our. CONA and COBNA are hereafter collectively referred to as the Banks. As or of the top 10 largest banks in the United States based on deposits, we serve banking customers through branch locations primarily in New York, New Jersey, Texas, Louisiana, Maryland, Virginia and the District of Columbia. In addition to bank lending and depository services, we offer credit and debit card products, mortgage banking and treasury management services. We offer our products outside of the United States principally through operations in the United Kingdom and Canada.

Our principal operations are currently organized into three primary business segments, which are defined based on the products and services provided, or the type of customer served: Credit Card, Consumer Banking and Commercial Banking.

Credit Card: Consists of our domestic consumer and small business credit card lending, domestic small business lending, national closed end installment lending and the international credit card lending businesses in Canada and the United Kingdom.

Consumer Banking: Consists of our branch-based lending and deposit gathering activities for consumer and small businesses, national deposit gathering, national auto lending and consumer home loan lending and servicing activities.

Commercial Banking: Consists of our lending, deposit gathering and treasury management services to commercial real estate and middle market customers. Our middle market customers typically include commercial and industrial companies with annual revenues between $10 million and $1.0 billion.

Certain activities that are not part of a segment are included in the Other category. The results of our individual businesses are prepared based on our internal management accounting system and reflect the manner in which management measures and evaluates performance. The accounting policies with respect to activities specifically attributable to each business segment are generally the same as those used in preparation of our consolidated financial statements. However, the preparation of business line results requires management to allocate funding costs and benefits, expenses and other financial elements to each line of business. For details of our business segment accounting policies, allocation methodologies and business segment results, see Note 20 Business Segments.

Basis of Presentation and Use of Estimates

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). Additionally, where applicable, the policies conform to the accounting and reporting guidelines prescribed by bank regulatory authorities. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and related disclosures. These estimates are based on information available as of the date of the consolidated financial statements. While management makes its best judgment, actual amounts or

results could differ from these estimates.

CAPITAL ONE FINANCIAL CORPORATION

NOTES TO CONSOLIDATED STATEMENTS (Continued)

Principles of Consolidation

The consolidated financial statements include the accounts of Capital One Financial Corporation and all other entities in which we have a controlling financial interest. All significant intercompany accounts and transactions have been eliminated. Certain prior period amounts have been reclassified to conform to the current period presentation. We determine whether we have a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity or a variable interest entity (VIE).

Voting Interest Entities

Voting interest entities are entities that have sufficient equity and provide the equity investors voting rights that give them the power to make significant decisions relating to the entity s operations. The usual condition for a controlling financial interest in a voting interest entity is ownership of a majority voting interest. Accordingly, we consolidate our majority-owned subsidiaries and other voting interest entities in which we hold, directly or indirectly, more than 50% of the voting rights or where we exercise control through other contractual rights.

Investments in entities where we do not have a controlling financial interest but we have significant influence over the entity s financial and operating decisions (generally defined as owning a voting interest of 20% to 50%) are accounted for under the equity method. If we own less than 20% of a voting interest entity, we generally carry the investment at cost, except marketable equity securities, which we carry at fair value with changes in fair value included in accumulated other comprehensive income. We typically report investments accounted for under the equity or cost method in other assets on our consolidated balance sheets, and include our share of income or loss in other non-interest income in our consolidated statements of income.

Variable Interest Entities (VIEs)

VIEs are entities that lack one or more of the characteristics of a voting interest entity. Either the entity does not have sufficient equity at risk to finance its activities without additional subordinated financial support from other parties or the entity has equity investors that do not have the ability to make significant decisions relating to the entity s operations through voting rights, or do not have the obligation to absorb the expected losses, or do not have the right to receive the residual returns of the entity. The entity that has a controlling financial interest in a VIE is referred to as the primary beneficiary and is required to consolidate the VIE.

In determining whether we are the primary beneficiary of a VIE, we consider both qualitative and quantitative factors regarding the nature, size and form of our involvement with the VIE, such as our role in establishing the VIE and our ongoing rights and responsibilities; our economic interests, including debt and equity investments, servicing fees, and other arrangements deemed to be variable interests in the VIE; the design of the VIE, including the capitalization structure, subordination of interests, payment priority, relative share of interests held across various classes within the VIE s capital structure and the reasons why the interests are held by us.

We perform on-going reassessments of whether entities previously evaluated under the majority voting-interest framework have become VIEs, based on certain events, and are therefore subject to the VIE consolidation framework and whether changes in the facts and circumstances regarding our involvement with a VIE result in a change in our consolidation conclusion. Our reassessment process considers whether we have acquired or divested the power to direct the activities of the VIE through changes in governing documents or other circumstances. The reassessment also considers whether we have acquired or disposed of a financial interest that could be significant to the VIE, or whether an interest in the VIE has become significant or is no longer significant. The consolidation status of the VIEs with which we are involved may change as a result of such reassessments.

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CAPITAL ONE FINANCIAL CORPORATION

NOTES TO CONSOLIDATED STATEMENTS (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash and due from banks, federal funds sold and resale agreements and interest-bearing deposits at other banks, all of which, if applicable, have stated maturities of three months or less when acquired. Cash payments for interest expense totaled $2.3 billion, $2.9 billion and $3.1 billion in 2011, 2010 and 2009, respectively. Cash payments for income taxes totaled $982 million, $350 million and $409 million in 2011, 2010 and 2009, respectively.

Resale and Repurchase Agreements

Securities purchased under agreements to resell and securities sold under agreements to repurchase, principally U.S. government and agency obligations, are not accounted for as sales but as collateralized financing transactions and recorded at the amounts at which the securities were acquired or sold, plus accrued interest. We receive securities purchased under agreements to resell, make delivery of securities sold under agreements to repurchase, continually monitor the market value of these securities and deliver or obtain additional collateral as appropriate.

Investment Securities

Our investment securities consist primarily of fixed-income debt securities and equity securities. The accounting and measurement framework for our investment securities differs depending on the security classification. We classify securities as available for sale or held to maturity based on our investment strategy and management s assessment of our intent and ability to hold the securities until maturity. Securities that we intend to hold for an indefinite period of time and may sell prior to maturity in response to changes in our investment strategy, liquidity needs, interest rate risk profile or for other reasons are classified as available for sale. All of our investment securities were classified as available for sale as of December 31, 2011 and 2010. Although we currently do not have any securities classified as held-to-maturity, we may elect to do so in the future.

Available-for-sale securities are carried at fair value with unrealized net gains or losses, net of taxes, recorded in accumulated other comprehensive income in stockholders equity. For most of our investment securities, interest income is recognized using the effective interest method. Deferred items, including unamortized premiums, discounts and other basis adjustments, are recognized in interest income over the contractual lives of the securities using the effective interest method. We record purchases and sales of securities on a trade date basis. Realized gains and losses from the sale of debt securities are computed using the specific identification method and included in non-interest income in our consolidated statements of income.

We regularly evaluate our securities whose value has declined below amortized cost to assess whether the decline in fair value is other-than-temporary. Amortized cost reflects historical cost adjusted for amortization of premiums, accretion of discounts and other-than-temporary impairment writedowns. We discuss our assessment of and accounting for other-than-temporary impairment in Note 4 Investment Securities. We discuss the techniques we use in determining the fair value of our investment securities in Note 19 Fair Value of Financial Instruments.

Loans

Our loan portfolio consists of credit card, other consumer and commercial loans. Other consumer loans consist of auto, home, and retail banking loans. Commercial loans consist of commercial and multifamily real estate, middle market, specialty lending and small-ticket commercial real estate loans. We historically have securitized

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CAPITAL ONE FINANCIAL CORPORATION

NOTES TO CONSOLIDATED STATEMENTS (Continued)

credit card loans, auto loans, home loans and installment loans through trusts we established to purchase the loans. The primary purposes of these securitization transactions were to satisfy investor demand and generate liquidity. Prior to January 1, 2010, the transfers of these loans to securitization trusts were generally accounted for as sales and the sold assets were removed from our consolidated balance sheets, which resulted in favorable regulatory capital treatment. As a result of our January 1, 2010 adoption of the new consolidation accounting standards, we have consolidated these securitization trusts. The loans underlying consolidated trusts are reported on our consolidated balance sheet under restricted loans for securitization investors.

Loan Classification

We classify loans as held for investment or held for sale based on our investment strategy and management s assessment of our intent and ability to hold loans for the foreseeable future or until maturity. Management s intent and ability with respect to certain loans may change from time to time depending on a number of factors, including economic, liquidity and capital conditions. The accounting and measurement framework for loans differs depending on the loan classification and whether the loans are originated or purchased. The accounting for purchased loans also differs depending on whether the loan is considered credit-impaired at the date of acquisition. The classification criteria and accounting and measurement framework for loans held for investment, loans held for sale and purchased-credit impaired loans are described below.

Loans Held for Investment

Loans that we have the ability and intent to hold for the foreseeable future and loans associated with on-balance sheet securitization transactions accounted for as secured borrowings are classified as held for investment. The substantial majority of our loans, which include unrestricted loans and restricted loans for securitization investors, are classified as held for investment.

Credit card loans classified as held for investment are reported at their outstanding unpaid principal balance plus uncollected billed interest and fees net of billed interest and fees deemed uncollectible. Other loans classified as held for investment, except for purchased credit-impaired loans, are reported at amortized cost. Amortized cost is measured based on the outstanding unpaid principal amount, net of unearned income, unamortized deferred fees and costs and charge-offs. We generally defer certain loan origination fees and direct loan origination costs on originated loans, premiums and discounts on purchased loans and loan commitment fees and recognize these amounts in interest income as yield adjustments over the life of the loan and/or commitment period or, for credit card loans, over a twelve-month period, using the effective interest method. Interest income is recognized on loans held for investment, other than purchased credit-impaired loans, on an accrual basis. We establish an allowance for loan losses for probable losses inherent in our held for investment loan portfolio as of each balance sheet date.

Cash flows related to unrestricted loans held for investment are included in cash flows from investing activities in our consolidated statements of cash flows regardless of a subsequent change in intent. Because our securitization transactions are accounted for as secured borrowings, the cash flows from these transactions are presented as cash flows from financing activities rather than as cash flows from operating or investing activities in our consolidated statement of cash flows beginning in 2010.

Loans Held for Sale

Loans that we intend to sell or for which we do not have the ability and intent to hold for the foreseeable future are classified as held for sale. Prior to January 1, 2010 we classified credit card loans necessary to support new

CAPITAL ONE FINANCIAL CORPORATION

NOTES TO CONSOLIDATED STATEMENTS (Continued)

securitization transactions expected to take place in the next three months as held for sale. Management limited the timeframe in which it believed it could reasonably estimate the amount of existing credit card loans to support securitization transactions to three months because of the uncertainty of customer repayment behavior and the revolving nature of credit cards.

Loans classified as held for sale are reported at the lower of amortized cost or fair value as determined on an aggregate homogeneous portfolio basis, with any write-downs or recoveries in fair value up to the amortized cost recorded in our consolidated statements of income as a component of other non-interest income. We recognize interest on loans held for sale classified as performing on an accrual basis. Because loans held for sale are reported at lower of cost or fair value, an allowance for loan losses is not established for loans held for sale. The fair value of loans held for sale is estimated based on secondary market prices for loan portfolios with similar characteristics.

In certain circumstances, we may transfer loans to/from held for sale or held for investment based on a change in strategy. We transfer these loans at the lower of cost or fair value on the date of transfer and establish a new cost basis upon transfer. Write-downs on loans transferred from held for investment to held for sale are recorded as charge-offs at the time of transfer.

We execute whole loan sales with either servicing rights released to the buyer or retained. When loans are sold and the servicing rights are released to the buyer, the gain or loss recognized on the sale is calculated based on the difference between the proceeds received and the carrying value of the loans sold. When loans are sold and the servicing rights are retained, the fair value attributed to the retained servicing rights impacts the gain or loss recognized on the sale. We report gains or losses on loans held for sale when realized in other non-interest income.

We originated $954 million and $1.2 billion of conforming residential mortgage loans for the years ended December 31, 2011 and 2010, respectively. We retained servicing on approximately 91% and 82% of the conforming residential mortgage loans we sold for the years ended December 31, 2011 and 2010, respectively and recognized gains of $28 million, $1 million, and less than $1 million of the sale of held-for-sale loans for the years ended December 31, 2011, 2010, and 2009, respectively.

Loans Acquired

All purchased loans, including loans transferred in a business combination, acquired on or after January 1, 2009, are recorded at fair value at the date of acquisition. Accordingly, any related allowance for loan losses is not carried over.

Loans acquired with evidence of credit deterioration since origination and for which it is probable at the date of acquisition that we will not collect all contractually required principal and interest payments are considered purchased credit impaired (PCI) loans. Evidence of credit deterioration may include statistics such as delinquency and accrual status, current loan-to-value ratio, the geographic location of the borrower or collateral and internal risk ratings. In connection with the acquisition of Chevy Chase Bank on February 27, 2009, we concluded that the substantial majority of loans we acquired from Chevy Chase Bank were PCI loans. See Note 2 Acquisitions and Restructuring Activities and Note 5 Loans for additional information.

In accounting for PCI loans we first determine the contractually required payments due, which represent the total undiscounted amount of all uncollected principal and interest payments, adjusted for the effect of estimated prepayments. We then estimate the undiscounted cash flows we expect to collect. We incorporate several key

CAPITAL ONE FINANCIAL CORPORATION

NOTES TO CONSOLIDATED STATEMENTS (Continued)

assumptions to estimate cash flows expected to be collected, including default rates, loss severities and the amount and timing of prepayments. We estimate the fair value by discounting the estimated cash flows we expect to collect using an observable market rate of interest, when available, adjusted for factors that a market participant would consider in determining fair value. We are permitted to aggregate PCI loans acquired in the same fiscal quarter into one or more pools if the loans have common risk characteristics. A pool is then accounted for as a single asset with a single composite interest rate and an aggregate fair value and expected cash flows.

The difference between contractually required payments due and the cash flows expected to be collected at acquisition, considering the impact of prepayments, is referred to as the nonaccretable difference. The nonaccretable difference, which is neither accreted into income nor recorded on our consolidated balance sheet, reflects estimated future credit losses expected to be incurred over the life of the loan. The excess of cash flows expected to be collected over the estimated fair value of PCI loans is referred to as the accretable yield. This amount is not recorded on our consolidated balance sheet, but is accreted into interest income over the remaining life of the loan, or pool of loans, using the effective interest method.

Subsequent to acquisition, we complete quarterly evaluations of expected cash flows. Decreases in expected cash flows attributable to credit will generally result in an impairment charge to the provision for loan and lease losses and the establishment of an allowance for loan and lease losses. Increases in expected cash flows will generally result in a reduction in any allowance for loan and lease losses established subsequent to acquisition and an increase in the accretable yield through a reclassification from the nonaccretable difference. The adjusted accretable yield is recognized in interest income over the remaining life of the loan, or pool of loans. Disposals of loans, which may include sales of loans to third parties, receipt of payments in full or part by the borrower, and foreclosure of the collateral result in removal of the loan from the PCI loan portfolio at its carrying amount.

Because the initial fair value of PCI loans recorded at acquisition includes an estimate of credit losses expected to be realized over the remaining lives of the loans, we separately track and report PCI loans and exclude these loans from our delinquency and nonperforming loan statistics. Even though substantially all of these loans are 90 days or more contractually past due, they are considered to be accruing since we have a reasonable expectation about the timing and amount of cash flows expected to be collected.

For acquired loans that are not deemed impaired at acquisition, subsequent to acquisition we recognize the difference between the initial fair value at acquisition and the undiscounted expected cash flows in interest income over the life of the loans using the effective interest method.

Loan Modifications and Restructurings

As part of our loss mitigation efforts, we may make loan modifications that are intended to minimize the economic loss and to avoid the need for foreclosure or repossession of collateral. We may provide short-term (three to twelve months) or long-term (greater than twelve months) modifications to a borrower experiencing financial difficulty to improve long-term loan performance and collectability. Our modifications typically include a reduction in the borrower s initial monthly or quarterly principal and interest payment through an extension of the loan term, a reduction in the interest rate, or a combination of both. For credit card loan agreements, such modifications may include canceling the customer s available line of credit on the credit card, reducing the interest rate on the card, and placing the customer on a fixed payment plan not exceeding 60 months. These modifications may result in our receiving the full amount due, or certain installments due, under the loan over a period of time that is longer than the period of time originally provided for under the terms of the loan. In some cases, we may curtail the amount of principal owed by the borrower.

CAPITAL ONE FINANCIAL CORPORATION

NOTES TO CONSOLIDATED STATEMENTS (Continued)

A loan modification in which a concession is granted to a borrower experiencing financial difficulty is accounted for as a troubled debt restructuring (TDR). We describe our accounting for and measurement of impairment on restructured loans below under Impaired Loans. See Note 5 Loans for additional information on our loan modifications and restructurings.

Delinquent and Nonperforming Loans

The entire balance of a loan is considered contractually delinquent if the minimum required payment is not received by the first statement cycle date equal to or following the due date specified on the customer s billing statement. Delinquency is reported on loans that are 30 or more days past due. Interest and fees continue to accrue on past due loans until the date the loan is placed on nonaccrual status, if applicable. We generally place loans on nonaccrual status when we believe the collectability of interest and principal is not reasonably assured.

Nonperforming loans generally include loans that have been placed on nonaccrual status and certain restructured loans whose contractual terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulty. We do not report loans accounted for under the fair value option and loans held for sale as nonperforming.

Our policies for classifying loans as nonperforming, by loan category, are as follows:

Credit card loans: As permitted by regulatory guidance issued by the Federal Financial Institutions Examination Council (FFIEC), our policy is generally to exempt credit card loans from being classified as nonperforming as these loans are generally charged off in the period the account becomes 180 days past due. Consistent with industry conventions, we generally continue to accrue interest and fees on delinquent credit card loans until the loans are charged-off. When we do not expect full payment of billed finance charges and fees, we reduce the balance of the credit card account by the estimated uncollectible portion of any billed finance charges and fees and exclude this amount from revenue.

Consumer loans: We classify other non-credit card consumer loans as nonperforming at the earlier of the date when we determine that the collectability of interest or principal on the loan is not reasonably assured or in the period in which the loan becomes 90 days past due for auto, home loans, and unsecured small business revolving lines of credit and 120 days past due for all other non-credit card consumer loans, including installment loans.

Commercial loans: We classify commercial loans as nonperforming as of the date we determine that the collectability of interest or principal on the loan is not reasonably assured.

Modified loans and troubled debt restructurings: Modified loans, including TDRs, that are current at the time of the restructuring remain on accrual status if there is demonstrated performance prior to the restructuring and continued performance under the modified terms is expected. Otherwise, the modified loan is classified as nonperforming and placed on nonaccrual status until the borrower demonstrates a sustained period of performance over several payment cycles, generally six months of consecutive payments, under the modified terms of the loan.

Purchased credit-impaired loans: PCI loans primarily include loans acquired from Chevy Chase Bank, which we recorded at fair value at acquisition. Because the initial fair value of these loans included an estimate of credit losses expected to be realized over the remaining lives of the loans, our subsequent accounting for PCI loans differs from the accounting for non-PCI loans. We therefore separately track and report PCI loans and exclude these loans from our delinquency and nonperforming loan statistics.

Interest and fees accrued but not collected at the date a loan is placed on nonaccrual status are reversed against earnings. In addition, the amortization of net deferred loan fees is suspended. Interest and fee income is

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CAPITAL ONE FINANCIAL CORPORATION

NOTES TO CONSOLIDATED STATEMENTS (Continued)

subsequently recognized only upon the receipt of cash payments. However, if there is doubt regarding the ultimate collectability of loan principal, all cash received is applied against the principal balance of the loan. Nonaccrual loans are generally returned to accrual status when all principal and interest is current and repayment of the remaining contractual principal and interest is reasonably assured or when the loan is both well-secured and in the process of collection and collectability is no longer doubtful.

Impaired Loans

A loan is considered impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due from the borrower in accordance with the original contractual terms of the loan. Loans with insignificant delays or insignificant short falls in the amount of payments expected to be collected are not considered to be impaired. Income recognition on impaired loans is consistent with that of nonaccrual loans discussed above under Delinquent and Nonperforming Loans.

Loans defined as individually impaired, based on applicable accounting guidance, include larger balance nonperforming loans and TDR loans. Our policies for identifying loans as individually impaired, by loan category, are as follows:

Credit card loans: Credit card loans that have been modified in a troubled debt restructuring are identified and accounted for as individually impaired.

Consumer loans: Consumer loans that have been modified in a troubled debt restructuring are identified and accounted for as individually impaired.

Commercial loans: Commercial loans classified as nonperforming and commercial loans that have been modified in a troubled debt restructuring are reported as impaired.

Purchased credit-impaired loans: We track and report PCI loans separately from other impaired loans.

We do not report nonperforming consumer loans that have not been modified in a TDR as individually impaired, as we collectively evaluate these smaller-balance homogenous loans for impairment in accordance with applicable accounting guidance. Held for sale loans are also not reported as impaired, as these loans are recorded at lower of cost or fair value.

All individually impaired loans are evaluated for an asset-specific allowance. Once a loan is modified in a troubled debt restructuring, the loan is generally considered impaired until maturity regardless of whether the borrower performs under the modified terms. Although the loan may be returned to accrual status if the criteria above under Delinquent and Nonperforming Loans are met, the loan would continue to be evaluated for an asset-specific allowance for loan losses and we would continue to report the loan as impaired.

We generally measure impairment and the related asset-specific allowance for individually impaired loans based on the difference between the recorded investment of the loan and present value of the loans expected future cash flows, discounted at the effective original interest rate of the loan at the time of modification or the loan s observable market price. If the loan is collateral dependent, we measure impairment based upon the fair value of the underlying collateral, which we determine based on the current fair value of the collateral less estimated selling costs, instead of discounted cash flows. Loans are identified as collateral dependent if we believe that collateral is the sole source of repayment.

If the fair value of the loan is less than the recorded investment, we recognize impairment by either a direct write-down or establishing an allowance for the loan or by adjusting an allowance for the impaired loan. See Note 6 Allowance for Loan and Lease Losses for additional information on the asset-specific component of our allowance.

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CAPITAL ONE FINANCIAL CORPORATION

NOTES TO CONSOLIDATED STATEMENTS (Continued)

Charge-Offs

Net charge-offs consist of the unpaid principal balance of loans held for investment that we determine are uncollectible, net of recovered amounts. We exclude accrued and unpaid finance charges and fees and fraud losses from charge-offs. Charge-offs are recorded as a reduction to the allowance for loan and lease losses and subsequent recoveries of previously charged off amounts are credited to the allowance for loan and lease losses. Costs incurred to recover charged-off loans are recorded as collection expense and included in our consolidated statements of income as a component of other non-interest expense. Our charge-off time frame for loans, which varies based on the loan type, is presented below.

Credit card loans: We generally charge-off credit card loans when the account is 180 days past due from the statement cycle date. Credit card loans in bankruptcy are charged-off within 30 days of receipt of a complete bankruptcy notification from the bankruptcy court, except for U.K. credit card loans, which are charged-offs within 60 days. Credit card loans of deceased account holders are charged-off within 60 days of receipt of notification.

Consumer loans: We generally charge-off consumer loans at the earlier of the date when the account is a specified number of days past due or upon repossession of the underlying collateral. Our charge-off time frame is 180 days for home loans and unsecured small business lines of credit and 120 days for auto and other non-credit card consumer loans. We calculate the charge-off amount for home loans based on the difference between our recorded investment in the loan and the fair value of the underlying property and estimated selling costs as of the date of the charge-off. We update our home value estimates on a regular basis and recognize additional charge-offs for declines in home values below our initial fair value and selling cost estimate at the date home loans are charged-off. Consumer loans in bankruptcy, except for auto and home loans, generally are charged-off within 40 days of receipt of notification from the bankruptcy court. Auto and home loans in bankruptcy are charged-off in the period that the loan is both 60 days or more past due and 60 days or more past the bankruptcy notification date or in the period the loan becomes 120 days past due for auto loans and 180 days past due for home regardless of the bankruptcy notification date. Consumer loans of deceased account holders are charged-off within 60 days of receipt of notification.

Commercial loans: We charge-off commercial loans in the period we determine that the unpaid principal loan amounts are uncollectible.

Purchased credit-impaired loans: We do not record charge-offs on PCI loans that are performing in accordance with or better than our expectations as of the date of acquisition, as the fair values of these loans already reflect a credit component. We record charge-offs on purchased credit-impaired loans only if actual losses exceed estimated losses incorporated into the fair value recorded at acquisition.

Foreclosed Property and Repossessed Assets

Foreclosed property and repossessed assets are comprised of any asset or property acquired through loan restructurings, workouts, foreclosure proceeding or acceptance of a deed-in-lieu of foreclosure. Acquired property may include commercial and residential real estate properties or personal property, such as autos.

Upon repossession of property acquired in satisfaction of a loan, we reclassify the loan to repossessed assets and record the acquired property at the lower of the recorded investment in the loan or the estimated fair value of the underlying collateral less estimated selling costs. We estimate fair values primarily based on appraisals, when available, or quoted market prices on liquid assets. Anticipated recoveries from private mortgage insurance and government guarantees are also considered in evaluating the potential impairment of loans at the date of transfer. When the anticipated future cash flows associated with a loan are less than its net carrying value, a charge-off is recognized against the allowance for loan losses.

CAPITAL ONE FINANCIAL CORPORATION

NOTES TO CONSOLIDATED STATEMENTS (Continued)

We regularly evaluate the fair value of acquired property and subsequently record at the lower of the amount recorded at acquisition or the current fair value less estimated disposition costs. Any valuation adjustments on acquired property or gains or losses realized from disposition of the property are reflected in non-interest expense.

Foreclosed property and repossessed assets, which we report in our consolidated balance sheet under other assets, totaled $169 million and $20 million, respectively, as of December 31, 2011, compared with $306 million and $20 million, respectively, as of December 31, 2010.

Allowance for Loan and Lease Losses

We maintain an allowance for loan and lease losses (the allowance) that represents management s best estimate of incurred loan and lease credit losses inherent in our held-for-investment portfolio as of each balance sheet date. We do not maintain an allowance for held-for-sale loans or purchased-credit impaired loans that are performing in accordance with or better than our expectations as of the date of acquisition, as the fair values of these loans already reflect a credit component. The allowance for loan and lease losses is increased through the provision for loan and lease losses and reduced by net charge-offs. The provision for loan and lease losses, which is charged to earnings, reflects credit losses we believe have been incurred and will eventually be reflected over time in our charge-offs. Charge-offs of uncollectible amounts are deducted from the allowance and subsequent recoveries are added.

In determining the allowance for loan and lease losses, we disaggregate loans in our portfolio with similar credit risk characteristics into portfolio segments. Management performs quarterly analysis of these portfolios to determine if impairment has occurred and to assess the adequacy of the allowance based on historical and current trends and other factors affecting credit losses. We apply documented systematic methodologies to separately calculate the allowance for our consumer loan and commercial loan portfolio and for loans within each of these portfolios that we identify as individually impaired. Our allowance for loan and lease losses consists of three components that are allocated to cover the estimated probable losses in each loan portfolio based on the results of our detailed review and loan impairment assessment process: (1) a formula-based component for loans collectively evaluated for impairment; (2) an asset-specific component for individually impaired loans; and (3) a component related to purchased credit-impaired loans that have experienced significant decreases in expected cash flows subsequent to acquisition.

Our consumer loan portfolio consists of smaller-balance, homogeneous loans, divided into four primary portfolio segments: credit card loans, auto loans, residential home loans and retail banking loans. Each of these portfolios is further divided by our business units into pools based on common risk characteristics, such as origination year, contract type, interest rate and geography that are collectively evaluated for impairment. The commercial loan portfolio is primarily composed of larger-balance, non-homogeneous loans. These loans are subject to individual reviews that result in risk ratings. In assessing the risk rating of a particular loan, among the factors we consider are the financial condition of the borrower, geography, collateral performance, historical loss experience, and industry-specific information that management believes is relevant in determining the occurrence of a loss event and measuring impairment. These factors are based on an evaluation of historical and current information, and involve subjective assessment and interpretation. Emphasizing one factor over another or considering additional factors could impact the risk rating assigned to that loan.

The formula-based component of the allowance for credit card and other consumer loans that we collectively evaluate for impairment is based on a statistical calculation. Because of the homogenous nature of our consumer loan portfolios, the allowance is based on the aggregated portfolio segment evaluations. The allowance is

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NOTES TO CONSOLIDATED STATEMENTS (Continued)

established through a process that begins with estimates of incurred losses in each pool based upon various statistical analyses. Loss forecast models are utilized to estimate incurred losses and consider several portfolio indicators including, but not limited to, historical loss experience, account seasoning, the value of collateral underlying secured loans, estimated foreclosures or defaults based on observable trends, delinquencies, bankruptcy filings, unemployment and credit bureau scores, and general economic and business trends. Management believes these factors are relevant in estimating incurred losses and also considers an evaluation of overall portfolio credit quality based on indicators such as changes in our credit evaluation, underwriting and collection management policies, changes in the legal and regulatory environment, general economic conditions and business trends and uncertainties in forecasting and modeling techniques used in estimating our allowance. We update our consumer loss forecast models and portfolio indicators on a quarterly basis to incorporate information reflective of the current economic environment.

The formula-based component of the allowance for commercial loans that we collectively evaluate for impairment is based on our historical loss experience for loans with similar risk characteristics and consideration of the current credit quality of the portfolio, supplemented by management judgment and interpretation. We apply internal risk ratings to commercial loans, which we use to assess credit quality and derive a total loss estimate based on an estimated probability of default (default rate) and loss given default (loss severity). We generally use the prior three-year actual portfolio credit loss experience to develop our estimate of credit losses inherent in the portfolio as of each balance sheet date. Management may also apply judgment to adjust the loss factors derived, taking into consideration both quantitative and qualitative factors, including general economic conditions, specific industry and geographic trends, portfolio concentrations, trends in internal credit quality indicators and current and past underwriting standards that have occurred but are not yet reflected in the historical data underlying our loss estimates.

The asset-specific component of the allowance covers smaller-balance homogenous credit card and consumer loans whose terms have been modified in a TDR and larger balance nonperforming, non-homogenous commercial loans. As discussed above under Impaired Loans, we generally measure the asset-specific component of the allowance based on the difference between the recorded investment of individually impaired loans and the present value of expected future cash flows. When the present value is lower than the carrying value of the loan, impairment is recognized through the provision for loan and lease losses. If the loan is collateral dependent, we measure impairment based upon the fair value of the underlying collateral, which we determine based on the current fair value of the collateral less estimated selling costs, instead of discounted cash flows. The asset specific component of the allowance for smaller-balance impaired loans is calculated on a pool basis using historical loss experience for the respective class of assets. The asset-specific component of the allowance for larger-balance, commercial loans is individually calculated for each loan. Key considerations in determining the allowance include the borrower s overall financial condition, resources and payment history, prospects for support from financially responsible guarantors, and when applicable, the estimated realizable value of any collateral.

Purchased credit-impaired loans are recorded at fair value at acquisition and applicable accounting guidance prohibits the carry over or creation of valuation allowances in the initial accounting for impaired loans acquired in a transfer. Subsequent to acquisition, decreases in expected principal cash flows of purchased impaired loans are recorded as a valuation allowance included in the allowance for loan and lease losses. Subsequent increases in expected principal cash flows result in a recovery of any previously recorded allowance for loan and lease losses, to the extent applicable. Write-downs on purchased impaired loans in excess of the nonaccretable difference are charged against the allowance for loan and lease losses. See Note 5 Loans for information on purchased credit-impaired portfolios associated with acquisitions.

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In addition to the allowance for loan and lease losses, we also estimate probable losses related to unfunded lending commitments, such as letters of credit and financial guarantees, and binding unfunded loan commitments. The provision for unfunded lending commitments is included in the provision for loan and lease losses on our consolidated statements of income and the related reserve for unfunded lending commitments is included in other liabilities on our consolidated balance sheets. Unfunded lending commitments are subject to individual reviews and are analyzed and segregated by risk according to our internal risk rating scale. We assess these risk classifications, in conjunction with historical loss experience, utilization assumptions, current economic conditions, performance trends within specific portfolio segments and other pertinent information to estimate the reserve for unfunded lending commitments.

Determining the appropriateness of the allowance is complex and requires judgment by management about the effect of matters that are inherently uncertain. Subsequent evaluations of the loan portfolio, in light of the factors then prevailing, may result in significant changes in the allowances for loan and lease losses and reserve for unfunded lending commitments in future periods.

Special Purpose Entities and Variable Interest Entities

Effective January 1, 2010, we prospectively adopted two accounting standards that had a significant impact on our accounting for entities previously considered to be off-balance sheet arrangements. The adoption of these new accounting standards resulted in the consolidation of our credit card securitization trusts, one of our installment loan trusts and certain option-adjustable rate mortgages (option-ARM) loan trusts originated by Chevy Chase Bank. Prior to January 1, 2010, transfers of our credit card receivables, installment loans and certain option-adjustable rate mortgage loans to our securitization trusts were accounted for as sales and treated as off-balance sheet. At the adoption of these new accounting standards on January 1, 2010, we added to our reported consolidated balance sheet $41.9 billion of assets, consisting primarily of credit card loan receivables underlying the consolidated securitization trusts, along with $44.3 billion of related debt issued by these trusts to third-party investors. We also recorded an after-tax charge to retained earnings on January 1, 2010 of $2.9 billion, reflecting the net cumulative effect of adopting these new accounting standards. This charge primarily related to the addition of $4.3 billion to our allowance for loan and lease losses for the newly consolidated loans and the recording of $1.6 billion in related deferred tax assets. The initial recording of these amounts on our reported balance sheet as of January 1, 2010 had no impact on our reported income.

Securitization of Loans

We primarily securitize credit card loans, auto loans, home loans and installment loans. Securitizations have historically been utilized for liquidity and funding purposes. See Note 7 Variable Interest Entities and Securitizations and Note 8 Goodwill and Other Intangible Assets for additional details. Loan securitization involves the transfer of a pool of loan receivables from our portfolio to a trust from which the trust sells an undivided interest in the pool of loan receivables to third-party investors through the issuance of debt securities. The debt securities are collateralized by the transferred receivables from our portfolio, and we receive proceeds from the third-party investors in consideration for the loans transferred. We remove loans from our consolidated balance sheet when securitizations qualify as sales to non-consolidated VIEs, recognize assets retained and liabilities assumed at fair value and record a gain or loss on the transferred loans. Alternatively, when the transfer does not qualify as a sale but instead is considered a secured borrowing or when the sale is to a consolidated VIE, the asset will remain on our consolidated financial statements with an offsetting liability recognized for the amount of proceeds received.

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Goodwill and Other Intangible Assets

Goodwill resulting from business combinations prior to January 1, 2009 represents the excess of the purchase price over the fair value of the net assets of businesses acquired. Goodwill resulting from business combinations after January 1, 2009, is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date.

Goodwill is not amortized but is tested for impairment at least annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. Goodwill is the only intangible asset with an indefinite life on our consolidated balance sheets. We have elected October 1 as the date to perform our annual goodwill impairment test. Intangible assets with definite useful lives are amortized either on a straight-line or on an accelerated basis over their estimated useful lives and evaluated for impairment whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable.

Other Assets

We report our investment in Federal Home Loan Bank (FHLB) stock, which totaled $362 million and $269 million as of December 31, 2011 and 2010, respectively, and our investment in Federal Reserve stock, which totaled $863 million and $861 million, as of December 31, 2011 and 2010, respectively, in other assets on our consolidated balance sheets. We carry these investments at cost and assess for other-than-temporary impairment in accordance with applicable accounting guidance for evaluating impairment. We did not recognize any impairment on these investments in 2011 or 2010.

Mortgage Servicing Rights

Mortgage servicing rights (MSRs) are initially recorded at fair value when mortgage loans are sold or securitized in the secondary market and the right to service these loans is retained for a fee. Subsequently, MSRs are carried at fair value on our consolidated balance sheet with changes in fair value recognized in other income. In measuring the fair value of our MSRs, we stratify the underlying loans based on certain risk characteristics, including loan type, note rate and investor servicing requirements. We determine the fair value of MSRs based on the present value of the estimated future cash flows of net servicing income. We use assumptions in the valuation model that market participants use when estimating future net servicing income, including prepayment speeds, discount rates, default rates, cost to service, escrow account earnings, contractual servicing fee income, ancillary income and late fees. This model is highly sensitive to changes in certain assumptions. Different anticipated prepayment speeds, in particular, can result in substantial changes in the estimated fair value of MSRs. If actual prepayment experience differs from the anticipated rates used in the model, this difference could result in a material change in the value of our MSRs.

MSRs, which are included in other assets on our consolidated balance sheets, totaled $93 million and $141 million as of December 31, 2011 and 2010, respectively. Our acquisition of Chevy Chase Bank resulted in additional mortgage servicing rights of $110 million as of the acquisition date. See Note 8 Goodwill and Other Intangible Assets and Note 7 Variable Interest Entities and Securitizations for additional information.

Upon adoption of the accounting consolidation guidance, certain mortgage loans that had been securitized and accounted for as a sale were subject to consolidation and accounted for as a secured borrowing. Accordingly, effective January 1, 2010, mortgage securitization trusts that contain approximately $1.6 billion of mortgage loans and related debt securities issued to third party investors were consolidated and the retained interests and

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mortgage servicing rights related to these newly consolidated trusts were eliminated in consolidation. See Note 1 Summary of Significant Accounting Policies and Note 8 Goodwill and Other Intangible Assets for additional information.

Fair Value

Fair value is defined as the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date (also referred to as an exit price). The fair value accounting guidance provides a three-level fair value hierarchy for classifying financial instruments. This hierarchy is based on whether the inputs to the valuation techniques used to measure fair value are observable or unobservable. Fair value measurement of a financial asset or liability is assigned to a level based on the lowest level of any input that is significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are described below:

Level 1:	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2:	Observable market-based inputs, other than quoted prices in active markets for identical assets or liabilities.
Level 3:	Unobservable inputs.

Under the fair value accounting guidance, an entity has the irrevocable option to elect, on a contract-by-contract basis, to measure certain financial assets and liabilities at fair value at inception of the contract and thereafter, with any changes in fair value recorded in current earnings. We did not make any material fair value option elections as of and for the years ended December 31, 2011 and 2010. See Note 19 Fair Value of Financial Instruments for additional information.

Representation and Warranty Reserve

In connection with their sales of mortgage loans, our subsidiaries entered into agreements containing varying representations and warranties about, among other things, the ownership of the loan, the validity of the lien securing the loan, the loan s compliance with any applicable loan criteria established by the purchaser, including underwriting guidelines and the ongoing existence of mortgage insurance, and the loan s compliance with applicable federal, state and local laws. We may be required to repurchase the mortgage loan, indemnify the investor or insurer, or reimburse the investor for credit losses incurred on the loan in the event of a material breach of contractual representations or warranties.

We have established representation and warranty reserves for losses that we consider to be both probable and reasonably estimable associated with the mortgage loans sold by each subsidiary, including both litigation and non-litigation liabilities. The reserve-setting process relies heavily on estimates, which are inherently uncertain, and requires the application of judgment. In establishing the representation and warranty reserves, we consider a variety of factors, depending on the category of purchaser and rely on historical data. We evaluate these estimates on a quarterly basis.

Losses incurred on loans that we are required to either repurchase or make payments to the investor under the indemnification provisions are charged against the reserve. The representation and warranty reserve is included in other liabilities. Changes to the representation and warranty reserve related to GreenPoint are reported as discontinued operations for all periods presented. See Note 21 Commitments, Contingencies and Guarantees for additional information related to our representation and warranty reserve.

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NOTES TO CONSOLIDATED STATEMENTS (Continued)

Rewards Liability

We offer products, primarily credit cards, that offer reward program members with various rewards, such as airline tickets, cash, or merchandise, based on account activity. We generally recognize rewards cost as an offset to interchange income when the rewards are earned by the customer and record the corresponding rewards liability. The rewards liability is computed based on points earned to date that are expected to be redeemed and the average cost per point redemption. The rewards liability is reduced as points are redeemed. In estimating the rewards liability, we consider historical rewards redemption behavior, the terms of the current rewards programs and card purchase activity. The rewards liability is sensitive to changes in the reward redemption type and redemption rate, which is based on the expectation that the vast majority of all points earned will eventually be redeemed. The rewards liability, which is included in other liabilities in our consolidated balance sheets, totaled $1.7 billion and $1.5 billion as of December 31, 2011 and 2010, respectively.

Derivative Instruments and Hedging Activities

In accordance with applicable accounting standards, all derivative financial instruments, whether designated for hedge accounting or not, are reported at their fair value on our consolidated balance sheets as either assets or liabilities. Derivatives in a net asset position are included on in other assets, and derivatives in a net liability position are included in other liabilities. Our policy is not to offset fair value amounts recognized for derivative instruments and fair value amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral arising from derivative instruments recognized at fair value executed with the same counterparty under master netting arrangements. As of December 31, 2011 and 2010, we had recorded $353 million and $229 million, respectively, for the right to retain cash collateral and $894 million and $668 million, respectively, for the obligation to return cash collateral.

The accounting for changes in the fair value (i.e., gains and losses) of a derivative instrument differs based on whether the derivative has been designated as a qualifying accounting hedge and the type of accounting hedge. For those derivative instruments that are designated and qualify as hedging instruments we must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign operation.

For derivative instruments that are designated and qualify as fair value hedges (i.e., hedging the exposure to changes in the fair value of an asset or a liability or an identified portion thereof that is attributable to a particular risk), the gain or loss on the derivative instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk is recognized in current earnings during the period of the change in fair values. For derivative instruments that are designated and qualify as cash flow hedges (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of future cash flows of the hedged item, if any, is recognized in current earnings during the period of change. For derivative instruments that are designated and qualify as hedges of a net investment in a foreign operation, the gain or loss is reported in other comprehensive income as part of the cumulative translation adjustment to the extent it is effective. For derivative instruments not designated as hedging instruments, the gain or loss is recognized in current earnings during the period of change in the fair value.

We also enter into derivative agreements with our customers to transfer, modify or reduce their interest rate or foreign exchange risks. As part of this process, we consider the customers suitability for the risk involved, and

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NOTES TO CONSOLIDATED STATEMENTS (Continued)

the business purpose for the transaction. These derivatives do not qualify for hedge accounting and are considered trading derivatives with changes in fair value recognized in current period earnings. See Note 11 Derivative Instruments and Hedging Activities for additional detail.

Revenue Recognition

We recognize earned finance charges, interest income and fees on loans in interest and non-interest income in accordance with the contractual provisions of the credit arrangements. As discussed above under Loans Delinquent and Nonperforming Loans, interest and fees continue to accrue on past due loans until the date the loan is placed on nonaccrual status, if applicable. Interest and fees accrued but not collected at the date a loan is placed on nonaccrual status are reversed against earnings.

Finance charges and fees on credit card loans are included in loan receivables when billed to the customer. We continue to accrue finance charges and fees on credit card loans until the account is charged-off. However, when we do not expect full payment of billed finance charges and fees, we reduce the balance of our credit card loan receivables by the amount of finance charges billed but not expected to be collected and exclude this amount from revenue. Our methodology for estimating the uncollectible portion of billed finance charges and fees is consistent with the methodology we use to estimate the allowance for incurred principal losses on our credit card loan receivables. Revenue was reduced by $372 million, $950 million and $2.1 billion in 2011, 2010 and 2009, respectively, for the estimated uncollectible portion of billed finance charges and fees.

We determine the adequacy of the uncollectible finance charge and fee reserve on a quarterly basis, primarily based on the use of a roll-rate methodology. We refine our estimation process and key assumptions used in determining our loss reserves as additional information becomes available. In the third quarter of 2011, we revised the manner in which we estimate expected recoveries of finance charge and fee amounts previously considered to be uncollectible. Our revised recovery assumptions better reflect the post-recession pattern of relatively low delinquency roll-rates combined with increased recoveries of finance charges and fees previously considered uncollectible. This change in assumptions resulted in reduction in our uncollectible finance charge and fee reserves of $83 million as of September 30, 2011, and in a corresponding increase in revenues. We also applied these revised assumptions to the estimated recovery of principal charge-offs in determining our allowance for loan and lease losses. The revision, however, had an insignificant impact on the overall determination of our allowance for lease and loan losses.

Interchange income is a discount on the payment due from the card-issuing bank to the merchant bank through the interchange network. Interchange rates are set by MasterCard International Inc. (MasterCard) and Visa U.S.A. Inc. (Visa) and are based on cardholder purchase volumes. We recognize interchange income as earned. Annual membership fees and direct loan origination costs specific to credit card loans are deferred and amortized over one year on a straight-line basis. Fees and origination costs and premiums and discounts are deferred and amortized over the average life of the related loans using the effective interest method for qualifying consumer and commercial loan originations. Direct loan origination costs consist of both internal and external costs associated with the origination of a loan.

Marketing Expense

We expense marketing costs as incurred. Television advertising costs are expensed during the period in which the advertisements are aired. We recognized marketing expense of $1.3 billion, $1.0 billion and $0.6 billion in 2011, 2010 and 2009, respectively.

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Fraud Losses

We experience fraud losses from the unauthorized use of credit cards, debit cards and customer bank accounts. Additional fraud losses may be incurred when loans are obtained through fraudulent means. Transactions suspected of being fraudulent are charged to non-interest expense after an investigation period. Recoveries of fraud losses also are also included in non-interest expense. See Note 15 Other Non-Interest Expense for additional information.

Income Taxes

We account for income taxes in accordance with the accounting guidance for income taxes, recognizing the current and deferred tax consequences of all transactions that have been recognized in the financial statements using the provisions of the enacted tax laws. Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. We record valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized. See Note 18 Income Taxes for additional details.

Accounting Standards Adopted in 2011

Receivables: A Creditor s Determination of Whether a Restructuring is a Troubled Debt Restructuring

In April 2011, the Financial Accounting Standards Board (FASB) issued an amendment to the accounting guidance for financing receivables, which includes loans, to clarify when a restructuring, such as a loan modification, is considered a troubled debt restructuring (TDR). This amendment provides clarification on determining whether a debtor is experiencing financial difficulties and whether a concession has been granted to the debtor for purposes of determining if a loan modification constitutes a TDR. The amended guidance is effective for interim and annual periods beginning on or after June 15, 2011 and applies retrospectively to restructurings occurring on or after the beginning of the fiscal year of adoption, with early adoption permitted. For purposes of measuring impairment for these receivables, the guidance is applied prospectively for the first interim or annual period beginning on or after June 15, 2011 with early adoption permitted. The adoption of this amended accounting guidance in the third quarter of 2011 resulted in a net increase in loan modifications considered to be TDRs of $56 million for consumer loans and $77 million for commercial loans. The allowance for credit losses associated with these loans was $22 million as of September 30, 2011.

Fair Value Measurements and Disclosures Improving Disclosures about Fair Value Measurements

In January 2010, the Financial Accounting Standards Board (FASB) issued guidance to improve disclosures about fair value measurements. The guidance, which amended previous disclosure requirements for fair value measurements, requires new disclosures for significant transfers of financial assets and liabilities into and out of Level 1 and Level 2 of the fair value hierarchy, and requires that information on purchases, sales, issuances and settlements in the rollforward of Level 3 activity be presented on a gross basis rather than on a net basis The amended guidance also provides several clarifications with respect to disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring instruments classified as either Level 2 or Level 3. We adopted the requirement for gross presentation in the Level 3 rollforward on January 1, 2011. The remaining provisions of the guidance were effective for us on January 1, 2010. Our adoption of the updated guidance did not affect our financial condition, results of operations or liquidity since it amends only the disclosure requirements for fair value measurements.

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Recently Issued but Not Yet Adopted Accounting Standards

Offsetting Financial Assets and Liabilities

In December 2011, the FASB issued guidance intended to enhance current disclosure requirements on offsetting financial assets and liabilities. The new disclosures will enable financial statement users to compare balance sheets prepared under U.S. GAAP and IFRS, which are subject to different offsetting models. Upon adoption, entities will be required to disclose both gross and net information about instruments and transactions eligible for offset in the balance sheet as well as instruments and transactions subject to an agreement similar to a master netting arrangement. The disclosures will be required irrespective of whether such instruments are presented gross or net on the balance sheet. The guidance is effective for annual and interim reporting periods beginning on or after January 1, 2013, with comparative retrospective disclosures required for all periods presented. Our adoption of the guidance will have no effect on our financial condition, results of operations or liquidity since it impacts disclosures only.

Goodwill Impairment

In September 2011, the FASB issued guidance that is intended to simplify goodwill impairment testing by providing entities with the option to first assess qualitatively whether it is necessary to perform the two-step quantitative analysis currently required. If an entity chooses to perform a qualitative assessment and determines that it is more likely than not that the fair value of a reporting period is less than its carrying amount, the quantitative two-step goodwill impairment test is required. Otherwise, goodwill is deemed to be not impaired and no further evaluation analysis would be necessary. The amended goodwill impairment guidance does not affect the manner in which a company estimates fair value. The amended guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. We intend to adopt the amended guidance on January 1, 2012. We had $13.6 billion in goodwill as of December 31, 2011, the value of which will not be affected by the adoption of this standard.

Presentation of Comprehensive Income

In June 2011, the FASB issued new accounting guidance that revises the manner in which comprehensive income is required to be presented in financial statements. The new guidance will require companies to present the components of net income and other comprehensive income either as one continuous statement or as two consecutive statements. The guidance eliminates the option to present components of other comprehensive income in the statement of changes in stockholders equity. It does not change the items which must be reported in other comprehensive income, how such items are measured or when they must be reclassified from other comprehensive income to net income. The guidance requires retrospective application and is effective for interim and annual periods beginning on or after December 15, 2011. We intend to adopt the guidance in the first quarter of 2012. Our adoption of the guidance will have no effect on our financial condition, results of operations or liquidity since it impacts presentation only.

Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (IFRS)

In May 2011, the FASB issued amended guidance on fair value that is intended to provide a converged fair value framework for U.S. GAAP and IFRS. The amended guidance results in a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between U.S. GAAP and IFRS. While the amended guidance continues to define fair value as an exit price, it changes some fair value measurement

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principles and expands the existing disclosure requirements for fair value measurements. The amended guidance is effective for public entities during interim and annual periods beginning after December 15, 2011, with early adoption prohibited. The new guidance requires prospective application and disclosure in the period of adoption of the change, if any, in valuation techniques and related inputs resulting from application of the amendments and quantification of the total effect, if practicable. We intend to adopt the amended guidance in the first quarter of 2012, and are currently assessing the impact that the adoption will have on our consolidated financial statements.

Transfers and Servicing: Reconsideration of Effective Control for Repurchase Agreements

In April 2011, the FASB issued an amendment to the guidance for transfers and servicing with regard to repurchase agreements and other agreements that both entitle and obligate a transferor to repurchase or redeem financial assets before their maturity. This amendment removes the criterion related to collateral maintenance from the transferor s assessment of effective control. It focuses the assessment of effective control on the transferor s rights and obligations with respect to the transferred financial assets and not whether the transferor has the practical ability to perform in accordance with those rights or obligations. The amendment is effective prospectively for transactions or modification of existing transactions that occur on or after the first interim or annual period beginning on or after December 15, 2011. We intend to adopt the amended guidance on January 1, 2012. We do not expect that the adoption will have a material impact on our consolidated financial statements.

NOTE 2 ACQUISITIONS AND RESTRUCTURING ACTIVITIES

We regularly explore opportunities to enter into strategic partnership agreements or acquire financial services companies and businesses to expand our distribution channels and grow our customer base. We may structure these transactions with both an initial payment and later contingent payments tied to future financial performance. In some partnership agreements, we may enter into collaborative risk-sharing arrangements that provide for revenue and loss sharing.

Accounting for Acquisitions

We account for acquisitions in accordance with the accounting guidance for business combinations. Under the guidance for business combinations, the accounting differs depending on whether the acquired set of activities and assets meets the definition of a business. A business is considered to be an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing economic benefits directly to investors or other owners, members, or participants. If the acquired set of activities and assets meets the definition of a business, the transaction is accounted for as a business combination. Otherwise, it is accounted for as an asset acquisition.

In a business combination, identifiable assets acquired, liabilities assumed and any noncontrolling interest in the acquiree are recorded at fair value as of the acquisition date, with limited exceptions. Transaction costs and costs to restructure the acquired company are generally expensed as incurred. Goodwill is recognized as the excess of the acquisition price over the estimated fair value of the net assets acquired. The operating results of the acquired business are reflected in our consolidated financial statements subsequent to the date of the merger or acquisition. In an asset acquisition, the assets acquired are recorded at the purchase price plus any transaction costs incurred. Goodwill is not recognized in an asset acquisition.

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Accounting for Partnership Agreements

Our partnership agreements primarily relate to alliances with third parties to provide lending and other services to private label credit card customers. We evaluate the specific terms of each agreement to determine whether it meets the definition of a collaborative arrangement and how revenue generated from third parties, costs incurred and transactions between participants in the partnership agreement should be accounted for and reported in our consolidated financial statements. A collaborative arrangement is a contractual arrangement that involves a joint operating activity involving two or more parties that are both active participants in the activity and exposed to significant risks and rewards dependent on the economic success of the activity.

If the agreement involves payments between participants under a revenue or loss sharing arrangement, we must determine whether to report revenue or loss amounts on a gross basis or on a net basis after taking into consideration payments due to or due from participants. We evaluate the contractual provisions of each transaction and applicable accounting guidance in determining the manner in which to report the impact of revenue and loss sharing amounts in our consolidated balance sheet and the related impact on our allowance for loan and lease losses. Our consolidated net income is the same regardless of whether we record revenue or expense amounts on a gross or net basis.

2011 Acquisitions

Hudson s Bay Company Credit Card Portfolio

On January 7, 2011, in a cash transaction, we acquired the credit card portfolio of Hudson s Bay Company (HBC), a Canadian operation, from GE Capital Retail Finance. The acquisition and partnership with HBC significantly expands our credit card customer base in Canada, tripling the number of customer accounts, and provides an additional distribution channel. The acquisition included outstanding credit card loan receivables with a fair value of approximately $1.4 billion, and a transfer of approximately 400 employees directly involved in managing the HBC portfolio.

We accounted for the acquisition as a business combination. Accordingly, we recorded the assets acquired, including identifiable intangible assets, and liabilities assumed at their respective fair values as of the acquisition date and consolidated with our results. In connection with the acquisition, we recorded goodwill of $3 million representing the amount by which the purchase price exceeded the fair value of the net assets acquired. We also recognized a purchased credit card relationship intangible asset of $11 million at acquisition and a contract-based intangible asset of $70 million. Because the acquisition was considered to be a taxable transaction, the goodwill is deductible for tax purposes. The goodwill was assigned to the International Credit Card reporting unit of our Credit Card segment, and the acquired loan portfolio is reflected in the operations of our International Credit Card business.

Kohl s Credit Card Portfolio

In August 2010, we entered into a private-label credit card partnership agreement with Kohl s Department Stores (Kohl s). In connection with the partnership agreement, effective April 1, 2011, we acquired Kohl s existing private-label credit card loan portfolio from JPMorgan Chase & Co. The existing portfolio, which consists of more than 20 million Kohl s customer accounts, had an outstanding principal and interest balance of approximately $3.7 billion at acquisition. The partnership agreement has an initial seven-year term and an automatic one-year renewal thereafter. We accounted for the purchase as an asset acquisition.

CAPITAL ONE FINANCIAL CORPORATION

NOTES TO CONSOLIDATED STATEMENTS (Continued)

Under the terms of the partnership agreement and in conjunction with the acquisition, we began issuing Kohl s branded private-label credit cards to new and existing Kohl s customers on April 1, 2011. Risk management decisions are jointly managed by Kohl s and us, but we retain final authority over risk management decisions. Kohl s has primary responsibility for handling customer service functions and advertising and marketing related to credit card customers.

We share a fixed percentage of revenues, consisting of finance charges and late fees, with Kohl s, and Kohl s is required to reimburse us for a fixed percentage of credit losses incurred. Revenues and losses related to the Kohl s credit card program are reported on a net basis in our consolidated financial statements. The revenue sharing amounts earned by Kohl s are reflected as an offset against our revenues in our consolidated statements of income. The loss sharing amounts from Kohl s are reflected as a reduction in our provision for loan and lease losses in our consolidated statements of income. We also report the related allowance for loan and lease losses attributable to the Kohl s portfolio in our consolidated balance sheets net of the loss sharing amount due from Kohl s.

Interest income was reduced by $607 million for the year ended December 31, 2011, for amounts earned by Kohl s. Loss sharing amounts attributable to Kohl s reduced charge-offs by $118 million in 2011. In addition, the expected reimbursement from Kohl s netted in our allowance for loan and lease losses was approximately $139 million as of December 31, 2011. The reduction in the provision for loan and lease losses attributable to Kohl s was $257 million for the year ended December 31, 2011.

Restructuring Activities

In 2009, we completed the broad-based initiative started in 2007 to reduce expenses and improve our competitive cost position. Restructuring initiatives leveraged the capabilities of infrastructure projects in several of our businesses. The scope and timing of the cost reductions were the result of an ongoing, comprehensive review of operations within and across our businesses.

Total incurred charges exceeded the original estimate of $300 million by $63 million. The increase occurred because we extended the initiative past the original timeline due to the continued economic deterioration. Approximately half of these charges were related to severance benefits, while the remaining charges were associated with items such as contract and lease terminations and consolidation of facilities and infrastructure. We recognized restructuring expense of $119 million in 2009. We did not recognize any restructuring expense in 2011 and 2010.

NOTE 3 DISCONTINUED OPERATIONS

Shutdown of Mortgage Origination Operations of Wholesale Mortgage Banking Unit

In the third quarter of 2007, we closed the mortgage origination operations of our wholesale mortgage banking unit, acquired by us in December 2006 as part of the North Fork acquisition. The results of the mortgage origination operations and wholesale banking unit have been accounted for as a discontinued operation and therefore not included in our results from continuing operations in 2011, 2010 and 2009. We have no significant continuing involvement in these operations.

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NOTES TO CONSOLIDATED STATEMENTS (Continued)

The following table summarizes the results from discontinued operations related to the closure of our wholesale mortgage banking unit:

	Year Ended December 31,		
(Dollars in millions)	**2011**	**2010**	**2009**
Net interest expense	**$ 0**	$ (1)	$ (2)
Non-interest expense	**(168)**	(475)	(157)
Loss from discontinued operations before taxes	**(168)**	(476)	(159)
Income tax benefit	**62**	169	56
Loss from discontinued operations, net of taxes	**$ (106)**	$ (307)	$ (103)

The loss from discontinued operations includes an expense of $169 million ($120 million net of tax), $432 million ($304 million net of tax) and $162 million ($120 million net of tax) for the years ended December 31, 2011, 2010 and 2009, respectively, primarily attributable to provisions for mortgage loan repurchase losses related to representations and warranties provided on loans previously sold to third parties by the wholesale banking unit.

The discontinued mortgage origination operations of our wholesale home loan banking unit had remaining assets of $304 million and $362 million as of December 31, 2011 and 2010, respectively, which consisted primarily of income tax receivables. Liabilities totaled $680 million and $585 million as of December 31, 2011 and 2010, respectively consisting primarily of reserves for representations and warranties on loans previously sold to third parties.

NOTE 4 INVESTMENT SECURITIES

Our investment securities portfolio, which had a fair value of $38.8 billion and $41.5 billion, as of December 31, 2011 and 2010, respectively, consists of U.S. Treasury and U.S. agency debt obligations; agency and non-agency residential and commercial mortgage-backed securities; other asset-backed securities collateralized primarily by credit card loans, auto loans and leases, student loans, auto dealer floor plan inventory loans and leases, equipment loans, and other; municipal securities and limited Community Reinvestment Act (CRA) equity securities. Our investment securities portfolio continues to be heavily concentrated in securities that generally have lower credit risk and high credit ratings, such as securities issued and guaranteed by the U.S. Treasury and government sponsored enterprises or agencies. Our investments in U.S. Treasury and agency securities, based on fair value, represented 69% of our total investment securities portfolio as of December 31, 2011, compared with 70% as of December 31, 2010.

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NOTES TO CONSOLIDATED STATEMENTS (Continued)

Securities Amortized Cost and Fair Value

All of our investment securities were classified as available-for-sale as of December 31, 2011 and 2010, and are reported in our consolidated balance sheet at fair value. The following tables present the amortized cost, fair values and corresponding gross unrealized gains (losses), by major security type, for our investment securities as of December 31, 2011 and 2010. The gross unrealized gains (losses) related to our available-for-sale securities are recorded, net of tax, as a component of accumulated other comprehensive income (AOCI).

	December 31, 2011					
(Dollars in millions)	**Amortized Cost**	**Total Gross Unrealized Gains**	**Gross Unrealized Losses-OTTI[1]**	**Gross Unrealized Losses-Other[2]**	**Total Gross Unrealized Losses**	**Fair Value**
Securities available for sale:						
U.S. Treasury debt obligations	**$ 115**	**$ 9**	**$ 0**	**$ 0**	**$ 0**	**$ 124**
U.S. Agency debt obligations[3]	**131**	**7**	**0**	**0**	**0**	**138**
Residential mortgage-backed securities (RMBS):						
Agency[4]	**24,980**	**539**	**0**	**(31)**	**(31)**	**25,488**
Non-agency	**1,340**	**1**	**(170)**	**(9)**	**(179)**	**1,162**
Total RMBS	**26,320**	**540**	**(170)**	**(40)**	**(210)**	**26,650**
Commercial mortgage-backed securities (CMBS):						
Agency[4]	**697**	**14**	**0**	**0**	**0**	**711**
Non-agency	**459**	**17**	**0**	**0**	**0**	**476**
Total CMBS	**1,156**	**31**	**0**	**0**	**0**	**1,187**
Asset-backed securities (ABS[5])	**10,119**	**45**	**0**	**(14)**	**(14)**	**10,150**
Other[6]	**462**	**51**	**0**	**(3)**	**(3)**	**510**
Total securities available for sale	**$ 38,303**	**$ 683**	**$ (170)**	**$ (57)**	**$ (227)**	**$ 38,759**

	December 31, 2010					
(Dollars in millions)	**Amortized Cost**	**Total Gross Unrealized Gains**	**Gross Unrealized Losses-OTTI[1]**	**Gross Unrealized Losses-Other[2]**	**Total Gross Unrealized Losses**	**Fair Value**
Securities available for sale:						
U.S. Treasury debt obligations	$ 373	$ 13	$ 0	$ 0	$ 0	$ 386
U.S. Agency debt obligations[3]	301	13	0	0	0	314
Residential mortgage-backed securities (RMBS):						
Agency[4]	27,980	667	0	(143)	(143)	28,504
Non-agency	1,826	1	(105)	(22)	(127)	1,700
Total RMBS	29,806	668	(105)	(165)	(270)	30,204
Commercial mortgage-backed securities (CMBS):						

Agency[4]	44	1	0	0	0	45
Non-agency	0	0	0	0	0	0
Total CMBS	44	1	0	0	0	45
Asset-backed securities (ABS[5])	9,901	69	0	(4)	(4)	9,966
Other[6]	563	66	0	(7)	(7)	622
Total securities available for sale	$ 40,988	$ 830	$ (105)	$ (176)	$ (281)	$ 41,537

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NOTES TO CONSOLIDATED STATEMENTS (Continued)

(1) Represents the amount of cumulative non-credit other-than-temporary impairment (OTTI) losses recorded in AOCI. These losses are included in total gross unrealized losses.
(2) Represents the amount of cumulative gross unrealized losses on securities for which we have not recognized OTTI.
(3) Consists of debt securities issued by Fannie Mae and Freddie Mac, which had amortized cost of $130 million and $200 million, as of December 31, 2011 and 2010, respectively, and fair value of $137 million and $213 million, as of December 31, 2011 and 2010, respectively.
(4) Consists of mortgage-backed securities issued by Fannie Mae, Freddie Mac and Ginnie Mae with amortized cost of $12.3 billion, $8.9 billion and $4.5 billion, respectively, and fair value of $12.6 billion, $9.1 billion and $4.5 billion, respectively, as of December 31, 2011. The book value of Fannie Mae, Freddie Mac and Ginnie Mae investments exceeded 10% of our stockholders equity as of December 31, 2011.
(5) Consists of securities collateralized by credit card loans, auto loans, auto dealer floor plan inventory loans and leases, student loans, equipment loans, and other. The distribution among these asset types was approximately 75% credit card loans, 11% auto dealer floor plan inventory loans and leases, 6% auto loans, 4% student loans, 2% equipment loans, and 2% other as of December 31, 2011. In comparison, the distribution was approximately 78% credit card loans, 7% student loans, 7% auto loans, 6% auto dealer floor plan inventory loans and leases, and 2% equipment loans as of December 31, 2010. Approximately 86% of the securities in our asset-backed security portfolio were rated AAA or its equivalent as of December 31, 2011, compared with 90% as of December 31, 2010.
(6) Consists of municipal securities and equity investments, primarily related to CRA activities.

Securities Available for Sale in a Gross Unrealized Loss Position

The table below provides, by major security type, information about our available-for-sale securities in a gross unrealized loss position and the length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2011 and 2010.

	December 31, 2011					
	Less than 12 Months		12 Months or Longer		Total	
(Dollars in millions)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Securities available for sale:						
RMBS:						
Agency[1]	$ 4,731	$ (30)	$ 334	$ (1)	$ 5,065	$ (31)
Non-agency	151	(17)	986	(162)	1,137	(179)
Total RMBS	4,882	(47)	1,320	(163)	6,202	(210)
CMBS:						
Agency[1]	100	0	0	0	100	0
Non-agency	67	0	0	0	67	0
Total CMBS	167	0	0	0	167	0
Total ABS	2,084	(11)	81	(3)	2,165	(14)
Other	198	0	85	(3)	283	(3)
Total securities available-for-sale in a gross unrealized loss position	$ 7,331	$ (58)	$ 1,486	$ (169)	$ 8,817	$ (227)

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NOTES TO CONSOLIDATED STATEMENTS (Continued)

	December 31, 2010					
	Less than 12 Months		12 Months or Longer		Total	
(Dollars in millions)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Securities available for sale:						
RMBS:						
Agency[1]	$ 6,571	$ (141)	$ 456	$ (2)	$ 7,027	$ (143)
Non-agency	45	0	1,566	(127)	1,611	(127)
Total RMBS	6,616	(141)	2,022	(129)	8,638	(270)
Total ABS	1,411	(2)	33	(2)	1,444	(4)
Other	300	(1)	80	(6)	380	(7)
Total securities available-for-sale in a gross unrealized loss position	$ 8,327	$ (144)	$ 2,135	$ (137)	$ 10,462	$ (281)

(1) Consists of mortgage-backed securities issued by Fannie Mae, Freddie Mac and Ginnie Mae.

The gross unrealized losses on our available-for-sale securities of $227 million as of December 31, 2011 relate to 397 individual securities. Our investments in non-agency MBS and non-agency asset-backed securities accounted for $193 million, or 85%, of total gross unrealized losses as of December 31, 2011. Of the $227 million gross unrealized losses as of December 31, 2011, $169 million related to securities that had been in a loss position for more than 12 months. As discussed in more detail below, we conduct periodic reviews of all securities with unrealized losses to assess whether the impairment is other-than-temporary. Based on our assessments, we have recorded OTTI for a portion of our non-agency residential MBS, which is discussed in more detail later in this footnote.

Maturities and Yields of Securities Available for Sale

The following table summarizes the remaining scheduled contractual maturities, assuming no prepayments, of our investment securities as of December 31, 2011:

	December 31, 2011	
(Dollars in millions)	Amortized Cost	Fair Value
Due in 1 year or less	**$ 3,495**	**$ 3,508**
Due after 1 year through 5 years	**6,708**	**6,750**
Due after 5 years through 10 years	**1,764**	**1,810**
Due after 10 years[1]	**26,336**	**26,691**
Total	**$ 38,303**	**$ 38,759**

(1) Investments with no stated maturities, which consist of equity securities, are included with contractual maturities due after 10 years.

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Because borrowers may have the right to call or prepay certain obligations, the expected maturities of our securities are likely to differ from the scheduled contractual maturities presented above. The table below summarizes, by major security type, the expected maturities and the weighted average yields of our investment securities as of December 31, 2011. Actual calls or prepayment rates may differ from our estimates, which may cause the actual maturities of our investment securities to differ from the expected maturities presented below.

	December 31, 2011									
	Due in 1 Year or Less		Due > 1 Year through 5 Years		Due > 5 Years through 10 Years		Due > 10 Years		Total	
(Dollars in millions)	Amount	Average Yield[1]	Amount	Average Yield[1]	Amount	Average Yield[1]	Amount	Average Yield[1]	Amount	Average Yield[1]
Fair value of securities available for sale:										
U.S. Treasury debt obligations	$ 0	0%	$ 124	4.27%	$ 0	0%	$ 0	0%	$ 124	4.27%
U.S. Agency debt obligations[2]	31	4.43	107	4.59	0	0	0	0	138	4.56
RMBS:										
Agency[3]	1,556	4.64	22,591	3.40	1,341	3.16	0	0	25,488	3.47
Non-agency	19	5.93	577	5.53	562	6.28	4	6.58	1,162	5.91
Total RMBS	1,575	4.65	23,168	3.47	1,903	4.21	4	6.58	26,650	3.59%
CMBS:										
Agency[3]	0	0	405	2.25	306	2.58	0	0	711	2.39
Non-agency	0	0	171	2.85	305	4.01	0	0	476	3.58
Total CMBS	0	0	576	2.43	611	3.29	0	0	1,187	2.87
Total ABS	3,600	2.26	6,262	1.54	288	4.20	0	0	10,150	1.87
Other[4]	300	1.81	57	4.22	2	4.86	151	4.66	510	2.32
Total securities available for sale	$ 5,506	2.93%	$ 30,294	3.05%	$ 2,804	4.02%	$ 155	4.73%	$ 38,759	3.11%
Amortized cost of securities available-for-sale	$ 5,482		$ 29,845		$ 2,871		$ 105		$ 38,303	

(1) Yields are calculated based on the amortized cost of each security.
(2) Consists of debt securities issued by Fannie Mae and Freddie Mac.
(3) Consists of mortgage-backed securities issued by Fannie Mae, Freddie Mac and Ginnie Mae.
(4) Yields of tax-exempt securities are calculated on a fully taxable-equivalent (FTE) basis.

Other-Than-Temporary Impairment

We evaluate all securities in an unrealized loss position at least quarterly, and more often as market conditions require, to assess whether the impairment is other-than-temporary. Our OTTI assessment is a subjective process requiring the use of judgments and assumptions. Accordingly, we consider a number of qualitative and quantitative criteria in our assessment, including the extent and duration of the impairment; recent events specific to the issuer and/or industry to which the issuer belongs; the payment structure of the security; external credit ratings and the failure of the issuer to make scheduled interest or principal payments; the value of underlying collateral; our intent and ability to hold the security; and current market conditions.

We assess measure and recognize OTTI in accordance with the accounting guidance for recognition and presentation of OTTI. Under this guidance, if we determine that impairment on our debt securities is other-than-temporary and we have made the decision to sell the security or it is more likely than not that we will be required

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to sell the security prior to recovery of its amortized cost basis, we recognize the entire portion of the impairment in earnings. If we have not made a decision to sell the security and we do not expect that we will be required to sell the security prior to recovery of the amortized cost basis, we recognize only the credit component of OTTI in earnings. The remaining unrealized loss due to factors other than credit, or the non-credit component, is recorded in AOCI. We determine the credit component based on the difference between the security s amortized cost basis and the present value of its expected future cash flows, discounted based on the purchase yield. The non-credit component represents the difference between the security s fair value and the present value of expected future cash flows.

The following table summarizes other-than-temporary impairment losses on debt securities recognized in earnings in 2011, 2010 and 2009:

	Year Ended December 31,		
(Dollars in millions)	**2011**	**2010**	**2009**
Total OTTI losses	**$ 131**	$ 128	$ 287
Less: Non-credit component of OTTI losses recorded in AOCI	**(110)**	(63)	(255)
Net OTTI losses recognized in earnings	**$ 21**	$ 65	$ 32

As indicated in the table above, we recorded credit related losses in earnings totaling $21 million, $65 million and $32 million in 2011, 2010 and 2009, respectively. The cumulative non-credit related portion of OTTI on these securities recorded in AOCI totaled $170 million and $105 million in 2011 and 2010, respectively. We estimate the portion of loss attributable to credit using a discounted cash flow model, and we estimate the expected cash flows from the underlying collateral using industry-standard third party modeling tools. These tools take into consideration security specific delinquencies, product specific delinquency roll rates and expected severities. Key assumptions used in estimating the expected cash flows include default rates, loss severity and prepayment rates. Assumptions used can vary widely based on the collateral underlying the securities and are influenced by factors such as collateral type, loan interest rate, geographical location of the borrower, and borrower characteristics.

We believe the gross unrealized losses related to all other securities of $57 million and $176 million as of December 31, 2011 and 2010, respectively, are attributable to issuer specific credit spreads and changes in market interest rates and asset spreads. Therefore, we currently do not expect to incur credit losses related to these securities. In addition, we have no intent to sell these securities with unrealized losses and it is not more likely than not that we will be required to sell these securities prior to recovery of the amortized cost. Accordingly, we have concluded that the impairment on these securities is not other-than-temporary.

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The table below presents activity for the years ended December 31, 2011, 2010 and 2009, related to the credit component of OTTI recognized in earnings on investment debt securities for which a portion of the OTTI losses, the non-credit component, was recorded in AOCI:

	Year Ended December 31,		
(Dollars in millions)	**2011**	**2010**	**2009**
Credit loss component, beginning of period	**$ 49**	$ 32	$ 0
Additions:			
Initial credit impairment	**3**	12[2]	25
Subsequent credit impairment	**18**	17	7
Total additions	**21**	29	32
Reductions:			
Sales of credit-impaired securities	**(2)**	(4)	0
Change in intent to sell or requirement to sell[1]	**0**	(8)	0
Total reductions	**(2)**	(12)	0
Ending balance	**$ 68**	$ 49	$ 32

(1) We recognized $36 million of OTTI losses on securities for which no portion of the OTTI losses remained in AOCI in 2010. We did not recognize OTTI losses on securities for which no portion of the OTTI losses remained in AOCI in 2011 and 2009.

(2) Includes $4 million of OTTI losses recognized in earnings in the first quarter of 2010 on negative amortization bonds classified as held to maturity.

AOCI, Net of Taxes, Related to Securities Available for Sale

The table below presents the changes in AOCI, net of taxes, related to our available-for-sale securities. The net unrealized gains (losses) represent the fair value adjustments recorded on available-for-sale securities, net of tax, during the period. The net reclassification adjustment for net realized losses (gains) represent the amount of those fair value adjustments, net of tax, that were recognized in earnings due to the sale of an available-for-sale security or the recognition of an other-than-temporary impairment loss.

	Year Ended December 31,		
(Dollars in millions)	**2011**	**2010**	**2009**
Beginning balance AOCI related to securities available for sale, net of tax[1]	**$ 369**	$ 186	$ (725)
Net unrealized holding gains (losses), net of tax[2]	**33**	221	861
Net realized losses (gains) reclassified from AOCI into earnings, net of tax[3]	**(116)**	(38)	50
Ending balance AOCI related to securities available for sale, net of tax	**$ 286**	$ 369	$ 186

(1) Net of tax benefit (expense) of $203 million, $102 million and $(404) million in 2011, 2010 and 2009, respectively.

(2) Net of tax benefit (expense) of $18 million, $122 million and $480 million in 2011, 2010 and 2009, respectively.
(3) Net of tax (benefit) expense of $(64) million, $(21) million and $28 million in 2011, 2010 and 2009, respectively.

Realized Gains and Losses on Securities Available for Sale

The following table presents the gross realized gains and losses on the sale and redemption of available-for-sale securities recognized in earnings in 2011, 2010 and 2009. The gross realized investment losses presented below exclude credit losses recognized in earnings attributable to OTTI. We also present the proceeds from the sale of

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available-for-sale investment securities for the periods presented. We sold approximately $9.2 billion of investment securities, consisting predominantly of agency MBS, in 2011. We recorded a net realized gain of $259 million on the sale of these securities.

	Year Ended December 31,		
(Dollars in millions)	**2011**	**2010**	**2009**
Gross realized investment gains	**$ 259**	$ 141	$ 231
Gross realized investment losses	**0**	0	(13)
Net realized gains	**$ 259**	$ 141	$ 218
Total proceeds from sales	**$ 9,169**	$ 12,466	$ 13,410

Securities Pledged

As part of our liquidity management strategy, we pledge securities to secure borrowings from the Federal Home Loan Bank (FHLB) and the Federal Reserve Bank. We also pledge securities to secure trust and public deposits and for other purposes as required or permitted by law. We pledged securities with a fair value of $8.8 billion and $8.1 billion as of December 31, 2011 and 2010, respectively. The fair value of non-cash collateral accepted related to our secured borrowing was $4 million as of December 31, 2011, none of which was sold or repledged. We did not accept any non cash collateral as of December 31, 2010.

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NOTE 5 LOANS

Loan Portfolio Composition

Our total loan portfolio consists of loans we own and loans underlying our securitization trusts. The table below presents the composition of our held-for investment loan portfolio, including restricted loans for securitization investors, as of December 31, 2011 and 2010. Our loan portfolio consists of credit card, consumer banking and commercial banking loans. Credit card loans consist of domestic and international credit card loans as well as installment loans. Consumer banking loans consist of auto, home, and retail banking loans. Commercial banking loans consist of commercial and multifamily real estate, middle market, specialty lending and small-ticket commercial real estate loans.

	December 31,	
(Dollars in millions)	2011	2010
Credit card business:		
Domestic credit card loans	**$ 54,682**	$ 49,979
International credit card loans	**8,466**	7,513
Total credit card loans	**63,148**	57,492
Domestic installment loans	**1,927**	3,870
International installment loans	**0**	9
Total installment loans	**1,927**	3,879
Total credit card	**65,075**	61,371
Consumer Banking business:		
Auto	**21,779**	17,867
Home loan	**10,433**	12,103
Other retail	**4,103**	4,413
Total consumer banking	**36,315**	34,383
Commercial Banking business:(1)		
Commercial and multifamily real estate	**15,410**	13,396
Middle market	**12,684**	10,484
Specialty lending	**4,404**	4,020
Total commercial lending	**32,498**	27,900
Small-ticket commercial real estate	**1,503**	1,842

Total commercial banking	**34,001**	29,742
Other:		
Other loans	**501**	451
Total loans	**$ 135,892**	$ 125,947

(1) Includes construction loans and land development loans totaling $2.2 billion and $2.4 billion as of December 31, 2011 and 2010, respectively.

Credit Quality

We closely monitor economic conditions and loan performance trends to manage and evaluate our exposure to credit risk. Trends in delinquency ratios are an indicator, among other considerations, of credit risk within our

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loan portfolios. The level of nonperforming assets represents another indicator of the potential for future credit losses. Accordingly, key metrics we track and use in evaluating the credit quality of our loan portfolio include delinquency and nonperforming asset rates, as well as charge-off rates and our internal risk ratings of larger balance, commercial loans.

The following table summarizes the payment status of loans in our total loan portfolio, including an aging of delinquent loans, loans 90 days or more past due continuing to accrue interest and loans classified as nonperforming. We present information below on the credit performance of our loan portfolio, by major loan category, including key metrics that we use in tracking changes in the credit quality of each of our loan portfolios. The delinquency aging includes all past due loans, both performing and nonperforming, as of December 31, 2011 and 2010.

Loans 90 days or more past due totaled approximately $2.0 billion and $2.2 billion as of December 31, 2011 and 2010, respectively. Loans classified as nonperforming totaled $1.1 billion and $1.2 billion as of December 31, 2011 and 2010, respectively.

	December 31, 2011								
(Dollars in millions)	Current	30-59 Days	60-89 Days	≥ 90 Days	Total Delinquent Loans	PCI Loans	Total Loans	≥ 90 Days and Accruing[1]	Nonperforming Loans[1]
Credit card:									
Domestic credit card	$ 54,536	$ 627	$ 445	$ 1,001	$ 2,073	$ 0	$ 56,609	$ 1,001	$ 0
International credit card	8,028	145	98	195	438	0	8,466	195	0
Total credit card	62,564	772	543	1,196	2,511	0	65,075	1,196	0
Consumer Banking:									
Auto	20,128	1,075	423	106	1,604	47	21,779	0	106
Home loan	5,843	89	43	346	478	4,112	10,433	1	456
Retail banking	3,964	24	17	53	94	45	4,103	4	90
Total consumer banking	29,935	1,188	483	505	2,176	4,204	36,315	5	652
Commercial Banking:									
Commercial and multifamily real estate	14,906	172	23	146	341	163	15,410	34	206
Middle market	12,254	46	11	55	112	318	12,684	6	92
Specialty lending	4,363	18	5	18	41	0	4,404	1	33
Total commercial lending	31,523	236	39	219	494	481	32,498	41	331
Small-ticket commercial real estate	1,362	97	19	25	141	0	1,503	0	40
Total commercial banking	32,885	333	58	244	635	481	34,001	41	371
Other:									
Other loans	455	13	8	25	46	0	501	0	36
Total	$ 125,839	$ 2,306	$ 1,092	$ 1,970	$ 5,368	$ 4,685	$ 135,892	$ 1,242	$ 1,059
% of Total loans	92.60%	1.70%	0.80%	1.45%	3.95%	3.45%	100.00%	0.91%	0.78%

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NOTES TO CONSOLIDATED STATEMENTS (Continued)

	December 31, 2010								
(Dollars in millions)	Current	30-59 Days	60-89 Days	≥ 90 Days	Total Delinquent Loans	PCI Loans	Total Loans	≥ 90 Days and Accruing[1]	Nonperforming Loans[1]
Credit card:									
Domestic credit card	$ 51,649	$ 558	$ 466	$ 1,176	$ 2,200	$ 0	$ 53,849	$ 1,176	$ 0
International credit card	7,090	132	97	203	432	0	7,522	203	0
Total credit card	58,739	690	563	1,379	2,632	0	61,371	1,379	0
Consumer Banking:									
Auto	16,414	952	402	99	1,453	0	17,867	0	99
Home loan	6,707	65	44	395	504	4,892	12,103	0	486
Retail banking	4,218	31	22	40	93	102	4,413	5	91
Total consumer banking	27,339	1,048	468	534	2,050	4,994	34,383	5	676
Commercial Banking:									
Commercial and multifamily real estate	12,816	118	31	153	302	278	13,396	14	276
Middle market	10,113	34	5	50	89	282	10,484	0	133
Specialty lending	3,962	25	7	26	58	0	4,020	0	48
Total commercial lending	26,891	177	43	229	449	560	27,900	14	457
Small-ticket commercial real estate	1,711	74	24	33	131	0	1,842	0	38
Total commercial banking	28,602	251	67	262	580	560	29,742	14	495
Other:									
Other loans	382	19	5	45	69	0	451	0	54
Total	$ 115,062	$ 2,008	$ 1,103	$ 2,220	$ 5,331	$ 5,554	$ 125,947	$ 1,398	$ 1,225
% of Total loans	91.36%	1.59%	0.88%	1.76%	4.23%	4.41%	100.00%	1.11%	0.97%

[1] Purchased credit-impaired loans are excluded from loans reported as 90 days and still accruing interest and nonperforming loans.

Credit Card

Our credit card loan portfolio is generally highly diversified across millions of accounts and multiple geographies without significant individual exposures. We therefore generally manage credit risk on a portfolio basis. The risk in our credit card portfolio is correlated with broad economic trends, such as unemployment rates, gross domestic product (GDP) growth, and home values, as well as customer liquidity, which can have a material effect on credit performance. The primary factors we assess in monitoring the credit quality and risk of our credit card portfolio are delinquency and charge-off trends, including an analysis of the migration of loans between delinquency categories over time. The table below displays the geographic profile of our credit card loan portfolio and delinquency statistics as of December 31, 2011 and 2010. We also present

comparative net-charge offs for the years ended December 31, 2011 and 2010.

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CAPITAL ONE FINANCIAL CORPORATION

NOTES TO CONSOLIDATED STATEMENTS (Continued)

Credit Card: Risk Profile by Geographic Region and Delinquency Status

	December 31,			
	2011		2010	
(Dollars in millions)	Amount	% of Total[1]	Amount	% of Total[1]
Domestic credit card and installment loans:				
California	**$ 6,410**	**9.9%**	$ 6,242	10.2%
Texas	**3,862**	**5.9**	3,633	5.9
New York	**3,737**	**5.7**	3,599	5.8
Florida	**3,382**	**5.2**	3,298	5.4
Illinois	**2,664**	**4.1**	2,403	3.9
Pennsylvania	**2,575**	**4.0**	2,389	3.9
Ohio	**2,284**	**3.5**	2,109	3.4
New Jersey	**2,162**	**3.3**	1,971	3.2
Michigan	**1,834**	**2.8**	1,716	2.8
Other	**27,699**	**42.6**	26,489	43.2
Total domestic credit card and installment loans	**56,609**	**87.0**	53,849	87.7
International credit card and installment loans:				
United Kingdom	**3,828**	**5.9**	4,102	6.7
Canada	**4,638**	**7.1**	3,420	5.6
Total international credit card and installment loans	**8,466**	**13.0**	7,522	12.3
Total Credit Card	**$ 65,075**	**100.0%**	$ 61,371	100.0%
Selected credit metrics:				
30+ day delinquencies[2]	**$ 2,511**	**3.86%**	$ 2,632	4.29%
90+ day delinquencies[2]	**1,196**	**1.84**	1,379	2.25

	December 31,			
	2011		2010	
(Dollars in millions)	Amount	Rate	Amount	Rate
Net charge-offs:				
Domestic credit card	**$ 2,522**	**4.72%**	$ 4,907	8.91%
International credit card	**534**	**6.18**	592	7.89
Total[3]	**$ 3,056**	**4.92%**	$ 5,499	8.79%

[1] Percentages by geographic region within the domestic and international credit card portfolios are calculated based on the total held-for-investment credit card loans as of the end of the reported period.

[2] Delinquency rates calculated by dividing delinquent credit card loans by the total balance of credit card loans held for investment as of the end of the reported period.

(3) Calculated by dividing net charge-offs by average credit card loans held for investment during 2011 and 2010.

The 30+ day delinquency rate for our entire credit card loan portfolio, decreased to 3.86% as of December 31, 2011, from 4.29% as of December 31, 2010, reflecting strong underlying credit improvement trends.

Consumer Banking

Our consumer banking loan portfolio consists of auto, home loan and retail banking loans. Similar to our credit card loan portfolio, the risk in our consumer banking loan portfolio is correlated with broad economic trends, such as unemployment rates, gross domestic product (GDP) growth, and home values, as well as customer

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NOTES TO CONSOLIDATED STATEMENTS (Continued)

liquidity, which can have a material effect on credit performance. Delinquency, nonperforming loans and charge-off trends are key factors we assess in monitoring the credit quality and risk of our consumer banking loan portfolio. The table below displays the geographic profile of our consumer banking loan portfolio, including PCI loans acquired from Chevy Chase Bank. We also present the delinquency and nonperforming loan rates of our consumer banking loan portfolio, excluding PCI loans, as of December 31, 2011 and 2010, and net-charge offs for the years ended December 31, 2011 and 2010.

Consumer Banking: Risk Profile by Geographic Region, Delinquency Status and Performing Status

	December 31, 2011					
	Non-PCI Loans		PCI Loans		Total	
(Dollars in millions)	Loans	% of Total[1]	Loans	% of Total[1]	Loans	% of Total[1]
Auto:						
Texas	$ 3,901	10.7%	$ 0	0.0%	$ 3,901	10.7%
California	1,837	5.1	0	0.0	1,837	5.1
Louisiana	1,389	3.8	0	0.0	1,389	3.8
Florida	1,196	3.3	0	0.0	1,196	3.3
Georgia	1,124	3.1	0	0.0	1,124	3.1
Illinois	950	2.6	0	0.0	950	2.6
New York	940	2.6	0	0.0	940	2.6
Other	10,395	28.7	47	0.1	10,442	28.8
Total auto	$ 21,732	59.9%	$ 47	0.1%	$ 21,779	60.0%
Home loan:						
New York	$ 1,770	4.9%	$ 276	0.8%	$ 2,046	5.7%
California	768	2.1	1,128	3.1	1,896	5.2
Louisiana	1,528	4.2	2	0.0	1,530	4.2
Maryland	286	0.8	618	1.7	904	2.5
Virginia	206	0.6	588	1.6	794	2.2
New Jersey	344	0.9	235	0.6	579	1.5
Other	1,419	3.9	1,265	3.5	2,684	7.4
Total home loan	$ 6,321	17.4%	$ 4,112	11.3%	$ 10,433	28.7%
Retail banking:						
Louisiana	$ 1,514	4.2%	$ 0	0.0%	$ 1,514	4.2%
Texas	930	2.6	0	0.0	930	2.6
New York	896	2.5	0	0.0	896	2.5
New Jersey	295	0.8	0	0.0	295	0.8
District of Columbia	254	0.7	7	0.0	261	0.7
Maryland	49	0.1	23	0.1	72	0.2
Virginia	30	0.1	12	0.0	42	0.1
Other	90	0.2	3	0.0	93	0.2
Total retail banking	$ 4,058	11.2%	$ 45	0.1%	$ 4,103	11.3%
Total consumer banking	$ 32,111	88.5%	$ 4,204	11.5%	$ 36,315	100.0%

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NOTES TO CONSOLIDATED STATEMENTS (Continued)

	December 31, 2011							
	Auto		Home Loan		Retail Banking		Total Consumer Banking	
(Dollars in millions)	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate
Credit performance:[2]								
30+ day delinquencies	**$ 1,604**	**7.36%**	**$ 478**	**4.58%**	**$ 94**	**2.29%**	**$ 2,176**	**5.99%**
90+ day delinquencies	**106**	**0.48**	**346**	**3.32**	**53**	**1.29**	**505**	**1.39**
Nonperforming loans	**106**	**0.48**	**456**	**4.37**	**90**	**2.18**	**652**	**1.79**

	December 31, 2010					
	Non-PCI Loans		PCI Loans		Total	
(Dollars in millions)	Loans	% of Total[1]	Loans	% of Total[1]	Loans	% of Total[1]
Auto:						
Texas	$ 3,161	9.2%	$ 0	0.0%	$ 3,161	9.2%
California	1,412	4.1	0	0.0	1,412	4.1
Louisiana	1,334	3.9	0	0.0	1,334	3.9
Florida	954	2.8	0	0.0	954	2.8
Georgia	908	2.6	0	0.0	908	2.6
New York	894	2.6	0	0.0	894	2.6
Illinois	843	2.5	0	0.0	843	2.5
Other	8,361	24.3	0	0.0	8,361	24.3
Total auto	$ 17,867	52.0%	$ 0	0.0%	$ 17,867	52.0%
Home loan:						
New York	$ 2,069	6.0%	$ 311	0.9%	$ 2,380	6.9%
California	959	2.8	1,380	4.0	2,339	6.8
Louisiana	1,776	5.2	2	0.0	1,778	5.2
Maryland	281	0.8	605	1.8	886	2.6
Virginia	200	0.6	591	1.7	791	2.3
New Jersey	423	1.2	278	0.8	701	2.0
Other	1,503	4.4	1,725	5.0	3,228	9.4
Total home loan	$ 7,211	21.0%	$ 4,892	14.2%	$ 12,103	35.2%
Retail banking:						
Louisiana	$ 1,754	5.1%	$ 0	0.0%	$ 1,754	5.1%
Texas	1,125	3.3	0	0.0	1,125	3.3
New York	909	2.6	0	0.0	909	2.6
New Jersey	357	1.0	0	0.0	357	1.0
Maryland	58	0.2	31	0.1	89	0.3
Virginia	35	0.1	17	0.1	52	0.2
District of Columbia	13	0.0	7	0.0	20	0.0
Other	60	0.2	47	0.1	107	0.3
Total retail banking	$ 4,311	12.5%	$ 102	0.3%	$ 4,413	12.8%

Total consumer banking	$ 29,389	85.5%	$ 4,994	14.5%	$ 34,383	100.0%

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NOTES TO CONSOLIDATED STATEMENTS (Continued)

	December 31, 2010							
	Auto		Home Loan		Retail Banking		Total Consumer Banking	
(Dollars in millions)	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate
Credit performance:[2]								
30+ day delinquencies	$ 1,453	8.13%	$ 504	4.16%	$ 93	2.11%	$ 2,050	5.96%
90+ day delinquencies	99	0.55	395	3.27	40	0.91	534	1.54
Nonperforming loans	99	0.55	486	4.01	91	2.07	676	1.97

	December 31, 2011							
	Auto		Home Loan		Retail Banking		Total Consumer Banking	
(Dollars in millions)	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate
Net charge-offs[3]	**$ 334**	**1.72%**	**$ 77**	**0.68%**	**$ 73**	**1.78%**	**$ 484**	**1.39%**

	December 31, 2010							
	Auto		Home Loan		Retail Banking		Total Consumer Banking	
(Dollars in millions)	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate
Net charge-offs[3]	$ 457	2.61%	$ 93	0.68%	$ 105	2.20%	$ 655	1.82%

(1) Percentages by geographic region are calculated based on the total held-for-investment consumer banking loans as of the end of the reported period.

(2) Credit performance statistics exclude PCI loans, which were recorded at fair value at acquisition. Although PCI loans may be contractually delinquent, we separately track these loans and do not include them in our delinquency and nonperforming loan statistics as the fair value recorded at acquisition included an estimate of credit losses expected to be realized over the remaining lives of the loans.

(3) Calculated by dividing net charge-offs by average loans held for investment during 2011 and 2010.

Home Loan

Our home loan portfolio consists of both first-lien and second-lien residential mortgage loans. In evaluating the credit quality and risk of our home loan portfolio, we continually monitor a variety of mortgage loan characteristics that may affect the default experience on our overall home loan portfolio, such as vintage, geographic concentrations, lien priority and product type. Certain loan concentrations have experienced higher delinquency rates as a result of the significant decline in home prices since the home price peak in 2006 and rise in unemployment. These loan concentrations include loans originated during 2008, 2007 and 2006 in an environment of decreasing home sales, broadly declining home prices and more relaxed underwriting standards and loans on properties in Arizona, California, Florida and Nevada, which have experienced the most severe decline in home prices. The following table presents the distribution of our home loan portfolio as of December 31, 2011 and 2010, based on selected key risk characteristics.

CAPITAL ONE FINANCIAL CORPORATION

NOTES TO CONSOLIDATED STATEMENTS (Continued)

Home Loan: Risk Profile by Vintage, Geography, Lien Priority and Interest Rate Type

	December 31, 2011					
	Non-PCI Loans		PCI Loans		Total Home Loans	
(Dollars in millions)	Amount	% of Total[1]	Amount	% of Total[1]	Amount	% of Total[1]
Origination year:						
< = 2005	$ 4,113	39.4%	$ 1,675	16.1%	$ 5,788	55.5%
2006	699	6.7	908	8.7	1,607	15.4
2007	508	4.9	1,114	10.7	1,622	15.6
2008	243	2.3	325	3.1	568	5.4
2009	178	1.7	27	0.3	205	2.0
2010	237	2.3	49	0.4	286	2.7
2011	343	3.3	14	0.1	357	3.4
Total	$ 6,321	60.6%	$ 4,112	39.4%	$ 10,433	100.0%
Geographic concentration:[2]						
New York	$ 1,770	17.0%	$ 276	2.6%	$ 2,046	19.6%
California	768	7.4	1,128	10.8	1,896	18.2
Louisiana	1,528	14.6	2	0.1	1,530	14.7
Maryland	286	2.7	618	5.9	904	8.6
Virginia	206	2.0	588	5.6	794	7.6
New Jersey	344	3.3	235	2.3	579	5.6
Texas	460	4.4	32	0.3	492	4.7
Florida	107	1.0	212	2.0	319	3.0
District of Columbia	69	0.7	158	1.5	227	2.2
Connecticut	87	0.8	76	0.7	163	1.5
Other	696	6.7	787	7.6	1,483	14.3
Total	$ 6,321	60.6%	$ 4,112	39.4%	$ 10,433	100.0%
Lien type:						
1st lien	$ 5,194	49.8%	$ 3,547	34.0%	$ 8,741	83.8%
2nd lien	1,127	10.8	565	5.4	1,692	16.2
Total	$ 6,321	60.6%	$ 4,112	39.4%	$ 10,433	100.0%
Interest rate type:						
Fixed rate	$ 2,627	25.2%	$ 119	1.1%	$ 2,746	26.3%
Adjustable rate	3,694	35.4	3,993	38.3	7,687	73.7
Total	$ 6,321	60.6%	$ 4,112	39.4%	$ 10,433	100.0%

CAPITAL ONE FINANCIAL CORPORATION

NOTES TO CONSOLIDATED STATEMENTS (Continued)

	December 31, 2010					
	Non-PCI Loans		PCI Loans		Total Home Loans	
(Dollars in millions)	Amount	% of Total[1]	Amount	% of Total[1]	Amount	% of Total[1]
Origination year:						
< = 2005	$ 4,801	39.7%	$ 1,852	15.3%	$ 6,653	55.0%
2006	848	7.0	1,133	9.3	1,981	16.3
2007	609	5.0	1,527	12.6	2,136	17.6
2008	305	2.5	371	3.1	676	5.6
2009	288	2.4	9	0.1	297	2.5
2010	360	3.0	0	0.0	360	3.0
Total	$ 7,211	59.6%	$ 4,892	40.4%	$ 12,103	100.0%
Geographic concentration:[2]						
New York	$ 2,069	17.1%	$ 311	2.6%	$ 2,380	19.7%
California	959	7.9	1,380	11.4	2,339	19.3
Louisiana	1,776	14.7	2	0.0	1,778	14.7
Maryland	281	2.3	605	5.0	886	7.3
Virginia	200	1.7	591	4.9	791	6.6
New Jersey	423	3.5	278	2.3	701	5.8
Texas	491	4.1	32	0.3	523	4.4
Florida	139	1.1	290	2.4	429	3.5
District of Columbia	77	0.6	149	1.2	226	1.8
Connecticut	110	0.9	85	0.7	195	1.6
Other	686	5.7	1,169	9.6	1,855	15.3
Total	$ 7,211	59.6%	$ 4,892	40.4%	$ 12,103	100.0%
Lien type:						
1st lien	$ 6,015	49.7%	$ 4,303	35.5%	$ 10,318	85.2%
2nd lien	1,196	9.9	589	4.9	1,785	14.8
Total	$ 7,211	59.6%	$ 4,892	40.4%	$ 12,103	100.0%
Interest rate type:						
Fixed rate	$ 3,548	29.3%	$ 182	1.5%	$ 3,730	30.8%
Adjustable rate	3,663	30.3	4,710	38.9	8,373	69.2
Total	$ 7,211	59.6%	$ 4,892	40.4%	$ 12,103	100.0%

(1) Percentages within each risk category calculated based on total held-for-investment home loans.
(2) Represents the top ten states in which we have the highest concentration of home loans.

Commercial Banking

We evaluate the credit risk of commercial loans individually and use a risk-rating system to determine the credit quality of our commercial loans. We assign internal risk grades to loans based on relevant information about the ability of borrowers to service their debt. In determining the risk rating of a particular loan, among the factors considered are the borrower s current financial condition, historical credit performance,

projected future credit performance, prospects for support from financially responsible guarantors, the estimated realizable value of any collateral and current economic trends. The ratings scale based on our internal risk-rating system is as follows:

Noncriticized: Loans that have not been designated as criticized, frequently referred to as pass loans.

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Criticized performing: Loans in which the financial condition of the obligor is stressed, affecting earnings, cash flows or collateral values. The borrower currently has adequate capacity to meet near-term obligations; however, the stress, left unabated, my result in deterioration of the repayment prospects at some future date.

Criticized nonperforming: Loans that are not adequately protected by the current sound worth and paying capacity of the obligor or the collateral pledged, if any. Loans classified as criticized nonperforming have a well-defined weakness, or weaknesses, which jeopardize the repayment of the debt. These loans are characterized by the distinct possibility that we will sustain a credit loss if the deficiencies are not corrected.

We use our internal risk-rating system for regulatory reporting, determining the frequency of review of the credit exposures and evaluation and determination of the allowance for commercial loans. Loans of $1 million or more designated as criticized performing and criticized nonperforming are reviewed quarterly by management for further deterioration or improvement to determine if they are appropriately classified/graded and whether impairment exists. All other loans greater than $1 million are specifically reviewed at least annually to determine the appropriate loan grading. In addition, during the renewal process of any loan, as well if a loan becomes past due, we evaluate the risk rating.

The following table presents the geographic distribution and internal risk ratings of our commercial loan portfolio as of December 31, 2011 and 2010.

Commercial Banking: Risk Profile by Geographic Region and Internal Risk Rating[1]

	December 31, 2011									
(Dollars in millions)	Commercial & Multifamily Real Estate	% of Total[2]	Middle Market	% of Total[2]	Specialty Lending	% of Total[2]	Small-ticket Commercial Real Estate	% of Total[2]	Total Commercial	% of Total[2]
Geographic concentration:[3]										
Non-PCI loans:										
Northeast	$ 12,152	78.8%	$ 3,650	28.8%	$ 1,497	34.0%	$ 907	60.3%	$ 18,206	53.6%
Mid-Atlantic	1,225	8.0	599	4.7	163	3.7	56	3.7	2,043	6.0
South	1,581	10.3	7,527	59.3	797	18.1	93	6.2	9,998	29.4
Other	289	1.9	590	4.7	1,947	44.2	447	29.8	3,273	9.6
Total non-PCI loans	15,247	99.0	12,366	97.5	4,404	100.0	1,503	100.0	33,520	98.6
PCI loans	163	1.0	318	2.5	0	0.0	0	0.0	481	1.4
Total	$ 15,410	100.0%	$ 12,684	100.0%	$ 4,404	100.0%	$ 1,503	100.0%	$ 34,001	100.0%
Internal risk rating:[4]										
Non-PCI loans:										
Noncriticized	$ 13,945	90.5%	$ 11,680	92.1%	$ 4,322	98.1%	$ 1,359	90.4%	$ 31,306	92.1%
Criticized performing	1,096	7.1	593	4.7	49	1.1	105	7.0	1,843	5.4
Criticized nonperforming	206	1.4	93	0.7	33	0.8	39	2.6	371	1.1
Total non-PCI loans	15,247	99.0	12,366	97.5	4,404	100.0	1,503	100.0	33,520	98.6
PCI loans:										
Noncriticized	$ 127	0.8%	$ 303	2.4%	$ 0	0.0%	$ 0	0.0%	$ 430	1.3%
Criticized performing	36	0.2	15	0.1	0	0.0	0	0.0	51	0.1

Total PCI loans	**163**	**1.0**	**318**	**2.5**	**0**	**0.0**	**0**	**0.0**	**481**	**1.4**
Total	**$ 15,410**	**100.0%**	**$ 12,684**	**100.0%**	**$ 4,404**	**100.0%**	**$ 1,503**	**100.0%**	**$ 34,001**	**100.0%**

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	December 31, 2010									
(Dollars in millions)	**Commercial & Multifamily Real Estate**	**% of Total[2]**	**Middle Market**	**% of Total[2]**	**Specialty Lending**	**% of Total[2]**	**Small-ticket Commercial Real Estate**	**% of Total[2]**	**Total Commercial**	**% of Total[2]**
Geographic concentration:[3]										
Non-PCI loans:										
Northeast	$ 10,849	81.0%	$ 3,240	30.9%	$ 1,548	38.5%	$ 1,137	61.7%	$ 16,774	56.4%
Mid-Atlantic	720	5.4	960	9.2	185	4.6	71	3.9	1,936	6.5
South	1,315	9.8	5,191	49.5	733	18.2	119	6.5	7,358	24.7
Other	234	1.8	811	7.7	1,554	38.7	515	27.9	3,114	10.5
Total non-PCI loans	13,118	98.0	10,202	97.3	4,020	100.0	1,842	100.0	29,182	98.1
PCI loans	278	2.0	282	2.7	0	0.0	0	0.0	560	1.9
Total	$ 13,396	100.0%	$ 10,484	100.0%	$ 4,020	100.0%	$ 1,842	100.0%	$ 29,742	100.0%
Internal risk rating:[4]										
Non-PCI loans:										
Noncriticized	$ 11,611	86.7%	$ 9,445	90.1%	$ 3,897	96.9%	$ 1,710	92.8%	$ 26,663	89.6%
Criticized performing	1,231	9.2	624	6.0	75	1.9	95	5.2	2,025	6.8
Criticized nonperforming	276	2.1	133	1.2	48	1.2	37	2.0	494	1.7
Total non-PCI loans	13,118	98.0	10,202	97.3	4,020	100.0	1,842	100.0	29,182	98.1
PCI loans:										
Noncriticized	$ 186	1.3%	$ 235	2.3%	$ 0	0.0%	$ 0	0.0%	$ 421	1.4%
Criticized performing	92	0.7	47	0.4	0	0.0	0	0.0	139	0.5
Total PCI loans	278	2.0	282	2.7	0	0.0	0	0.0	560	1.9
Total	$ 13,396	100.0%	$ 10,484	100.0%	$ 4,020	100.0%	$ 1,842	100.0%	$ 29,742	100.0%

(1) Amounts based on total loans as of December 31, 2011 and 2010.

(2) Percentages calculated based on total held-for-investment commercial loans in each respective loan category as of the end of the reported period.

(3) Northeast consists of CT, ME, MA, NH, NJ, NY, PA and VT. Mid-Atlantic consists of DE, DC, MD, VA and WV. South consists of AL, AR, FL, GA, KY, LA, MS, MO, NC, SC, TN and TX.

(4) Criticized exposures correspond to the Special Mention, Substandard and Doubtful asset categories defined by banking regulatory authorities.

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The following table presents information about our impaired loans, excluding purchased credit-impaired loans, which are reported separately and discussed below:

	December 31, 2011							
(Dollars in millions)	With an Allowance	Without an Allowance	Total Recorded Investment	Related Allowance	Net Recorded Investment	Unpaid Principal Balance	Average Recorded Investment	Interest Income Recognized
Credit card and Installment loans:								
Domestic credit card and installment loan	$ 708	$ 0	$ 708	$ 244	$ 464	$ 691	$ 736	$ 73
International credit card and installment loans	190	0	190	109	81	179	181	7
Total credit card and installment loans[1]	898	0	898	353	545	870	917	80
Consumer banking:								
Auto	58	0	58	8	50	58	25	5
Home loan	104	0	104	10	94	110	79	5
Retail banking	65	26	91	12	79	97	55	1
Total consumer banking	227	26	253	30	223	265	159	11
Commercial banking:								
Commercial and multifamily real estate	232	157	389	54	335	459	401	8
Middle market	104	86	190	12	178	221	143	2
Specialty lending	19	9	28	7	21	36	22	0
Total commercial lending	355	252	607	73	534	716	566	10
Small-ticket commercial real estate	10	30	40	2	38	62	35	1
Total commercial banking	365	282	647	75	572	778	601	11
Other:								
Other loans	0	1	1	0	1	1	1	0
Total	$ 1,490	$ 309	$ 1,799	$ 458	$ 1,341	$ 1,914	$ 1,678	$ 102

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	December 31, 2010							
(Dollars in millions)	With an Allowance	Without an Allowance	Total Recorded Investment	Related Allowance	Net Recorded Investment	Unpaid Principal Balance	Average Recorded Investment	Interest Income Recognized
Credit card and Installment loans:								
Domestic credit card and installment loan	$ 753	$ 0	$ 753	$ 253	$ 500	$ 739	$ 644	$ 76
International credit card and installment loans	160	0	160	133	27	154	128	0
Total credit card and installment loans[1]	913	0	913	386	527	893	772	76
Consumer banking:								
Auto	0	0	0	0	0	0	0	0
Home loan	57	0	57	1	56	57	28	1
Retail banking	23	17	40	1	39	51	46	1
Total consumer banking	80	17	97	2	95	108	74	2
Commercial banking:								
Commercial and multifamily real estate	40	283	323	6	317	436	385	4
Middle market	25	95	120	7	113	156	109	1
Specialty lending	1	20	21	0	21	22	35	0
Total commercial lending	66	398	464	13	451	614	529	5
Small-ticket commercial real estate	16	20	36	2	34	73	41	1
Total commercial banking	82	418	500	15	485	687	570	6
Other:								
Other loans	0	0	0	0	0	0	0	0
Total	$ 1,075	$ 435	$ 1,510	$ 403	$ 1,107	$ 1,688	$ 1,416	$ 84

(1) Credit card and Installment loans include finance charges and fees.

TDR loans accounted for $1.6 billion and $1.1 billion of impaired loans as of December 31, 2011 and 2010, respectively. Consumer TDR loans classified as performing totaled $1.1 billion and $983 million, respectively, as of December 31, 2011 and 2010. Commercial TDR loans classified as performing totaled $426 million, and $162 million, respectively, as of December 31, 2011 and 2010.

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As part of our loan modifications to borrowers experiencing financial difficulty, we may provide multiple concessions to minimize our economic loss and improve long-term loan performance and collectability. The following tables present the types, amounts and financial effects of loans modified and accounted for as troubled debt restructurings during the period:

	December 31, 2011						
		Reduced Interest Rate		Term Extension		Balance Reduction	
(Dollars in millions)	Total Loans Modified[1]	% of TDR Activity[2][8]	Average Rate Reduction[3]	% of TDR Activity[4][8]	Average Term Extension (Months)[5]	% of TDR Activity[6][8]	Gross Balance Reduction[7]
Credit card:							
Domestic credit card	$ 321	100%	10.33%	0%	0	0%	$ 0
International credit card	253	100	23.06	0	0	0	0
Total credit card	574	100	15.93	0	0	0	0
Consumer banking:							
Auto	78	65	1.39	100	10	0	0
Home loan	57	49	2.57	74	95	8	0
Retail banking	77	6	0.73	82	18	0	0
Total consumer banking	212	39	1.75	86	32	2	0
Commercial banking:							
Commercial and multifamily real estate	166	42	3.13	96	13	11	4
Middle market	140	15	1.25	80	12	1	0
Specialty lending	18	17	0.60	90	22	5	1
Total commercial lending	324	29	2.62	89	14	6	5
Small-ticket commercial real estate	4	0	0.00	100	3	0	0
Total commercial banking	328	28	2.62	89	13	6	5
Other:							
Other loans	0	0	0.00	0	0	0	0
Total	$ 1,114	67%	12.70%	43%	21	2%	$ 5

(1) Represents total loans modified and accounted for as a TDR during the period. Paydowns, charge-offs and any other changes in the loan carrying value subsequent to the loan entering TDR status are not reflected.
(2) Percentage of loans modified and accounted for as a TDR during the period that were granted a reduced interest rate.
(3) Weighted average interest rate reduction for those loans that received an interest rate concession.
(4) Percentage of loans modified and accounted for as a TDR during the period that were granted a maturity date extension.
(5) Weighted average change in maturity date for those loans that received a maturity date extension
(6)

Percentage of loans modified and accounted for as a TDR during the period that were granted forgiveness or forbearance of a portion of their balance.

(7) Total amount of forgiven or forborne balances.

(8) Due to multiple concessions granted to some troubled borrowers, percentages may total more than 100% for certain loan types.

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TDR Subsequent Payment Defaults of Completed TDR Modifications

The following table presents the type, number and amount of loans accounted for as TDRs that experienced a payment default during the period and had completed a modification event in the twelve months prior to the payment default. A payment default occurs if the loan is either 90 days or more delinquent or the loan has been charged-off as of the end of the period presented.

	December 31, 2011	
(Dollars in millions)	Number of contracts	Total Loans
Credit card:		
Domestic credit card	34,489	$ 93
International credit card[(1)]	47,989	185
Total credit card	82,478	278
Consumer banking:		
Auto	1,499	15
Home loan	101	12
Retail banking	237	11
Total consumer banking	1,837	38
Commercial banking:		
Commercial and multifamily real estate	17	41
Middle market	5	6
Specialty lending	8	3
Total commercial lending	30	50
Small-ticket commercial real estate	1	0
Total commercial banking	31	50
Total	84,346	$ 366

(1) The regulatory regime in the United Kingdom (U.K.) requires U.K. credit card businesses to accept payment plan proposals even when the proposed payments are less than the contractual minimum amount. As a result, loans entering long-term TDR payment programs in the U.K. typically continue to age and ultimately charge-off even when fully in compliance with the TDR program terms.

Purchased Credit Impaired Loans

In connection with the acquisition of Chevy Chase Bank on February 27, 2009, we acquired loans with a contractual outstanding unpaid principal and interest balance at acquisition of $15.4 billion. We recorded these loans on our consolidated balance sheet at estimated fair value at the date of acquisition of $9.0 billion. We concluded that the substantial majority of the loans we acquired from Chevy Chase Bank were PCI loans. PCI loans are acquired loans with evidence of credit quality deterioration since origination for which it is probable at the date of purchase that we will be unable to collect all contractually required payments. The Chevy Chase Bank loans that we concluded were credit impaired had a contractual outstanding unpaid principal and interest balance at acquisition of $12.0 billion and an estimated fair value of $6.3 billion. These

loans consisted of Chevy Chase Bank s entire portfolio of option-adjustable rate mortgage loans, hybrid adjustable-rate mortgage loans and construction-to-permanent mortgage loans. We also concluded that Chevy Chase Bank s portfolio of commercial loans, auto loans, fixed-mortgage loans, home equity loans and other consumer loans included segments of PCI loans.

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Outstanding Balance and Carrying Value of Acquired Loans

The table below presents the outstanding contractual balance and the carrying value of the Chevy Chase Bank acquired loans as of December 31, 2011 and 2010:

	December 31,					
	2011			2010		
(Dollars in millions)	Total Acquired Loans	Purchased Credit-Impaired Loans	Non-Impaired Loans	Total Acquired Loans	Purchased Credit-Impaired Loans	Non-Impaired Loans
Contractual balance	**$ 5,751**	**$ 4,565**	**$ 1,186**	$ 7,054	$ 5,546	$ 1,508
Carrying value[1]	**$ 4,658**	**$ 3,576**	**$ 1,082**	$ 5,554	$ 4,165	$ 1,389

[1] Includes $27 million and $33 million of cumulative impairment recognized as of December 31, 2011 and 2010, respectively.

Changes in Accretable Yield of Acquired Loans

Subsequent to acquisition, we are required to periodically evaluate our estimate of cash flows expected to be collected. These evaluations, performed quarterly, require the continued use of key assumptions and estimates, similar to the initial estimate of fair value. Subsequent changes in the estimated cash flows expected to be collected may result in changes in the accretable yield and nonaccretable difference or reclassifications from nonaccretable yield to accretable. Increases in the cash flows expected to be collected will generally result in an increase in interest income over the remaining life of the loan or pool of loans. Decreases in expected cash flows due to further credit deterioration will generally result in an impairment charge recognized in our provision for loan and lease losses, resulting in an increase to the allowance for loan losses. We reduced the allowance related to this pool of loans by $6 million for the year ended December 31, 2011. We recorded impairment through our provision for loan and losses of $33 million for the year ended December 31, 2010. The cumulative impairment recognized on PCI loans totaled $27 million as of December 31, 2011 and $33 million as of December 31, 2010.

The following table presents changes in the accretable yield related to the acquired Chevy Chase Bank loans:

(Dollars in millions)	Total Acquired Loans	Purchased Credit-Impaired Loans	Non-Impaired Loans
Accretable yield as of December 31, 2009	$ 2,067	$ 1,742	$ 325
Accretion recognized in earnings	(405)	(299)	(106)
Reclassifications from nonaccretable difference for loans with improvement in expected cash flows	350	311	39
Accretable yield as of December 31, 2010	$ 2,012	$ 1,754	$ 258
Accretion recognized in earnings	**(431)**	**(365)**	**(66)**
Reclassifications from nonaccretable difference for loans with improving cash flows[1]	**237**	**232**	**5**
	(66)	**(55)**	**(11)**

Reductions in accretable yield for non-credit related changes in expected cash flows[2]			
Accretable yield as of December 31, 2011	**$ 1,752**	**$ 1,566**	**$ 186**

(1) Represents increases in accretable yields for those pools with increases primarily the result of improved credit performance.
(2) Represents changes in accretable yields for those pools with reductions driven primarily by changes in prepayment levels.

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Unfunded Lending Commitments

We manage the potential risk in credit commitments by limiting the total amount of arrangements, both by individual customer and in total, by monitoring the size and maturity structure of these portfolios and by applying the same credit standards for all of our credit activities. Unused credit card lines available to our customers totaled $206.0 billion and $161.5 billion as of December 31, 2011 and 2010, respectively. While these amounts represented the total available unused credit card lines, we have not experienced, and do not anticipate, that all of our customers will access their entire available line at any given point in time.

In addition to available unused credit card lines, we enter into commitments to extend credit that are legally binding conditional agreements having fixed expirations or termination dates and specified interest rates and purposes. These commitments generally require customers to maintain certain credit standards. Collateral requirements and loan-to-value ratios are the same as those for funded transactions and are established based on management s credit assessment of the customer. These commitments may expire without being drawn upon. Therefore, the total commitment amount does not necessarily represent future funding requirements. The outstanding unfunded commitments to extend credit other than credit card lines were approximately $14.8 billion and $13.2 billion as of December, 2011 and 2010, respectively.

We maintain a reserve for unfunded loan commitments and letters of credit to absorb estimated probable losses related to these unfunded credit facilities in other liabilities, on our consolidated balance sheets. Our reserve for unfunded loan commitments and letters of credit was $66 million and $107 million as December 31, 2011 and 2010, respectively. See Note 6 Allowance for Loan and Lease Losses below for additional information.

NOTE 6 ALLOWANCE FOR LOAN AND LEASE LOSSES

We maintain an allowance for loan and lease losses (the allowance) that represents management s best estimate of incurred loan and lease credit losses inherent in our held-for-investment portfolio as of each balance sheet date. We do not maintain an allowance for held for sale loans or purchased credit-impaired loans that are performing in accordance with or better than our expectations as of the date of acquisition, as the fair values of these loans already reflect a credit component.

In determining the allowance for loan and lease losses, we disaggregate loans in our portfolio with similar credit risk characteristics into portfolio segments. Management performs quarterly analysis of these portfolios to determine if impairment has occurred and to assess the adequacy of the allowance based on historical and current trends and other factors affecting credit losses. We apply documented systematic methodologies to separately calculate the allowance for our consumer loan and commercial loan portfolio and for loans within each of these portfolios that we identify as individually impaired. Our allowance for loan and lease losses consists of three components that are allocated to cover the estimated probable losses in each loan portfolio based on the results of our detailed review and loan impairment assessment process: (1) a formula-based component for loans collectively evaluated for impairment; (2) an asset-specific component for individually impaired loans; and (3) a component related to purchased credit-impaired loans that have experienced significant decreases in expected cash flows subsequent to acquisition. See Note 1 Summary of Significant Accounting Policies for a description of the methodologies and policies for determining our allowance for loan and lease losses for each of our loan portfolio segments.

Allowance for Loan and Lease Losses Activity

The allowance for loan and lease losses is increased through the provision for loan and lease losses and reduced by net charge-offs. The provision for loan and lease losses, which is charged to earnings, reflects credit losses we

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believe have been incurred and will eventually be reflected over time in our charge-offs. Charge-offs of uncollectible amounts are deducted from the allowance and subsequent recoveries are included. The table below summarizes changes in the allowance for loan and lease losses, by portfolio segment, for 2011 and 2010:

	Consumer									
(Dollars in millions)	**Credit Card**	**Auto**	**Home Loan**	**Retail Banking**	**Total Consumer**	**Commercial**	**Other[1]**	**Total Allowance**	**Unfunded Lending Commitments Reserve**	**Combined Allowance & Unfunded Reserve**
Balance as of December 31, 2009	$ 2,126	$ 665	$ 175	$ 236	$ 1,076	$ 785	$ 140	$ 4,127	$ 103	$ 4,230
Impact from January 1, 2010 adoption of new consolidation accounting standards[2]	4,244	0	73	0	73	0	0	4,317	0	4,317
Balance as of January 1, 2010	$ 6,370	$ 665	$ 248	$ 236	$ 1,149	$ 785	$ 140	$ 8,444	$ 103	$ 8,547
Provision for loan and lease losses	3,182	145	30	66	241	417	55	3,895	12	3,907
Charge-offs	(6,781)	(672)	(97)	(129)	(898)	(444)	(115)	(8,238)	0	(8,238)
Recoveries	1,282	215	4	24	243	54	8	1,587	0	1,587
Net charge-offs	(5,499)	(457)	(93)	(105)	(655)	(390)	(107)	(6,651)	0	(6,651)
Other changes	(12)	0	(73)	13	(60)	14	(2)	(60)	(8)	(68)
Balance as of December 31, 2010	**$ 4,041**	**$ 353**	**$ 112**	**$ 210**	**$ 675**	**$ 826**	**$ 86**	**$ 5,628**	**$ 107**	**$ 5,735**
Provision for loan and lease losses[3]	**1,870**	**372**	**63**	**26**	**461**	**62**	**8**	**2,401**	**(41)**	**2,360**
Charge-offs[3]	**(4,310)**	**(529)**	**(104)**	**(99)**	**(732)**	**(214)**	**(59)**	**(5,315)**	**0**	**(5,315)**
Recoveries	**1,254**	**195**	**27**	**26**	**248**	**37**	**5**	**1,544**	**0**	**1,544**
Net charge-offs	**(3,056)**	**(334)**	**(77)**	**(73)**	**(484)**	**(177)**	**(54)**	**(3,771)**	**0**	**(3,771)**
Other changes	**(8)**	**0**	**0**	**0**	**0**	**0**	**0**	**(8)**	**0**	**(8)**
Balance as of December 31, 2011	**$ 2,847**	**$ 391**	**$ 98**	**$ 163**	**$ 652**	**$ 711**	**$ 40**	**$ 4,250**	**$ 66**	**$ 4,316**

(1) Other consists of our discontinued GreenPoint mortgage operations loan portfolio and our community redevelopment loan portfolio.

(2) Represents the cumulative effect adjustment on the allowance for loan and lease losses from the January 1, 2010 adoption of the new consolidation accounting standards. Includes an adjustment of $53 million made in the second quarter of 2010 for the impact as of January 1, 2010 of impairment on consolidated loans accounted for as TDRs. See Note 2 Acquisitions and Restructuring Activities.

(3) The reduction in the provision for loan and lease losses attributable to Kohl s was $257 million for year ended 2011. Loss sharing amounts attributable to Kohl s reduced charge-offs by $118 million during 2011. The expected reimbursement from Kohl s netted in our allowance for loan and lease losses was approximately $139 million as of December 31, 2011.

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Components of Allowance for Loan and Lease Losses by Impairment Methodology

The table below presents the components of our allowance for loan and lease losses, by loan category and impairment methodology, and the recorded investment of the related loans as of December 31, 2011 and 2010:

	December 31, 2011							
			Consumer					
(Dollars in millions)	Credit Card	Auto	Home Loan	Retail Banking	Total Consumer	Commercial	Other	Total
Allowance for loan and lease losses by impairment methodology:								
Formula-based[1]	$ 2,494	$ 383	$ 65	$ 150	$ 598	$ 634	$ 40	$ 3,766
Asset-specific[2]	353	8	10	12	30	75	0	458
Purchased credit impaired loans	0	0	23	1	24	2	0	26
Total allowance for loan and lease losses	$ 2,847	$ 391	$ 98	$ 163	$ 652	$ 711	$ 40	$ 4,250
Held-for-investment loans by impairment methodology:								
Formula-based[1]	$ 64,177	$ 21,674	$ 6,217	$ 3,968	$ 31,859	$ 32,873	$ 500	$ 129,409
Asset-specific[2]	898	58	104	90	252	647	1	1,798
Purchased credit impaired loans	0	47	4,112	45	4,204	481	0	4,685
Total held-for-investment loans	$ 65,075	$ 21,779	$ 10,433	$ 4,103	$ 36,315	$ 34,001	$ 501	$ 135,892
Allowance as a percentage of period-end held-for-investment loans	4.37%	1.80%	0.94%	3.97%	1.80%	2.09%	7.98%	3.13%

	December 31, 2010							
(Dollars in millions)	Credit Card	Auto	Consumer Home Loan	Retail Banking	Total Consumer	Commercial	Other	Total
Allowance for loan and lease losses by impairment methodology:								
Formula-based[1]	$ 3,655	$ 353	$ 81	$ 209	$ 643	$ 808	$ 86	$ 5,192
Asset-specific[2]	386	0	1	1	2	15	0	403
Purchased credit impaired loans	0	0	30	0	30	3	0	33
Total allowance for loan and lease losses	$ 4,041	$ 353	$ 112	$ 210	$ 675	$ 826	$ 86	$ 5,628
Held-for-investment loans by impairment methodology:								
Formula-based[1]	$ 60,458	$ 17,867	$ 7,154	$ 4,271	$ 29,292	$ 28,682	$ 451	$ 118,883
Asset-specific[2]	913	0	57	40	97	500	0	1,510
Purchased credit impaired loans	0	0	4,892	102	4,994	560	0	5,554

Total held-for-investment loans	$ 61,371	$ 17,867	$ 12,103	$ 4,413	$ 34,383	$ 29,742	$ 451	$ 125,947
Allowance as a percentage of period-end held-for-investment loans	6.58%	1.98%	0.93%	4.76%	1.96%	2.78%	19.07%	4.47%

(1) The formula-based component of the allowance for credit card and other consumer loans that we collectively evaluate for impairment is based on a statistical calculation. The formula-based component of the allowance for commercial loans that we collectively evaluate for impairment is based on our historical loss experience for loans with similar characteristics and consideration of credit quality supplemented by management judgement and interpretation.

(2) The asset specific component of the allowance for smaller-balance impaired loans is calculated on a pool basis using historical loss experience for the respective class of assets. The asset-specific component of the allowance for larger-balance, commercial loans is individually calculated for each loan.

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NOTE 7 VARIABLE INTEREST ENTITIES AND SECURITIZATIONS

In the normal course of business, we enter into various types of transactions with entities that are considered to be variable interest entities (VIEs). Historically, our primary involvement with VIEs related to our securitization transactions in which we transferred assets from our balance sheet to securitization trusts. These securitization trusts typically meet the definition of a VIE. We generally securitized credit card loans, auto loans, home loans and installment loans, which provided a source of funding for us and as a means of transferring a certain portion of the economic risk of the loans or debt securities to third parties.

Under revised consolidation accounting guidance that became effective on January 1, 2010, the entity that has a controlling financial interest in a VIE is referred to as the primary beneficiary and is required to consolidate the VIE. As a result of this guidance, the vast majority of the VIEs in which we are involved have been consolidated in our financial statements.

Summary of Consolidated and Unconsolidated VIEs

The table below presents a summary of VIEs, aggregated based on VIEs with similar characteristics, in which we had continuing involvement or held a variable interest as of December 31, 2011 and 2010. We separately present information for consolidated and unconsolidated VIEs.

For consolidated VIEs, we present the carrying amount of assets and liabilities reflected on our consolidated balance sheets. The assets of consolidated VIEs primarily consist of cash and loans, which we report on our consolidated balance sheets under restricted cash for securitization investors and restricted loans for securitization investors, respectively. The assets of a particular VIE are the primary source of funds to settle its obligations. The creditors of the VIEs typically do not have recourse to the general credit of our company. The liabilities primarily consist of debt securities issued by the VIEs, which we report under securitized debt obligations. For unconsolidated VIEs, we present the carrying amount of assets and liabilities reflected on our consolidated balance sheets and our maximum exposure to loss. Our maximum exposure to loss is estimated based on the unlikely event that all of the assets in the VIEs became worthless and we were required to meet our maximum remaining funding obligations.

	December 31, 2011				
	Consolidated		Non-Consolidated		
(Dollars in millions)	Carrying Amount of Assets	Carrying Amount of Liabilities	Carrying Amount of Assets	Carrying Amount of Liabilities	Maximum Exposure to Loss[3]
Securitization-related VIEs:					
Credit card loan securitizations[4]	$ 48,309	$ 17,443	$ 0	$ 0	$ 0
Auto loan securitizations[4]	95	78	0	0	0
Home loan securitizations	0	0	161[1]	27[2]	269
Other asset securitizations[4]	36	36	0	0	0
Total securitization related VIEs	48,440	17,557	161	27	269
Other VIEs:					
Affordable housing entities	0	0	2,044	289	2,044
	258	0	6	3	6

Entities that provide capital to low-income and rural communities					
Other	**1**	**0**	**139**	**0**	**139**
Total Other VIEs	**259**	**0**	**2,189**	**292**	**2,189**
Total VIEs	**$ 48,699**	**$ 17,557**	**$ 2,305**	**$ 319**	**$ 2,458**

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	December 31, 2010				
	Consolidated		Non-Consolidated		
(Dollars in millions)	Carrying Amount of Assets	Carrying Amount of Liabilities	Carrying Amount of Assets[1]	Carrying Amount of Liabilities[2]	Maximum Exposure to Loss[3]
Securitization-related VIEs:					
Credit card loan securitizations[4]	$ 53,694	$ 25,622	$ 0	$ 0	$ 0
Auto loan securitizations[4]	1,784	1,518	0	0	0
Home loan securitizations	0	0	174[1]	37[2]	297
Other asset securitizations[4]	198	64	0	0	0
Total securitization related VIEs	55,676	27,204	174	37	297
Other VIEs:					
Affordable housing entities	0	0	1,681	304	1,681
Entities that provide capital to low-income and rural communities	230	0	6	3	6
Other	0	0	174	0	174
Total Other VIEs	230	0	1,861	307	1,861
Total VIEs	$ 55,906	$ 27,204	$ 2,035	$ 344	$ 2,158

(1) The carrying amount of assets of unconsolidated securitization-related VIEs consists of retained interests and letters of credit related to manufactured housing securitizations and are reported on our consolidated balance sheets under accounts receivable from securitizations. Mortgage servicing rights related to unconsolidated VIEs are reported on our consolidated balance sheets under other assets. See Note 8 Goodwill and Other Intangible Assets for additional information on our mortgage servicing rights.

(2) The carrying amount of liabilities of securitization related VIEs is comprised of obligations to fund negative amortization bonds associated with the securitization of option arm mortgage loans (option-ARMs) and obligations on certain swap agreements associated with the securitization of manufactured housing loans.

(3) The maximum exposure to loss represents the amount of loss we would incur in the unlikely event that all of our assets in the VIE become worthless and we were required to meet our maximum remaining funding obligations.

(4) Represents the gross assets and liabilities owned by the VIE which included seller s interest and retained and repurchased notes held by other related parties.

Securitization Related VIEs

We historically have securitized credit card loans, auto loans, home loans and installment loans. In a securitization transaction, assets from our balance sheet are transferred to a trust we establish, which typically meets the definition of a VIE. The trust then issues various forms of interests in those assets to investors. We typically receive cash proceeds and/or other interests in the securitization trust for the assets we transfer. If the transfer of the assets to an unconsolidated securitization trust qualifies as a sale, we remove the assets from our consolidated balance sheet and recognize a gain or loss on the transfer. Alternatively, if the transfer does not qualify as a sale but instead is considered a secured borrowing or the transfer of assets is to a consolidated VIE, the assets remain on our consolidated financial statements and we record an offsetting liability for the proceeds received.

Our continuing involvement in the majority of our securitization transactions consists primarily of holding certain retained interests and acting as the primary servicer. We also may be required to repurchase receivables from the trust if the outstanding balance of the receivables falls to a level where the cost exceeds the benefits of servicing such receivables. We also may have exposure associated with contractual obligations to repurchase previously transferred loans due to breaches of representations and warranties. See Note 21 Commitments, Contingencies and Guarantees for information related to reserves we have established for our potential mortgage representation and warranty exposure.

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The table below presents the securitization-related VIEs in which we had continuing involvement as of December 31, 2011 and 2010:

	Non-Mortgage			Mortgage		
(Dollars in millions)	Credit Card	Auto Loan	Other Loan	Option Arm	GreenPoint HELOCs	GreenPoint Manufactured Housing
December 31, 2011:						
Securities held by third-party investors	**$ 16,428**	**$ 75**	**$ 24**	**$ 3,122**	**$ 206**	**$ 1,247**
Receivables in the trust	**47,537**	**77**	**36**	**3,228**	**206**	**1,254**
Cash balance of spread or reserve accounts	**17**	**12**	**0**	**8**	**0**	**172**
Retained interests	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**
Servicing retained	**Yes**	**Yes**	**Yes**	**Yes**[1]	**Yes**[1]	**No**[3]
Amortization event[4]	**No**	**No**	**No**	**No**	**Yes**[2]	**No**
December 31, 2010:						
Securities held by third-party investors	$ 25,415	$ 1,453	$ 48	$ 3,690	$ 284	$ 1,386
Receivables in the trust	52,355	1,528	191	3,813	284	1,393
Cash balance of spread or reserve accounts	77	147	0	8	0	183
Retained interests	Yes	Yes	Yes	Yes	Yes	Yes
Servicing retained	Yes	Yes	Yes	Yes[1]	Yes[1]	No[3]
Amortization event[4]	No	No	No	No	Yes[2]	No

(1) We continue to service some of the outstanding balance of securitized mortgage receivables.

(2) See information below regarding on-going involvement in the GreenPoint Home Equity Line of Credit (HELOC) securitizations.

(3) The manufactured housing securitizations are serviced by a third party. For two of the deals, that third party works in the capacity of subservicer with Capital One being the Master Servicer.

(4) Amortization events vary according to each specific trust agreement but generally are triggered by declines in performance or credit metrics such as charge-off rates or delinquency rates below certain predetermined thresholds. Generally, the occurrence of an amortization event changes the sequencing and amount of trust related cash flows to the benefit of senior noteholders.

Non-Mortgage Securitizations

As of December 31, 2011 and 2010, we were deemed to be the primary beneficiary of all of our non-mortgage securitization trusts. Accordingly, all of these trusts have been consolidated in our financial statements.

Mortgage Securitizations

Option-ARM Loans

We had previously securitized option-ARM mortgage loans by transferring the mortgage loans to securitization trusts that had issued mortgage-backed securities to investors. The outstanding balance of debt securities held by third-party investors related to our mortgage loan securitization trusts at December 31, 2011 and 2010 was $3.1 billion and $3.7 billion, respectively.

We continue to service some of the outstanding balance of securitized mortgage receivables. We also retain rights to future cash flows arising from the receivables, the most significant being certificated interest-only bonds issued by the trusts, certain of which we sold during the year ended December 31, 2010. We generally estimate the fair value of these retained interests based on the estimated present value of expected future cash flows from securitized and sold receivables, using our best estimates of the key assumptions which include credit losses,

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prepayment speeds and discount rates commensurate with the risks involved. We do not consolidate these trusts because we do not have the right to receive benefits that could potentially be significant nor the obligation to absorb losses that could potentially be significant to the trusts.

In connection with the securitization of certain option-ARM loans, a third party is obligated to advance a portion of any negative amortization resulting from monthly payments that are less than the interest accrued for that payment period. We have an agreement in place with the third party that mirrors this advance requirement. The amount advanced is tracked through mortgage-backed securities retained as part of the securitization transaction. As the borrowers make principal payments, these securities receive their net pro rata portion of those payments in cash, and advances of negative amortization are refunded accordingly. As advances occur, we record an asset in the form of negative amortization bonds, which are held at fair value in other assets. We have also entered into certain derivative contracts related to the securitization activities. These are classified as free standing derivatives, with fair value adjustments recorded in non-interest income. See Note 11 Derivative Instruments and Hedging Activities for further details on these derivatives.

GreenPoint Mortgage HELOCs

Our discontinued wholesale mortgage banking unit, GreenPoint, previously sold home equity lines of credit in whole loan sales and subsequently acquired a residual interest in certain trusts which securitized some of those loans. As the residual interest holder, GreenPoint is required to fund advances on the home equity lines of credit when certain performance triggers are met due to deterioration in asset performance. We had funded $28 million in advances through December 31, 2011, all of which was expensed as funded. Our unfunded commitment related to these residual interests was $10 million as of December 31, 2011. We have not consolidated these trusts because the residual certificates did not provide the obligation to absorb losses or the right to receive benefits that could potentially be significant to the trusts.

GreenPoint Mortgage Manufactured Housing

We retain the primary obligation for certain provisions of corporate guarantees, recourse sales and clean-up calls related to the discontinued manufactured housing operations of GreenPoint Credit LLC (GPC) which was sold to a third party in 2004. Although we are the primary obligor, recourse obligations related to former GPC whole loan sales, commitments to exercise mandatory clean-up calls on certain GPC securitization transactions and servicing were transferred to a third party in the sale transaction. We do not consolidate the trusts used for the securitization of manufactured housing loans because we do not have the power to direct the activities that most significantly impact the economic performance of the trusts since we no longer service the loans.

We were required to fund letters of credit in 2004 to cover losses, and are obligated to fund future amounts under swap agreements for certain transactions. We have the right to receive any funds remaining in the letters of credit after the securities are released. The amount available under the letters of credit was $172 million and $183 million at December 31, 2011 and 2010, respectively. The fair value of the expected residual balances on the funded letters of credit was $51 million and $35 million at December 31, 2011 and 2010, respectively, and is included in other assets on the consolidated balance sheet. Our maximum exposure under the swap agreements was $23 million and $27 million at December 31, 2011 and 2010, respectively. The value of our obligations under these swaps was $12 million and $18 million at December 31, 2011 and 2010, respectively and is recorded in other liabilities on our consolidated balance sheet.

The unpaid principal balance of manufactured housing securitization transactions where we are the residual interest holder was $1.3 billion and $1.4 billion at December 31, 2011 and 2010, respectively. In the event the third party does not fulfill on its obligations to exercise the clean-up calls on certain transactions, the obligation

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reverts to us and we would assume approximately $420 million of loans receivable upon our execution of the clean-up call with the requirement to absorb any losses on the loans receivable. There have been no instances of non-performance to date by the third party.

We monitor the underlying assets for trends in delinquencies and related losses and reviews the purchaser s financial strength as well as servicing performance. These factors are considered in assessing the adequacy of the liabilities established for these obligations and the valuations of the assets.

Retained Interests in Unconsolidated Securitizations

Accounts Receivable from Securitizations

Retained interests in unconsolidated securitizations are included in accounts receivable from securitizations on our consolidated balance sheets. These retained interests consist of interest-only strips, retained tranches, cash collateral accounts, cash reserve accounts and unpaid interest and fees on the third-party investors portion of the transferred principal receivables.

The following table provides details of accounts receivable from securitizations as of December 31, 2011 and 2010:

	December 31, 2011	
(Dollars in millions)	**2011**	**2010**
Interest-only strip classified as trading	**$ 63**	$ 75
Retained interests classified as trading:		
Retained notes	**23**	34
Cash collateral	**8**	8
Investor accrued interest receivable	**0**	0
Total retained interests classified as trading	**31**	42
Other retained interests	**0**	3
Total accounts receivable from securitizations	**$ 94**	$ 120

We may retain tranches in certain of the securitization transactions which are considered to be higher investment grade securities and subject to lower risk of loss. Those retained tranches are classified as available-for-sale securities, and changes in the estimated fair value are recorded in other comprehensive income.

The components of the net gains (losses) recognized as a result of changes in the fair value of retained interests are presented below:

	Year Ended December 31,		
(Dollars in millions)	**2011**	**2010[(1)]**	**2009**
Interest only strip valuation changes	**$ (12)**	$ (6)	$ (96)
Fair value adjustments related to spread accounts	**49**	5	3
Fair value adjustments related to investors accrued interest receivable	**0**	0	(11)
Fair value adjustments related to retained subordinated notes	**19**	(18)	(57)
Net gain / (loss) recognized in earnings	**$ 56**	$ (19)	$ (161)

(1) 2010 includes both mortgage related amounts representing valuation changes of mortgage interest only strips, spread accounts, and retained interests held at December 31, 2010 and non-mortgage related amounts representing the one installment loan securitization that remained off-balance sheet through September 15, 2010.

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The changes in the fair value of retained interests are primarily driven by rate assumption changes and volume fluctuations. All of these retained residual interests are subject to loss in the event assumptions used to determine the estimated fair value do not prevail, or if borrowers default on the related securitized receivables and our retained subordinated tranches are used to repay investors. See the table below for key assumptions and sensitivities for retained interest valuations.

Key Assumptions and Sensitivities for Retained Interest Valuations

The key assumptions used in determining the fair value of the interest-only strip and other retained residual interests include the weighted average ranges for principal payment rates, lives of receivables and discount rates, all of which are included in the following table. The principal repayment rate assumptions were determined using actual and forecast trust principal payment rates based on the collateral. The lives of receivables were determined as the number of months necessary to repay the investors given the principal payment rate assumptions. The discount rates were determined using primarily trust specific statistics and forward rate curves, and were reflective of what market participants would use in a similar valuation. Additionally, accrued interest receivable, cash reserve and spread accounts were discounted over the estimated life of the assets.

If these assumptions are not met, or if they change, the interest-only strip, retained interests and related servicing and securitizations income would be affected. The following adverse changes to the key assumptions and estimates are hypothetical and should be used with caution. As the figures indicate, any change in fair value based on a 10% or 20% variation in assumptions cannot be extrapolated because the relationship of a change in assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value of the interest-only strip is calculated independently from any change in another assumption. However, changes in one factor may result in changes in other factors, which might magnify or counteract the sensitivities.

For the periods ending December 31, 2011 and 2010, the assumptions and sensitivities shown below include all off-balance sheet securitizations:

	December 31,	
(Dollars in millions)	**2011**	**2010**
Interest-only strip retained interests	**$ 110[1]**	$ 136[1]
Weighted average life for receivables (months)	**70**	60
Principal repayment rate (weighted average rate)	**12.2 - 17.1%**	16.3 - 18.1%
Impact on fair value of 10% adverse change	**$ 15**	$ 2
Impact on fair value of 20% adverse change	**(5)**	(6)
Discount rate (weighted average rate)	**25.0 - 42.2%**	25.2 - 42.2%
Impact on fair value of 10% adverse change	**$ (7)**	$ (7)
Impact on fair value of 20% adverse change	**(13)**	(14)

(1) Does not include liquidity swap related to the negative amortization bonds of $(16) million and $(19) million as of December 31, 2011 and 2010, respectively.

Static pool credit losses were calculated by summing the actual and projected future credit losses and dividing them by the original balance of each pool of assets. Due to the short-term revolving nature of the loan receivables, the weighted average percentage of static pool credit losses was not considered materially different from the assumed charge-off rates used to determine the fair value of the retained interests.

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We act as a servicing agent and receive contractual servicing fees of between 0.375% and 1% of the investor principal outstanding, based upon the type of assets serviced. For off-balance sheet securitizations, we generally did not record material servicing assets or liabilities for these rights since the contractual servicing fee approximates market rates.

Cash Flows Related to the Unconsolidated Securitizations

The following provides the details of the cash flows related to securitization transactions that qualified as off-balance sheet for the years ended December 31, 2011 and 2010:

	December 31,	
(Dollars in millions)	**2011**	**2010**
Servicing fees received	**$ 29**	$ 32
Cash flows received on retained interests[1]	**46**	116

[1] Includes all cash receipts of excess spread and other payments (excluding servicing fees) from the program.

Supplemental Loan Information

The table below displays the unpaid principal balance of off-balance sheet single-family residential loans we serviced as of December 31, 2011 and 2010. We also display the unpaid principal balance of loans past due 90 days or more as of December 31, 2011 and 2010. Net credit losses associated with these loans totaled $41 million and $136 million for the years ended December 31, 2011 and 2010, respectively.

	December 31,	
(Dollars in millions)	**2011**	**2010**
Total principal amount of loans	**$ 1,220**	$ 1,396
Principal amount of loans past due 90 days or more	**$ 223**	$ 257

Other VIEs

Affordable Housing Entities

As part of our community reinvestment initiatives, we invest in private investment funds that make equity investments in multi-family affordable housing properties. We receive affordable housing tax credits for these investments. The activities of these entities are financed with a combination of invested equity capital and debt. For those investment funds considered to be VIEs, we are not required to consolidate if we do not have the power to direct the activities that most significantly impact the economic performance of those entities. We record our interests in these unconsolidated VIEs in loans held for investment, other assets and other liabilities. As of December 31, 2011 and 2010 our interests consisted of assets of approximately $2.0 billion and $1.7 billion, respectively. Our maximum exposure to these entities is limited to our variable interests in the entities and is $2.0 billion as of December 31, 2011. The creditors of the VIEs have no recourse to our general credit and we do not provide additional financial or other support during the period that we were not previously contractually required to provide. The total assets of the unconsolidated investment funds that were VIEs at December 31, 2011 and 2010 were approximately $8.4 billion and $7.5 billion, respectively.

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Entities that Provide Capital to Low-Income and Rural Communities

We hold variable interests in entities (Investor Entities) that invest in community development entities (CDEs) that provide debt financing to businesses and non-profit entities in low-income and rural communities. Variable interests in the CDEs held by the consolidated Investor Entities are also our variable interests. The activities of the Investor Entities are financed with a combination of invested equity capital and debt. The activities of the CDEs are financed solely with invested equity capital. We receive federal and state tax credits for these investments. We consolidate the VIEs in which we have the power to direct the activities that most significantly impact the VIE s economic performance and the obligation to absorb losses or right to receive benefits that could be potentially significant to the VIE. We have also consolidated other investments and CDEs that we do not consider VIEs. The assets of the VIEs that we consolidated at December 31, 2011 and 2010 totaled approximately $258 million and $230 million, respectively. The assets of the consolidated VIEs are reflected on our consolidated balance sheets in cash, loans held for investment, interest receivable and other assets. The liabilities are reflected in other liabilities.

The total assets of the VIEs that we held an interest in but were not required to consolidate at December 31, 2011 and 2010 totaled approximately $6 million. Our interests in these unconsolidated VIEs are reflected on our consolidated balance sheets in loans held for investment and other assets. Our maximum exposure to these entities is limited to our variable interest of $6 million as of December 31, 2011. The creditors of the VIEs have no recourse to our general credit. We have not provided additional financial or other support during the period that we were not previously contractually required to provide.

Other

We have a variable interest in Capital One Financial Advisors, LLC which we consolidate as we have the power to direct the activities that most significantly impact the VIE s economic performance and the obligation to absorb losses or the right to receive benefits that could be potentially significant to the VIE. The assets of the VIE that we consolidated totaled approximately $1 million as of December 31, 2011 and less than $1 million as of December 31, 2010. The assets are consolidated in our balance sheet in cash and other assets.

We also have a variable interest in a trust that has a royalty interest in certain oil and gas properties. The activities of the trust are financed solely with debt. The total assets of the trust were $309 million and $395 million as of December 31, 2011 and 2010, respectively. We were not required to consolidate the trust because we do not have the power to direct the activities of the trust that most significantly impact the trust s economic performance. Our retained interest in the trust, which totaled approximately $139 million and $174 million as of December 31, 2011 and 2010, respectively, is reflected on our consolidated balance sheets under loans held for investment. Our maximum exposure is limited to our variable interest of $139 million as of December 31, 2011. The creditors of the trust have no recourse to our general credit. We have not provided additional financial or other support during the period that we were not previously contractually required to provide.

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NOTE 8 GOODWILL AND OTHER INTANGIBLE ASSETS

The table below displays the components of goodwill and other intangible assets, including mortgage servicing rights, as of December 31, 2011 and 2010:

(Dollars in millions)	December 31, 2011	December 31, 2010
Goodwill	**$ 13,592**	$ 13,591
Other intangible assets:		
Core deposit intangibles	**479**	650
Contract intangibles[1]	**50**	0
Purchased credit card relationship intangibles[2]	**52**	42
Lease intangibles	**21**	26
Trust intangibles	**5**	6
Other intangibles	**3**	9
Total other intangible assets	**610**	733
Total goodwill and other intangible assets	**$ 14,202**	$ 14,324
Mortgage servicing rights	**$ 93**	$ 141

(1) Relates to the acquisition of the HBC portfolio in the first quarter of 2011.

(2) Relates to the acquisitions of the Sony Card portfolio in the third quarter of 2010, the HBC credit card portfolio in the first quarter of 2011 and the Kohl s private-label credit card portfolio in the second quarter of 2011.

Goodwill

In accordance with accounting guidance, goodwill is not amortized but is tested for impairment at the reporting unit level, which is at the operating segment level or one level below an operating segment. Impairment is the condition that exists when the carrying amount of goodwill exceeds its implied fair value. Goodwill is required to be tested for impairment annually and between annual tests if events or circumstances change, such as adverse changes in the business climate, that would more likely than not reduce the fair value of the reporting unit below its carrying value. Goodwill is assigned to one or more reporting units at the date of acquisition. Our reporting units are Domestic Credit Card, International Credit Card, Auto Finance, other Consumer Banking and Commercial Banking. As of December 31, 2011 and 2010, goodwill of $13.6 billion was included in the accompanying consolidated balance sheets. There were no events requiring an interim impairment test and there has been no goodwill impairment recorded for the year ended December 31, 2011. The goodwill impairment test, performed at October 1 of each year, is a two-step test. The first step identifies whether there is potential impairment by comparing the fair value of a reporting unit to the carrying amount, including goodwill. If the fair value of a reporting unit is less than its carrying amount, the second step of the impairment test is required to measure the amount of any impairment loss.

For the 2011 annual impairment test, the fair value of reporting units was calculated using a discounted cash flow analysis, a form of the income approach, using each reporting unit s internal forecast and a terminal value calculated using a growth rate reflecting the nominal growth rate of the economy as a whole and appropriate discount rates for the respective reporting units. Cash flows were adjusted as necessary in order to maintain each reporting unit s equity capital requirements. Our discounted cash flow analysis required management to make judgments about future loan and deposit growth, revenue growth, credit losses, and capital rates. The cash flows were discounted to present value using reporting unit specific discount rates that are largely based on our external cost of equity with adjustments for risk inherent in each reporting unit. Discount rates used for the reporting units

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ranged from 10.0% to 14.1%. The key inputs into the discounted cash flow analysis were corroborated with market data, where available, indicating that assumptions used were within a reasonable range of observable market data.

Based on the comparison of fair value to carrying amount, as calculated using the methodology summarized above, fair value exceeded the carrying amount for all reporting units as of our annual testing date. Therefore, the goodwill of our reporting units was considered not impaired, and the second step of impairment testing was unnecessary.

As part of the annual goodwill impairment test, we assessed our market capitalization based on the average market price relative to the aggregate fair value of our reporting units and determined that any excess fair value in our reporting units at that time could be attributed to a reasonable control premium compared to historical control premiums seen in the industry. Continued market volatility and uncertainty regarding overall economic conditions have led to a decline in market capitalization in recent years resulting in significantly higher control premiums than what had been seen historically. We will continue to regularly monitor our market capitalization in 2012, overall economic conditions and other events or circumstances that may result in an impairment of goodwill in the future.

The following table provides a summary of goodwill as of December 31, 2011 and 2010:

(Dollars in millions)	**Credit Card**	**Consumer**	**Commercial**	**Total**
Total Company				
Balance as of December 31, 2009	$ 4,693	$ 4,585	$ 4,318	$ 13,596
Other adjustments	(3)	(2)	0	(5)
Balance as of December 31, 2010	$ 4,690	$ 4,583	$ 4,318	$ 13,591
Acquisitions	**3**	**0**	**0**	**3**
Other adjustments	**(2)**	**0**	**0**	**(2)**
Balance as of December 31, 2011	**$ 4,691**	**$ 4,583**	**$ 4,318**	**$ 13,592**

Other Intangible Assets

In connection with the prior acquisitions, we recorded intangible assets which consisted of core deposit intangibles, trust intangibles, lease intangibles, and other intangibles, which are subject to amortization. The core deposit and trust intangibles reflect the estimated value of deposit and trust relationships. The lease intangibles reflect the difference between the contractual obligation under current lease contracts and the fair market value of the lease contracts at the acquisition date. The other intangible items relate to customer lists and brokerage relationships.

In connection with the acquisition of the credit card loan portfolios of Sony, HBC and Kohl s, we recognized purchased credit card relationship intangibles, representing the difference between the purchase price and the fair value of the credit card loans acquired. In connection with the January 7, 2011 acquisition of the HBC credit card portfolio, we also recognized a contract-based intangible asset of $70 million. The contract intangible represents the value attributable to future draws on future accounts.

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The following table summarizes our intangible assets subject to amortization as of December 31, 2011 and 2010:

	December 31, 2011				
(Dollars in millions)	**Carrying Amount of Assets**	**Accumulated Amortization**	**Currency valuation Adjustments**	**Net Carrying Amount**	**Remaining Amortization Period**
Core deposit intangibles	**$ 1,562**	**$ (1,083)**	**$ 0**	**$ 479**	**5.9 years**
Purchased credit card relationship intangibles[1]	**77**	**(25)**	**0**	**52**	**5.2 years**
Contract intangibles[2]	**70**	**(19)**	**(1)**	**50**	**6.0 years**
Lease intangibles	**54**	**(33)**	**0**	**21**	**20.7 years**
Trust intangibles	**11**	**(6)**	**0**	**5**	**11.9 years**
Other intangibles	**25**	**(22)**	**0**	**3**	**2.3 years**
Total	**$ 1,799**	**$ (1,188)**	**$ (1)**	**$ 610**	

	December 31, 2010				
(Dollars in millions)	**Carrying Amount of Assets**	**Accumulated Amortization**	**Currency valuation Adjustments**	**Net Carrying Amount**	**Remaining Amortization Period**
Core deposit intangibles	$ 1,562	$ (912)	$ 0	$ 650	7.0 years
Purchased credit card relationship intangibles[1]	47	(5)	0	42	6.1 years
Lease intangibles	54	(28)	0	26	21.7 years
Trust intangibles	11	(5)	0	6	12.9 years
Other intangibles	35	(26)	0	9	3.3 years
Total	$ 1,709	$ (976)	$ 0	$ 733	

(1) Relates to the acquisitions of the Sony Card portfolio in the third quarter of 2010, the HBC credit card portfolio in the first quarter of 2011 and the Kohl s private-label credit card portfolio in the second quarter of 2011.

(2) Relates to the acquisition of the existing HBC credit card portfolio in the first quarter of 2011.

Intangible assets, which are reported in other assets on our consolidated balance sheets, are amortized over their respective estimated useful lives on an accelerated basis using the sum of the year s digits methodology. Intangible amortization expense, which is included in non-interest expense on our consolidated statements of income, totaled $222 million, $220 million and $235 million in 2011, 2010 and 2009, respectively. The weighted average amortization period for purchase accounting intangibles is 6.4 years as of December 31, 2011.

The following table summarizes the estimated future amortization expense for intangible assets as of December 31, 2011:

(Dollars in millions)	**Estimated Future Amortization Amounts**
2012	**$ 184**

2013		**148**
2014		**114**
2015		**80**
2016		**49**
Thereafter		**35**
Total	**$**	**610**

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Mortgage Servicing Rights

MSRs are recognized at fair value when mortgage loans are sold or securitized in the secondary market and the right to service these loans is retained for a fee. MSRs are recorded at fair value and changes in fair value are recorded as a component of mortgage servicing and other income. We may enter into derivatives to economically hedge changes in fair value of MSRs. We have no other loss exposure on MSRs in excess of the recorded fair value.

We continue to operate the mortgage servicing business and to report the changes in the fair value of MSRs in continuing operations. To evaluate and measure fair value, the underlying loans are stratified based on certain risk characteristics, including loan type, note rate and investor servicing requirements.

The following table sets forth the changes in the fair value of MSRs during the year ended December 31, 2011 and 2010:

	December 31,	
(Dollars in millions)	**2011**	**2010**
Balance at beginning of period	**$ 141**	$ 240
Originations	**9**	12
Sales	**0**	(42)
Change in fair value, net	**(57)**	(69)
Balance at end of period	**$ 93**	$ 141
Ratio of mortgage servicing rights to related loans serviced for others	**0.62%**	0.71%
Weighted average service fee	**$ 0.28**	$ 0.28

MSR fair value adjustments in 2011 and 2010 included decreases of $13 million and $28 million, respectively, due to run-off and cash collections, and decreases of $44 million and $41 million, respectively, due to changes in the valuation inputs and assumptions.

The significant assumptions used in estimating the fair value of the MSRs as of December 31, 2011 and 2010 were as follows:

	December 31,	
	2011	**2010**
Weighted average prepayment rate (includes default rate)	**18.62%**	14.25%
Weighted average life (in years)	**4.84**	6.07
Discount rate	**11.69%**	10.23%

The increase in the weighted average prepayment rate and the corresponding decrease in weighted average life, were both driven by an increase in involuntary attrition due to market conditions and changes in model assumptions.

At December 31, 2011, the sensitivities to immediate 10% and 20% increases in the weighted average prepayment rates would decrease the fair value of mortgage servicing rights by $5 million and $9 million, respectively.

At December 31, 2011, the sensitivities to immediate 10% and 20% adverse changes in servicing costs would decrease the fair value of mortgage servicing rights by $8 million and $18 million, respectively.

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As of December 31, 2011, our mortgage loan servicing portfolio consisted of mortgage loans with an aggregate unpaid principal balance of $27 billion, of which $18 billion was serviced for other investors. As of December 31, 2010, our mortgage loan servicing portfolio consisted of mortgage loans with an aggregate unpaid principal balance of $31 billion, of which $20 billion was serviced for other investors.

NOTE 9 PREMISES, EQUIPMENT & LEASE COMMITMENTS

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation and amortization. We capitalize direct costs (including external costs for purchased software, contractors, consultants and internal staff costs) for internally developed software projects that have been identified as being in the application development stage. Depreciation and amortization expenses are computed generally by the straight-line method over the estimated useful lives of the assets. Useful lives for premises and equipment are as follows:

Premises & Equipment	Useful Lives
Buildings and improvement	5-39 years
Furniture and equipment	3-10 years
Computers and software	3-7 years

Premises and equipment were as follows:

	December 31,	
(Dollars in millions)	2011	2010
Land	**$ 549**	$ 562
Buildings and improvements	**2,018**	1,948
Furniture and equipment	**1,355**	1,315
Computer software	**932**	921
In process	**373**	258
	5,227	5,004
Less: Accumulated depreciation and amortization	**(2,479)**	(2,255)
Total premises and equipment, net	**$ 2,748**	$ 2,749

Depreciation and amortization expense from continuing operations was $317 million, $327 million, and $327 million, for the years ended December 31, 2011, 2010 and 2009, respectively.

Lease Commitments

Certain premises and equipment are leased under agreements that expire at various dates through 2056, without taking into consideration available renewal options. Many of these leases provide for payment by the lessee of property taxes, insurance premiums, cost of maintenance and other costs. In some cases, rentals are subject to increases in relation to a cost of living index. Total rent expenses from continuing operations amounted to approximately $180 million, $191 million, and $183 million for the years ended December 31, 2011, 2010 and 2009, respectively.

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Future minimum rental commitments as of December 31, 2011, for all non-cancelable operating leases with initial or remaining terms of one year or more are as follows:

(Dollars in millions)	Estimated Future Minimum Rental Commitments
2012	**$ 172**
2013	**169**
2014	**161**
2015	**147**
2016	**135**
Thereafter	**806**
Total	**$ 1,590**

Minimum sublease rental income of $48 million due in future years under non-cancelable leases has not been included in the table above as a reduction to minimum lease payments.

NOTE 10 DEPOSITS AND BORROWINGS

Customer Deposits

Our customer deposits, which have become our largest source of funding for our operations and asset growth, consist of non-interest bearing and interest-bearing deposits, including demand deposits, money market deposits, negotiable order of withdrawal (NOW) accounts, savings accounts and certificates of deposit.

As of December 31, 2011, we had $109.9 billion in interest-bearing deposits of which $4.6 billion represents large denomination certificates of $100,000 or more. As of December 31, 2010, we had $107.2 billion in interest-bearing deposits, of which $6.5 billion represents large denomination certificates of $100,000 or more.

Borrowings

We also access the capital markets to meet our funding needs through loan securitization transactions and the issuance of senior and subordinated debt. As of December 31, 2011, we had an effective shelf registration statement filed with the U.S. Securities & Exchange Commission (SEC) under which, from time to time, we may offer and sell an indeterminate aggregate amount of senior or subordinated debt securities, preferred stock, depository shares representing preferred stock, common stock, purchase contracts, warrants, units, trust preferred securities, junior subordinated debentures, guarantees of trust preferred securities and certain back-up obligations. There is no limit under this shelf registration statement to the amount or number of such securities that we may offer and sell. Under SEC rules, the shelf registration statement, which we filed in May 2009, expires three years after filing.

In addition to issuance capacity under the shelf registration statement, we have access to other borrowing programs, including advances from the FHLB. Our FHLB membership is secured by our investment in FHLB stock, which totaled $362 million and $269 million, as of December 31, 2011 and 2010, respectively.

Securitized Debt Obligations

We had $16.5 billion and $26.8 billion of securitized debt obligations as of December 31, 2011 and 2010, respectively, all of which are held by third party investors.

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Senior and Subordinated Debt

As of December 31, 2011, we had $11.0 billion of senior and subordinated notes outstanding, which included $823 million in fair value hedging losses. As of December 31, 2010, we had $8.7 billion of senior and subordinated notes outstanding, including $578 million in fair value hedging losses. One senior note for $854 million matured during the year ended December 31, 2011. See Note 11 Derivative Instruments and Hedging Activities for information about our fair value hedging activities. During 2011, we issued four different series of our senior notes for total proceeds of approximately $3.0 billion. The offering of senior notes included $250 million aggregate principal amount of our Floating Rate Senior Notes due 2014, $750 million aggregate principal amount of our 2.125% Senior Notes due 2014, $750 million aggregate principal amount of our 3.150% Senior Notes due 2016 and $1.25 billion aggregate principal amount of our 4.750% Senior Notes due 2021.

Under a Senior and Subordinated Global Bank Note Program, COBNA has issued debt securities to both U.S. and non-U.S. lenders and raised funds in U.S. and foreign currencies. The Senior and Subordinated Global Bank Note Program had $810 million and $820 million outstanding at December 31, 2011 and 2010, respectively.

See Note 11 Derivative Instruments and Hedging Activities for information about our fair value hedging activities.

Junior Subordinated Debentures

We had $3.6 billion of outstanding junior subordinated debentures as of both December 31, 2011 and 2010. There were no junior subordinated borrowings that were called or matured during the year ended December 31, 2011.

FHLB Advances

We had outstanding FHLB advances, which are secured by our investment securities, residential home loan portfolio, multifamily loans, commercial real-estate loans and home equity lines of credit, totaling $6.9 billion and $1.1 billion as of December 31, 2011 and 2010, respectively.

Composition of Customer Deposits, Short-term Borrowings and Long-term Debt

The table below summarizes the components of our deposits, short-term borrowings and long-term debt as of December 31, 2011 and 2010. Our total short-term borrowings consist of federal funds purchased and securities loaned under agreements to repurchase and other short-term borrowings with an original contractual maturity of one year or less. Our long-term debt consists of borrowings with an original contractual maturity of greater than one year. The amounts presented for outstanding borrowings include unamortized debt premiums and discounts, net of fair value hedge accounting adjustments.

	December 31,	
(Dollars in millions)	**2011**	**2010**
Deposits:		
Non-interest bearing deposits	**$ 18,281**	$ 15,048
Interest-bearing deposits	**109,945**	107,162
Total deposits	**$ 128,226**	$ 122,210
Short-term borrowings:		
Federal Funds purchased and securities loaned or sold under agreements to repurchase	**$ 1,464**	$ 1,517
FHLB Advances	**5,835**	0
Other short-term borrowings	**0**	7

Total short-term borrowings	**$ 7,299**	$ 1,524

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(Dollars in millions)	Maturity Date	Interest Rate	Weighted Average Interest Rate	December 31, 2011	December 31, 2010
Long-term debt:					
Securitized debt obligations	2012 - 2026	0.20% - 6.40%	1.67%	**$ 16,527**[1]	26,836[1]
Senior and subordinated notes:					
Fixed unsecured senior debt	2012 - 2021	2.13% - 7.38%	5.22%	**6,850**	4,883
Floating unsecured senior debt	2014	1.55%	1.55%	**250**	0
Total unsecured senior debt			5.08%	**7,100**	4,883
Fixed unsecured subordinated debt	2012 - 2019	5.35% - 8.80%	7.30%	**3,934**	3,767
Total senior and subordinated notes				**11,034**	8,650
Other long-term borrowings:					
Fixed junior subordinated debt	2027 - 2066	3.63% - 10.25%	8.57%	**3,642**	3,642
FHLB advances	2012 - 2023	0.60% - 6.88%	1.13%	**1,059**	1,144
Total other long-term borrowings				**4,701**	4,786
Total long-term debt				**$ 32,262**	$ 40,272
Total short-term borrowings and long-term debt				**$ 39,561**	$ 41,796

(1) Includes fair value hedges related to securitized debt of ($27) million and $79 million as of December 31, 2011 and 2010, respectively. In 2010, the fair value hedge was included on the consolidated balance sheet in other borrowings.

Interest-bearing time deposits, senior and subordinated notes and other borrowings as of December 31, 2011, mature as follows:

(Dollars in millions)	Interest-Bearing Time Deposits[1]	Senior and Subordinated Notes	Other Borrowings	Total
2012	**$ 6,505**	**$ 640**	**$ 12,480**	**$ 19,625**
2013	**5,691**	**811**	**2,666**	**9,168**
2014	**1,317**	**2,438**	**3,815**	**7,570**
2015	**1,867**	**411**	**523**	**2,801**
2016	**266**	**1,943**	**1,346**	**3,555**
Thereafter	**411**	**4,791**	**7,697**	**12,899**
Total	**$ 16,057**	**$ 11,034**	**$ 28,527**	**$ 55,618**

(1) Includes only those interest bearing deposits which have a contractual maturity date.

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NOTES TO CONSOLIDATED STATEMENTS (Continued)

Components of Interest Expense

The following table displays interest expense attributable to short-term borrowings and long-term debt for the years ended December 31, 2011 and 2010 and 2009:

(Dollars in millions)	Year Ended December 31, 2011	2010	2009
Short-term borrowings:			
Federal funds purchased and securities loaned or sold under agreements to repurchase	**$ 4**	$ 4	$ 7
FHLB advances	**2**	0	0
Total short-term borrowings	**6**	4	7
Long-term debt:			
Securitized debt obligations	**422**[(1)]	804[(1)]	282
Senior and subordinated notes:			
Unsecured senior debt	**181**	154	160
Unsecured subordinated debt	**119**	122	100
Total senior and subordinated notes	**300**	276	260
Other long-term borrowings:			
Junior subordinated debt	**310**	322	179
FHLB advances	**12**	20	145
Other	**9**	5	1
Total long-term debt	**1,053**	1,427	867
Total short-term borrowings and long-term debt	**$ 1,059**	$ 1,431	$ 874

(1) Includes interest income for fair value hedges related to securitized debt of $25 million and $5 million for 2011 and 2010, respectively. In 2010, the interest income was included on the consolidated income statement in interest expense as a component of other borrowings.

NOTE 11 DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Use of Derivatives

We manage our asset/liability position and market risk exposure in accordance with prescribed risk management policies and limits established by our Asset Liability Management Committee and approved by our Board of Directors. Our primary market risk stems from the impact on our earnings and economic value of equity from changes in interest rates, and to a lesser extent, changes in foreign exchange rates. We manage our interest rate sensitivity through several approaches, which include, but are not limited to, changing the maturity and re-pricing characteristics of various balance sheet categories and by entering into interest rate derivatives. Derivatives are also utilized to manage our exposure to changes in foreign exchange rates. Derivative instruments may be privately negotiated contracts, which are often referred to as over-the-counter (OTC) derivatives, or they may be listed and traded on an exchange. We execute our derivative contracts in both the OTC and exchange-traded derivative markets. In addition to interest rate swaps, we use a variety of other derivative instruments, including caps, floors, options, futures and forward contracts, to manage our interest rate and foreign currency risk. On a regular basis, we enter into customer-accommodation derivative transactions. We engage in these transactions as a service to our commercial banking customers to facilitate their risk management objectives. We typically offset the market risk exposure to our customer-accommodation derivatives through derivative transactions with other counterparties.

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Accounting for Derivatives

We account for derivatives pursuant to the accounting standards for derivatives and hedging. The outstanding notional amount of our derivative contracts totaled $73.2 billion as of December 31, 2011, compared with $50.7 billion as of December 31, 2010. The notional amount provides an indication of the volume of our derivatives activity and is used as the basis on which interest and other payments are determined; however, it is generally not the amount exchanged. Derivatives are recorded at fair value in our consolidated balance sheets. The fair value of a derivative represents our estimate of the amount at which a derivative could be exchanged in an orderly transaction between market participants. We report derivatives in a gain position, or derivative assets, in our consolidated balance sheets as a component of other assets. We report derivatives in a loss position, or derivative liabilities, in our consolidated balance sheets as a component of other liabilities. We report derivative asset and liability amounts on a gross basis based on individual contracts, which does not take into consideration the effects of master counterparty netting agreements or collateral netting. The fair value of derivative assets and derivative liabilities reported in our consolidated balance sheets was $1.9 billion and $987 million, respectively, as of December 31, 2011, compared with $1.3 billion and $636 million, respectively, as of December 31, 2010.

Our derivatives are designated as either qualifying accounting hedges or free-standing derivatives. Free-standing derivatives consist of customer-accommodation derivatives and economic hedges that we enter into for risk management purposes that are not linked to specific assets or liabilities or to forecasted transactions and, therefore, do not qualify for hedge accounting. Qualifying accounting hedges are designated as fair value hedges, cash flow hedges or net investment hedges.

Fair Value Hedges: We designate derivatives as fair value hedges to manage our exposure to changes in the fair value of certain financial assets and liabilities, which fluctuate in value as a result of movements in interest rates. Changes in the fair value of derivatives designated as fair value hedges are recorded in earnings together with offsetting changes in the fair value of the hedged item and any resulting ineffectiveness. Our fair value hedges consist of interest rate swaps that are intended to modify our exposure to interest rate risk on various fixed rate senior notes, subordinated notes, securitization debt, brokered certificates of deposits and U.S. agency investments. These hedges have maturities through 2019 and have the effect of converting some of our fixed rate debt, deposits and investments to variable rate.

Cash Flow Hedges: We designate derivatives as cash flow hedges to manage our exposure to variability in cash flows related to forecasted transactions. Changes in the fair value of derivatives designated as cash flow hedges are recorded as a component of AOCI, to the extent that the hedge relationships are effective, and amounts are reclassified from AOCI to earnings as the forecasted transactions occur. To the extent that any ineffectiveness exists in the hedge relationships, the amounts are recorded in current period earnings. Our cash flow hedges consist of interest rate swaps that are intended to hedge the variability in interest payments on some of our variable rate debt issuances and assets through 2017. These hedges have the effect of converting some of our variable rate debt and assets to a fixed rate. We also have entered into forward foreign currency derivative contracts to hedge our exposure to variability in cash flows related to foreign currency denominated debt.

Net Investment Hedges: We use net investment hedges, primarily forward foreign exchange contracts, to manage the exposure related to our net investments in consolidated foreign operations that have functional currencies other than the U.S. dollar. Changes in the fair value of net investment hedges are recorded in the translation adjustment component of AOCI. During the third quarter of 2011, we discontinued hedge accounting on our only net investment hedge. Therefore, we did not have any net investment hedges outstanding as of December 31, 2011.

Free-Standing Derivatives: We use free-standing derivatives, or economic hedges, to hedge the risk of changes in the fair value of residential MSRs, mortgage loan origination and purchase commitments and

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other interests held. We also categorize our customer-accommodation derivatives and the related offsetting contracts as free-standing derivatives. Changes in the fair value of free-standing derivatives are recorded in earnings as a component of other non-interest income.

Balance Sheet Presentation

The following table summarizes the fair value and related outstanding notional amounts of derivative instruments reported in our consolidated balance sheets as of December 31, 2011 and 2010. The fair value amounts are segregated by derivatives that are designated as accounting hedges and those that are not, and are further segregated by type of contract within those two categories.

	December 31,					
	2011			2010		
	Notional or Contractual	Derivatives at Fair Value		Notional or Contractual	Derivatives at Fair Value	
(Dollars in millions)	Amount	Assets[1]	Liabilities[1]	Amount	Assets[1]	Liabilities[1]
Derivatives designated as accounting hedges:						
Interest rate contracts:						
Fair value interest rate contracts	**$ 14,425**	**$ 1,019**	**$ 1**	$ 17,001	$ 747	$ 77
Cash flow interest rate contracts	**6,325**	**71**	**130**	8,585	14	151
Total interest rate contracts	**20,750**	**1,090**	**131**	25,586	761	228
Foreign exchange contracts:						
Cash flow foreign exchange contracts	**4,577**	**93**	**16**	2,266	5	26
Net investment foreign exchange contracts	**0**	**0**	**0**	52	0	1
Total foreign exchange contracts	**4,577**	**93**	**16**	2,318	5	27
Total derivatives designated as accounting hedges	**25,327**	**1,183**	**147**	27,904	766	255
Derivatives not designated as accounting hedges:[1]						
Interest rate contracts covering:						
MSRs	**383**	**18**	**12**	625	3	18
Customer accommodation[2]	**16,147**	**453**	**395**	12,255	282	244
Other interest rate exposures	**29,027**	**85**	**362**	7,579	46	35
Total interest rate contracts	**45,557**	**556**	**769**	20,459	331	297
Foreign exchange contracts	**1,348**	**193**	**65**	1,384	214	67
Other contracts	**932**	**4**	**6**	980	8	17
Total derivatives not designated as accounting hedges	**47,837**	**753**	**840**	22,823	553	381
Total derivatives	**$ 73,164**	**$ 1,936**	**$ 987**	$ 50,727	$ 1,319	$ 636

(1) Derivative asset and liability amounts are presented on a gross basis based on individual contracts and do not reflect the impact of legally enforceable master counterparty netting agreements, collateral received/posted or net credit risk

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valuation adjustments. We recorded a net cumulative credit risk valuation adjustment related to our derivative positions of $23 million and $20 million as of December 31, 2011 and 2010, respectively. See Derivative Counterparty Credit Risk below for additional information.

(2) Customer accommodation derivatives include those entered into with our commercial banking customers and those entered into with other counterparties to offset the market risk.

In June 2011, we entered into a purchase and sale agreement with ING Groep N.V., ING Bank N.V., ING Direct N.V., and ING Direct Bancorp (collectively, the ING Sellers) under which we would acquire substantially all of the ING Sellers ING Direct business in the United States (ING Direct). We took several actions during the year to manage the anticipated impact of the ING Direct acquisition on our market risk exposure and regulatory capital requirements. From the date we entered into the agreement to acquire ING Direct to early August 2011, interest rates declined substantially, which resulted in an increase in the estimated fair value of the ING Direct net assets and liabilities. In order to capture some of the anticipated benefits to regulatory capital on the closing date attributable to this decline in interest rates, in early August 2011, we entered into various interest-rate swap transactions with a total notional principal amount of approximately $23.8 billion. We subsequently rebalanced the hedge in October 2011 adding an additional $1 billion in notional principal for a total combined notional principal amount of approximately $24.8 billion. These combined swap transactions were intended to mitigate the effect of a rise in interest rates on the fair values of a significant portion of the ING Direct assets and liabilities during the period from when we entered into the swap transactions to the anticipated closing date of the ING Direct acquisition in early 2012. Although the interest-rate swaps represented economic hedges, they were not designated for hedge accounting under U.S. GAAP. Therefore, we recorded changes in the fair value of these interest-swaps in earnings. In 2011, we recorded a mark-to-market loss of $277 million related to these interest-rate swaps, which was attributable to the decline in interest rates. In conjunction with the acquisition of ING Direct on February 17, 2012, we terminated the $24.8 billion in interest-rate swaps related to the acquisition. We continued to record changes in the fair value of these interest-rate swaps in earnings until the swaps were terminated in February 2012.

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Income Statement Presentation and AOCI

The following tables summarize the impact of derivatives and related hedged items on our consolidated statements of income and AOCI.

Fair Value Hedges and Free-Standing Derivatives

The net gains (losses) recognized in earnings related to derivatives in fair value hedging relationships and free-standing derivatives are presented below for 2011, 2010 and 2009:

	Year Ended December 31,		
(Dollars in millions)	**2011**	**2010**	**2009**
Derivatives designated as accounting hedges:			
Fair value interest rate contracts:			
Gain (loss) recognized in earnings on derivatives[1]	**$ 348**	$ 338	$ (266)
Gain (loss) recognized in earnings on hedged items[1]	**(333)**	(288)	313
Net fair value hedge ineffectiveness gain	**15**	50	47
Derivatives not designated as accounting hedges:			
Interest rate contracts covering:			
MSRs[1]	**4**	(21)	(27)
Customer accommodation[1]	**23**	25	2
Other interest rate exposures[1]	**(275)[2]**	5	15
Total	**(248)**	9	(10)
Foreign exchange contracts[1]	**30**	4	0
Other contracts[1]	**21**	38	(9)
Total gain (loss) on derivatives not designated as accounting hedges	**(197)**	51	(19)
Net derivatives gain (loss) recognized in earnings	**$ (182)**	$ 101	$ 28

(1) Amounts are recorded in our consolidated statements of income in other non-interest income.

(2) Includes $277 million in mark-to-market losses recorded during 2011 on interest-rate swap transactions related to the ING Direct acquisition discussed above.

Cash Flow and Net Investment Hedges

The table below shows the net gains (losses) related to derivatives designated as cash flow hedges and net investment hedges for 2011, 2010 and 2009:

Year Ended December 31,

(Dollars in millions)	2011	2010	2009
Gain (loss) recorded in AOCI:[1]			
Cash flow hedges:			
Interest rate contracts	**$ 32**	$ (42)	$ (50)
Foreign exchange contracts	**(20)**	(1)	4
Subtotal	**12**	(43)	(46)
Net investment hedges:			
Foreign exchange contracts	**(2)**	(1)	(7)
Net derivatives gain recognized in AOCI	**$ 10**	$ (44)	$ (53)

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(Dollars in millions)	Year Ended December 31, 2011	2010	2009
Gain (loss) recorded in earnings:			
Cash flow hedges:			
Gain (loss) reclassified from AOCI into earnings:			
Interest rate contracts[2]	**$ 3**	$ (51)	(136)
Foreign exchange contracts[3]	**(21)**	0	(4)
Subtotal	**(18)**	(51)	(140)
Gain (loss) recognized in earnings due to ineffectiveness:			
Interest rate contracts[3]	**0**	1	(1)
Foreign exchange contracts [3]	**0**	0	0
Subtotal	**0**	1	(1)
Net derivatives loss recognized in earnings	**$ (18)**	$ (50)	$ (141)

(1) Amounts represent the effective portion.
(2) Amounts reclassified are recorded in our consolidated statements of income in interest income or interest expense.
(3) Amounts reclassified are recorded in our consolidated statements of income in other non-interest income.

We expect to reclassify net after-tax gains of $555 million recorded in AOCI as of December 31, 2011, related to derivatives designated as cash flow hedges to earnings over the next 12 months, which we expect to offset against the cash flows associated with the hedged forecasted transactions. The maximum length of time over which forecasted transactions were hedged was six years as of December 31, 2011. The amount we expect to reclassify into earnings may change as a result of changes in market conditions and ongoing actions taken as part of our overall risk management strategy.

Credit Default Swaps

We have credit exposure on credit default swap agreements that we entered into to manage our risk of loss on certain manufactured housing securitizations issued by GreenPoint Credit LLC in 2000. Our maximum credit exposure related to these swap agreements totaled $23 million and $27 million as of December 31, 2011 and 2010, respectively. These agreements are recorded in our consolidated balance sheets as a component of other liabilities. The value of our obligations under these swaps was $12 million and $18 million as of December 31, 2011 and 2010, respectively. See Note 7 Variable Interest Entities and Securitizations for additional information about our manufactured housing securitization transactions.

Credit Risk-Related Contingency Features

Certain of our derivative contracts include provisions requiring that our debt maintain a credit rating of investment grade or above by each of the major credit rating agencies. In the event of a downgrade of our debt credit rating below investment grade, some of our derivative counterparties would have the right to terminate the derivative contract and close-out the existing positions. Other derivative contracts include provisions that would, in the event of a downgrade of our debt credit rating below investment grade, allow our derivative counterparties to demand immediate

and ongoing full overnight collateralization on derivative instruments in a net liability position. Certain of our derivative contracts may allow, in the event of a downgrade of our debt credit rating of any kind, our derivative counterparties to demand additional collateralization on such derivative instruments in a net liability position. The fair value of derivative instruments with credit-risk-related contingent features in a net liability position was $141 million and $66 million as of December 31, 2011 and 2010, respectively. We were required to post collateral, consisting of a combination of cash and securities, totaling $353 million and $229 million as of

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December 31, 2011 and 2010, respectively. If our debt credit rating had fallen below investment grade, we would have been required to post additional collateral of $39 million as of December 31, 2011 and 2010.

Derivative Counterparty Credit Risk

Derivative instruments contain an element of credit risk that arises from the potential failure of a counterparty to perform according to the contractual terms of the contract. Our exposure to derivative counterparty credit risk at any point in time is represented by the fair value of derivatives in a gain position, or derivative assets, assuming no recoveries of underlying collateral. To mitigate the risk of counterparty default, we maintain collateral agreements with certain derivative counterparties. These agreements typically require both parties to maintain collateral in the event the fair values of derivative financial instruments exceed established thresholds. We received cash collateral from derivatives counterparties totaling $894 million and $668 million as of December 31, 2011 and 2010, respectively. We posted cash collateral in accounts maintained by derivatives counterparties totaling $353 million and $229 million as of December 31, 2011 and 2010, respectively.

We record counterparty credit risk valuation adjustments on our derivative assets to properly reflect the credit quality of the counterparty. We consider collateral and legally enforceable master netting agreements that mitigate our credit exposure to each counterparty in determining the counterparty credit risk valuation adjustment, which may be adjusted in future periods due to changes in the fair value of the derivative contract, collateral and creditworthiness of the counterparty. The cumulative counterparty credit risk valuation adjustment recorded on our consolidated balance sheets as a reduction in the derivative asset balance was $25 million and $22 million as of December 31, 2011 and 2010, respectively. We also adjust the fair value of our derivative liabilities to reflect the impact of our credit quality. We calculate this adjustment by comparing the spreads on our credit default swaps to the discount benchmark curve. The cumulative credit risk valuation adjustment related to our credit quality recorded on our consolidated balance sheets as a reduction in the derivative liability balance was $2 million as of December 31, 2011 and 2010.

NOTE 12 STOCKHOLDERS EQUITY

Accumulated Other Comprehensive Income (AOCI)

The following table presents the cumulative balances of accumulated other comprehensive income, net of deferred tax of $142 million, $143 million and $67 million as of December 31, 2011, 2010 and 2009, respectively:

	Year Ended December 31,		
(Dollars in millions)	**2011**	**2010**	**2009**
Net unrealized gains (losses) on securities[1]	**$ 294**	$ 333	$ 199
Net unrecognized elements of defined benefit plans	**(43)**	(29)	(29)
Foreign currency translation adjustments	**(49)**	(36)	(26)
Unrealized losses on cash flow hedging instruments	**(26)**	(52)	(60)
Other-than-temporary impairment not recognized in earnings on securities	**10**	49	0
Initial application of measurement date provisions for postretirement benefits other than pensions	**(1)**	(1)	(1)
Initial application from adoption of consolidation standards	**(16)**	(16)	0

Total accumulated other comprehensive income (loss)	**$ 169**	$ 248	$ 83

(1) Includes net unrealized gains (losses) on securities available for sale and retained subordinated notes. Unrealized losses not related to credit on other-than-temporarily impaired securities of $170 million (net of income tax of $109 million), $105 million (net of income tax of $68 million) and $181 million (net of income tax of $117 million) were reported in other comprehensive income as of December 31, 2011, 2010 and 2009, respectively.

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NOTES TO CONSOLIDATED STATEMENTS (Continued)

NOTE 13 REGULATORY AND CAPITAL ADEQUACY

Regulation and Capital Adequacy

Bank holding companies and national banks are subject to capital adequacy standards adopted by the Federal Reserve and the OCC, respectively. The capital adequacy standards set forth minimum risk-based and leverage capital requirements that are based on quantitative and qualitative measures of their assets and off-balance sheet items. Under the capital adequacy standards, bank holding companies and banks currently are required to maintain a total risk-based capital ratio of at least 8%, a Tier 1 risk-based capital ratio of at least 4%, and a Tier 1 leverage capital ratio of at least 4% (3% for banks that meet certain specified criteria, including excellent asset quality, high liquidity, low interest rate exposure and the highest regulatory rating) in order to be considered adequately capitalized.

National banks are also subject to prompt corrective action capital regulations. Under prompt corrective action capital regulations, a bank is considered to be well capitalized if it maintains a total risk-based capital ratio of at least 10% (200 basis points higher than the above minimum capital standard), a Tier 1 risk-based capital ratio of at least 6%, a Tier 1 leverage capital ratio of at least 5% and not be subject to any supervisory agreement, order, or directive to meet and maintain a specific capital level for any capital reserve. A bank is considered to be adequately capitalized if it meets the above minimum capital ratios and does not otherwise meet the well capitalized definition. Currently, prompt corrective action capital requirements do not apply to bank holding companies. We are also subject to minimum cash reserve requirements by the Federal Reserve totaling approximately $1.2 billion as of December 31, 2011.

The table below provides a comparison of our capital ratios as of December 31, 2011 and 2010. As of December 31, 2011, we exceeded minimum capital requirements and would meet the well-capitalized ratio levels specified under prompt corrective action for total risk-based capital and Tier 1 risk-based capital under Federal Reserve capital standards for bank holding companies. As of December 31, 2011, the Banks also exceeded minimum regulatory requirements under the OCC s applicable capital adequacy guidelines and were well-capitalized under prompt corrective action requirements.

	December 31,					
	2011[1]			2010[1]		
(Dollars in millions)	Capital Ratio	Minimum Capital Adequacy	Well Capitalized	Capital Ratio	Minimum Capital Adequacy	Well Capitalized
Capital One Financial Corp:[2]						
Tier 1 common equity[3]	**9.7%**	**N/A**	**N/A**	8.8%	N/A	N/A
Tier 1 risk-based capital[4]	**12.0**	**4.0%**	**6.0%**	11.6	4.0%	6.0%
Total risk-based capital[5]	**14.9**	**8.0**	**10.0**	16.8	8.0	10.0
Tier 1 leverage[6]	**10.1**	**4.0**	**N/A**	8.1	4.0	N/A
Capital One Bank (USA) N.A.						
Tier 1 risk-based capital	**11.2%**	**4.0%**	**6.0%**	13.5%	4.0%	6.0%
Total risk-based capital	**15.0**	**8.0**	**10.0**	23.6	8.0	10.0
Tier 1 leverage	**10.2**	**4.0**	**5.0**	8.3	4.0	5.0
Capital One, N.A.						
Tier 1 risk-based capital	**11.0%**	**4.0%**	**6.0%**	11.1%	4.0%	6.0%

Total risk-based capital	**12.2**	**8.0**	**10.0**	12.4	8.0	10.0
Tier 1 leverage	**8.7**	**4.0**	**5.0**	8.1	4.0	5.0

(1) Calculated under capital standards and regulations based on the international capital framework commonly known as Basel I.

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CAPITAL ONE FINANCIAL CORPORATION

NOTES TO CONSOLIDATED STATEMENTS (Continued)

(2) The regulatory framework for prompt corrective action does not apply to Capital One Financial Corp. because it is a bank holding company.
(3) Tier 1 common equity ratio is a non-GAAP measure calculated based on Tier 1 common equity divided by risk-weighted assets.
(4) Calculated based on Tier 1 capital divided by risk-weighted assets.
(5) Calculated based on Total risk-based capital divided by risk-weighted assets.
(6) Calculated based on Tier 1 capital divided by quarterly average total assets, after certain adjustments.

Regulatory restrictions exist that limit the ability of the Banks to transfer funds to our bank holding company. Funds available for dividend payments from COBNA and CONA based on the Earnings Limitation Test were $2.6 billion and $1.3 billion, respectively, as of December 31, 2011. Although funds are available for dividend payments from the Banks, we would execute a dividend from the Banks in consultation with the OCC. Applicable provisions that may be contained in our borrowing agreements or the borrowing agreements of our subsidiaries may limit our subsidiaries ability to pay dividends to us or our ability to pay dividends to our stockholders. There can be no assurance that we will declare and pay any dividends.

The January 1, 2010 adoption of the new consolidation accounting standards resulted in our consolidating a substantial portion of our securitization trusts and establishing an allowance for loan and lease losses for the assets underlying these trusts, which reduced retained earnings and our Tier 1 risk-based capital ratio. In January 2010, banking regulators issued regulatory capital rules related to the impact of the new consolidation accounting standards, including a two-quarter implementation delay followed by a two-quarter partial implementation of the effect on regulatory capital ratios.

We elected the phase-in option, which required us to phase-in 50% of consolidated assets beginning with the third quarter of 2010 for purposes of determining risk-weighted assets. The phase-in provisions expired after December 31, 2010 and we completed the final phase-in during the first quarter of 2011, which resulted in the addition of approximately $15.5 billion of assets to the denominator used in calculating our regulatory ratios.

NOTE 14 EARNINGS PER COMMON SHARE

The following table sets forth the computation of basic and diluted earnings per common share:

	Year Ended December 31,		
(Dollars and Shares in millions, except per share data)	**2011**	**2010**	**2009**
Basic earnings per share			
Income from continuing operations, net of tax	**$ 3,253**	$ 3,050	$ 987
Loss from discontinued operations, net of tax	**(106)**	(307)	(103)
Net income applicable to common equity	**3,147**	2,743	884
Preferred stock dividends, accretion of discount and other[1]	**(26)**	0	(564)
Net income available to common stockholders	**$ 3,121**	$ 2,743	$ 320
Total weighted-average basic shares outstanding	**456**	452	428

Net income per share	**$ 6.85**	$ 6.07	$ 0.75

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CAPITAL ONE FINANCIAL CORPORATION

NOTES TO CONSOLIDATED STATEMENTS (Continued)

(Dollars and Shares in millions, except per share data)	Year Ended December 31, 2011	2010	2009
Diluted earnings per share[2]			
Net income available to common stockholders	**$ 3,121**	$ 2,743	$ 320
Total weighted-average basic shares outstanding	**456**	452	428
Stock options, warrants, contingently issuable shares, and other	**3**	4	3
Total weighted-average diluted shares outstanding	**459**	456	431
Net income per share	**$ 6.80**	$ 6.01	$ 0.74

(1) Includes undistributed earnings allocated to participating securities using the two-class method under the accounting guidance for computing earnings per share.

(2) Excluded from the computation of diluted earnings per share was 29.9 million, 26.8 million and 34.8 million of awards, options or warrants, during 2011, 2010 and 2009, respectively, because their inclusion would be antidilutive.

On February 16, 2012, we settled forward sale agreements that we entered into with certain counterparties acting as forward purchasers in connection with a public offering of shares of our common stock on July 19, 2011. Pursuant to the forward sale agreements, we issued 40 million shares of our common stock at settlement.

NOTE 15 OTHER NON-INTEREST EXPENSE

The following table represents the components of other non-interest expense for 2011, 2010 and 2009:

(Dollars in millions)	Year Ended December 31, 2011	2010	2009
Professional services	**$ 1,201**	$ 916	$ 796
Collections	**549**	596	599
Fraud losses	**122**	80	86
Bankcard association assessments	**253**	221	215
Amortization of intangibles	**222**	220	235
Other	**915**	650	610
Total	**$ 3,262**	$ 2,683	$ 2,541

NOTE 16 STOCK-BASED COMPENSATION PLANS

Stock Plans

We have one active stock-based employee compensation plan. Under the plan, we reserve common shares for issuance in various forms including incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock awards, restricted stock units, and performance share units.

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NOTES TO CONSOLIDATED STATEMENTS (Continued)

The following table provides the number of reserved common shares and the number of common shares available for future issuance for our active stock-based compensation plan as of December 31, 2011, 2010 and 2009. The ability to issue grants from the 1999 Non-Employee Directors Stock Incentive Plan was terminated in 2009.

(In thousands) Plan Name	Shares Reserved	Available For Issuance December 31 2011	2010	2009
2004 Stock Incentive Plan (2004 Plan)	40,000[1]	**13,286**	16,225	17,789

[1] On April 20, 2009 the Board authorized an increase in total shares reserved of 20 million shares to 40 million shares.

We issue new shares of common or treasury stock upon the settlement of employee stock-based incentive options and awards.

We recognize compensation expense on a straight-line basis over the entire award s vesting period for any awards with graded vesting attributes. Total compensation expense recognized for stock-based compensation during the years 2011, 2010 and 2009 was $189 million, $149 million and $146 million, respectively. The total income tax benefit recognized in the consolidated statement of income for stock-based compensation arrangements during the years 2011, 2010 and 2009 was $66 million, $52 million and $51 million, respectively.

Stock Options

Generally, the exercise price of stock options will equal the fair market value of our common stock on the date of grant. The maximum contractual term for options is ten years and option vesting is determined at the time of grant. The vesting for most options is 33 1/3 percent per year beginning with the first anniversary of the grant date.

A summary of stock option activity under the plans as of December 31, 2011, and changes during the year are presented below:

	Shares Subject to Options (in thousands)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (in millions)
Outstanding as of January 1, 2011	**20,574**	**$ 53.18**		
Granted	**1,430**	**48.41**		
Exercised	**(1,187)**	**32.37**		
Forfeited and expired	**(4,874)**	**51.15**		
Outstanding as of December 31, 2011	**15,943**	**$ 54.92**	**5.2 years**	**$ 66**
Exercisable as of December 31, 2011	**12,248**	**$ 61.65**	**4.3 years**	**$ 22**

As of December 31, 2011, the number of shares, weighted average exercise price, aggregate intrinsic value and weighted average remaining contractual terms of stock options vested and expected to vest approximate amounts for stock options outstanding. The weighted-average per share fair value of options granted during the years 2011, 2010 and 2009 was $13.17, $11.78 and $4.56, respectively. Cash proceeds from the exercise of stock options were $38 million, $13 million, and $9 million for 2011, 2010 and 2009, respectively. Tax benefits realized from the exercise of stock options were $8 million, $4 million and $1 million for 2011, 2010 and 2009, respectively. The total intrinsic value of stock

options exercised during the years 2011, 2010 and 2009 was $23 million, $11 million, and $4 million, respectively. We expect to recognize the unrecognized compensation cost for stock options of $6 million as of December 31, 2011 over the next three years.

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NOTES TO CONSOLIDATED STATEMENTS (Continued)

Stock option expense is based on the fair value per stock option, estimated at the grant date using implied volatility with a Black-Scholes option-pricing model. The fair value of stock options granted during 2011, 2010 and 2009 was estimated using the weighted average assumptions summarized below:

Assumptions	Year Ended December 31, 2011	2010	2009
Dividend yield[1]	**2.34%**	1.49%	4.79%
Volatility factors of stock s expected market price	**36**	38	43
Risk-free interest rate	**2.04**	2.49	1.79
Expected option lives (in years)	**5.0**	5.0	5.0

(1) In 2011, 2010 and 2009, we paid dividends at the annual rate of $0.20, $0.20 and $0.53 per common share, respectively.

Restricted Stock Awards and Units

Generally, the value of restricted stock awards will equal the fair market value of our common stock on the date of grant. For restricted stock granted before 2010, the vesting was primarily 25 percent on the first and second anniversaries of the grant date and 50 percent on the third anniversary date. For restricted stock granted in 2010 and 2011, the vesting is primarily 33 1/3 percent per year beginning with the first anniversary of the grant date.

A summary of 2011 activity for restricted stock awards and units is presented below:

	Shares (in thousands)	Weighted-Average Grant Date Fair Value
Unvested as of January 1, 2011	**4,646**	**$ 29.20**
Granted	**1,686**	**47.36**
Vested	**(1,928)**	**30.99**
Forfeited and expired	**(188)**	**31.50**
Unvested as of December 31, 2011	**4,216**	**$ 35.55**

The weighted-average grant date fair value of restricted stock granted for 2011, 2010 and 2009 was $47.36, $36.84 and $17.33, respectively. The total fair value of restricted stock vesting was $95 million, $62 million and $41 million in 2011, 2010 and 2009, respectively. We expect to recognize the unrecognized compensation cost for unvested restricted stock awards and units of $59 million as of December 31, 2011 over the next three years.

Performance Share Units

Generally, the value of performance share units will equal the fair market value of our common stock on the date of grant. The performance share unit awards include an opportunity to receive from 0% to 200% of the target number of common shares. The number of performance share units that will ultimately vest is contingent upon meeting specific performance goals over a three year period. The awards generally vest at the end of the three year period.

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NOTES TO CONSOLIDATED STATEMENTS (Continued)

A summary of 2011 activity for performance share units is presented below:

	Shares (in thousands)	Weighted-Average Grant Date Fair Value
Unvested as of January 1, 2011	**698**	**$ 37.49**
Granted [1]	**308**	**52.10**
Vested [1]	**(457)**	**55.41**
Forfeited and expired	**(3)**	**21.00**
Unvested as of December 31, 2011	**546**	**$ 30.83**

[1] Includes adjustments for achievement of specific performance goals for performance share units granted in prior periods.

The weighted-average grant date fair value of performance share units granted for 2011, 2010 and 2009 was $52.10, $36.55 and $21.00, respectively. The total fair value of performance share units vesting was $22 million in 2011; no performance share units vested in prior years. We expect to recognize the unrecognized compensation cost for unvested performance share units of $3 million as of December 31, 2011 over the next three years.

Cash Equity Units and Cash-Settled Restricted Stock Units

We also issue cash equity units and cash-settled restricted stock units which are recorded as liabilities as the expense is recognized. Cash equity units and cash-settled restricted stock units are settled with a cash payment for each unit vested equal to the average fair market value of our common stock for the 20 trading days preceding the vesting date or the closing price on the vesting date. Cash equity units and cash-settled restricted stock units are settled with cash and therefore are not included in common shares reserved for issuance or available for issuance under the 2004 Plan. For cash equity units and cash-settled restricted stock units granted before 2010, the vesting was primarily 25 percent on the first and second anniversaries of the grant date and 50 percent on the third anniversary date. For cash equity units and cash-settled restricted stock units granted in 2010 and 2011, vesting is primarily 33 1/3 percent per year beginning with the first anniversary of the grant date.

Cash equity units and cash-settled restricted stock units vesting in 2011, 2010 and 2009 resulted in cash payments to associates of $81 million, $48 million, and $10 million, respectively. We expect to recognize the unrecognized compensation cost for unvested cash equity units of $38 million as of December 31, 2011, based on the closing price of our common stock as of that date, over the next 3 years.

Associate Stock Purchase Plan

We maintain an Associate Stock Purchase Plan (the Purchase Plan) which is a compensatory plan under the accounting guidance for stock-based compensation. We recognized $6 million for the year ended December 31, 2011 and $4 million in compensation expense for each of the years ended December 31, 2010 and 2009 under the Purchase Plan.

Under the Purchase Plan, our associates are eligible to purchase common stock through monthly salary deductions of a maximum of 15% and a minimum of 1% of monthly base pay. To date, the amounts deducted are applied to the purchase of our unissued common or treasury stock at 85% of the current market price. Shares may also be acquired on the market. An aggregate of 8.0 million shares of common stock have been authorized for issuance under the Purchase Plan, of which 1.8 million and 2.6 million shares were available for issuance as of December 31, 2011 and 2010, respectively.

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Dividend Reinvestment and Stock Purchase Plan

In 2002, we implemented our Dividend Reinvestment and Stock Purchase Plan (2002 DRP), which allows participating stockholders to purchase additional shares of our common stock through automatic reinvestment of dividends or optional cash investments. We had 7.4 million shares available for issuance under the 2002 DRP at both December 31, 2011 and 2010.

NOTE 17 EMPLOYEE BENEFIT PLANS

Defined Contribution Plan

We sponsor a contributory Associate Savings Plan (the Plan) in which substantially all full-time and certain part-time associates are eligible to participate. We make contributions to each eligible associate s account, match a portion of associate contributions and make discretionary contributions based upon our meeting a certain earnings per share target or other performance metrics. In June 2010, we announced that we were implementing a new company contribution structure and several administrative enhancements to the Plan that were effective July 1, 2010. The new contribution structure provides a company contribution through a combination of basic and matching company contributions. We transitioned to the new contribution structure on July 1, 2010, as such, our discretionary contribution payout for 2010 was prorated for the period January 1, 2010 to June 30, 2010.

We also sponsor a voluntary non-qualified deferred compensation plan in which select groups of employees are eligible to participate. We make contributions to this plan based on participants deferral of salary, bonuses and other eligible pay. We contributed a total of $151 million, $118 million and $79 million to these plans during the years ended December 31, 2011, 2010 and 2009, respectively.

Defined Benefit Pension and Other Postretirement Benefit Plans

We sponsor defined benefit pension plans and other postretirement benefit plans. Pension plans include a legacy frozen cash balance plan and plans assumed in the North Fork acquisition, including two qualified defined benefit pension plans and several non-qualified defined benefit pension plans. Our legacy pension plan and the two qualified pension plans from the North Fork acquisition were merged into a single plan effective December 31, 2007. Other postretirement benefit plans, including a legacy plan and plans assumed in the Hibernia and North Fork acquisitions, all of which provide medical and life insurance benefits, were merged into a single plan effective January 1, 2008.

Our pension plans and the other postretirement benefit plans are valued using a December 31 measurement date. Our policy is to amortize prior service amounts on a straight-line basis over the average remaining years of service to full eligibility for benefits of active plan participants.

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The following table sets forth, on an aggregated basis, changes in the benefit obligation and plan assets, how the funded status is recognized in our consolidated balance sheets, and the components of the net periodic benefit cost recognized in our consolidated statements of income:

	Year Ended December 31,			
	2011	**2010**	**2011**	**2010**
(Dollars in millions)	**Defined Pension Benefits**		**Other Postretirement Benefits**	
Change in benefit obligation:				
Benefit obligation as of beginning of year	**$ 193**	$ 190	**$ 66**	$ 67
Service cost	**1**	2	**0**	1
Interest cost	**10**	10	**3**	3
Benefits paid	**(19)**	(19)	**(4)**	(4)
Net actuarial loss (gain)	**13**	10	**2**	(1)
Benefit obligation as of end of year	**$ 198**	$ 193	**$ 67**	$ 66
Change in plan assets:				
Fair value of plan assets as of beginning of year	**$ 221**	$ 213	**$ 8**	$ 7
Actual return on plan assets	**11**	26	**0**	1
Employer contributions	**1**	1	**3**	4
Benefits paid	**(19)**	(19)	**(4)**	(4)
Fair value of plan assets as of end of year	**$ 214**	$ 221	**$ 7**	$ 8
Over (under) funded status as of end of year	**$ 16**	$ 28	**$ (60)**	$ (58)
Balance sheet presentation:				
Other assets	**$ 28**	$ 39	**$ 0**	$ 0
Other liabilities	**(12)**	(11)	**(60)**	(58)
Net amount recognized as of end of year	**$ 16**	$ 28	**$ (60)**	$ (58)
Accumulated benefit obligation at end of year	**$ 198**	$ 193	**n/a**	n/a
Components of net periodic benefit cost:				
Service cost	**$ 1**	$ 2	**$ 0**	$ 1
Interest cost	**10**	10	**3**	3
Expected return on plan assets	**(15)**	(15)	**(1)**	(1)
Amortization of transition obligation, prior service credit, and net actuarial loss (gain)	**1**	1	**(3)**	(3)
Net periodic benefit gain	**$ (3)**	$ (2)	**$ (1)**	$ 0
Changes recognized in other comprehensive income, pretax:				
Net actuarial (gain) loss	**$ (17)**	$ 1	**$ (2)**	$ 1
Reclassification adjustments for amounts recognized in net periodic benefit cost	**1**	1	**(3)**	(3)

Total (gain) loss recognized in other comprehensive income	**$ (16)**	$ 2	**$ (5)**	$ (2)

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NOTES TO CONSOLIDATED STATEMENTS (Continued)

Pre-tax amounts recognized in accumulated other comprehensive income that have not yet been recognized as a component of net periodic benefit cost consist of the following:

	December 31,			
	2011	**2010**	**2011**	**2010**
(Dollars in millions)	**Defined Pension Benefits**		**Other Postretirement Benefits**	
Transition obligation	**$ 0**	$ 0	**$ 0**	$ 0
Prior service credit	**0**	0	**8**	11
Net actuarial gain (loss)	**(74)**	(58)	**0**	2
Accumulated other comprehensive income	**$ (74)**	$ (58)	**$ 8**	$ 13

Pre-tax amounts recorded in accumulated other comprehensive income as of December 31, 2011 that are expected to be recognized as a component of our net periodic benefit cost in 2012 consist of the following:

(Dollars in millions)	**Defined Pension Benefits**	**Other Postretirement Benefits**
Prior service cost	$ 0	$ 3
Net actuarial loss	(2)	0
Net gain (loss)	$ (2)	$ 3

The following table sets forth the aggregate benefit obligation and aggregate fair value of plan assets for plans with benefit obligations in excess of plan assets. Based on the status of our pension plans, the information presented also represents the aggregate accumulated benefit obligation and aggregate fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets.

	December 31,			
	2011	**2010**	**2011**	**2010**
(Dollars in millions)	**Defined Pension Benefits**		**Other Postretirement Benefits**	
Benefit obligation	**$ 198**	$ 193	**$ 67**	$ 66
Fair value of plan assets	**214**	221	**7**	8

The following table presents weighted-average assumptions used in the accounting for the plans:

	December 31,			
	2011	**2010**	**2011**	**2010**
	Defined Pension Benefits		**Other Postretirement Benefits**	
Assumptions for benefit obligations at measurement date:				
Discount rate	**4.5%**	5.2%	**4.5%**	5.2%

Rate of compensation increase	**n/a**	n/a	**n/a**	n/a
Assumptions for periodic benefit cost for the year ended:				
Discount rate	**5.2%**	5.7%	**5.2%**	5.7%
Expected long-term rate of return on plan assets[1]	**7.3%**	7.5%	**7.3%**	7.5%
Rate of compensation increase	**n/a**	n/a	**n/a**	n/a
Assumptions for year-end valuations:				
Health care cost trend rate assumed for next year	**n/a**	n/a	**8.3%**	8.7%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	**n/a**	n/a	**4.5%**	4.5%
Year the rate reaches the ultimate trend rate	**n/a**	n/a	**2028**	2028

(1) Our expected long-term rate of return on plan assets is defined as 20 years.

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NOTES TO CONSOLIDATED STATEMENTS (Continued)

To develop the expected long-term rate of return on plan assets assumption, consideration was given to the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on the plan assets assumption for the portfolio.

Assumed health care trend rates have a significant effect on the amounts reported for the other postretirement benefit plans. A one-percentage point change in assumed health care cost trend rates would have the following effects:

	Year ended December 31,			
	2011		2010	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Effect on year-end postretirement benefit obligation	**$ 7**	**$ (6)**	$ 6	$ (5)
Effect on total service and interest cost components	**0**	**0**	0	0

Plan Assets

The qualified defined benefit pension plan asset allocations as of the annual measurement dates are as follows:

	December 31,	
	2011	2010
Common collective trusts[1]	**56%**	74%
Money market fund	**0**	3
Corporate bonds (S&P rating of A or higher)	**6**	1
Corporate bonds (S&P rating of lower than A)	**10**	2
Government securities	**21**	20
Mortgage backed securities	**7**	0
Municipal bonds	**0**	0
Total	**100%**	100%

[1] Common collective trusts include domestic and international equity securities.

The investment guidelines provide the following asset allocation targets and ranges: domestic equity target of 50% and allowable range of 45% to 55%, international equity target of 20% and allowable range of 15% to 25%, and fixed income securities target of 30% and allowable range of 25% to 40%.

Plan assets are invested using a total return investment approach whereby a mix of equity securities and debt securities are used to preserve asset values, diversify risk and enhance our ability to achieve our long-term investment return benchmark. Investment strategies and asset allocations are based on careful consideration of plan liabilities, the plan s funded status and our financial condition. Investment performance and asset allocation are measured and monitored on a quarterly basis.

Plan assets are managed in a balanced portfolio comprised of three major components: a domestic equity portion, an international equity portion and a domestic fixed income portion. The expected role of plan equity investments is to maximize the long-term real growth of fund assets, while the role of fixed income investments is to generate current income, provide for more stable periodic returns and provide some protection against a prolonged decline in the market value of fund equity investments.

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NOTES TO CONSOLIDATED STATEMENTS (Continued)

Fair Values Measurement

For information on fair value measurements, including descriptions of Level 1, 2 and 3 of the fair value hierarchy and the valuation methods we utilize, see Note 1 Summary of Significant Accounting Policies and Note 19 Fair Value of Financial Instruments.

Plan Assets Measured at Fair Value on a Recurring Basis

(Dollars in millions)	December 31, 2011 Fair Value Measurements Using			Assets at Fair Value
	Level 1	Level 2	Level 3	
Plan Assets				
Common collective trusts	**$ 0**	**$ 125**	**$ 0**	**$ 125**
Short-term investment fund	**0**	**0**	**0**	**0**
Corporate bonds (S&P rating of A or higher)	**0**	**12**	**0**	**12**
Corporate bonds (S&P rating of lower than A)	**0**	**22**	**0**	**22**
Government securities	**0**	**46**	**0**	**46**
Mortgage-backed securities	**0**	**15**	**0**	**15**
Municipal bonds	**0**	**1**	**0**	**1**
Total	**$ 0**	**$ 221**	**$ 0**	**$ 221**

(Dollars in millions)	December 31, 2010 Fair Value Measurements Using			Assets at Fair Value
	Level 1	Level 2	Level 3	
Plan Assets				
Common collective trusts	$ 0	$ 169	$ 0	$ 169
Short-term investment fund	0	7	0	7
Corporate bonds (S&P rating of A or higher)	0	2	0	2
Corporate bonds (S&P rating of lower than A)	0	4	0	4
Government securities	0	46	0	46
Mortgage-backed securities	0	1	0	1
Municipal bonds	0	0	0	0
Total	$ 0	$ 229	$ 0	$ 229

Financial instruments are considered Level 3 when their values are determined using pricing models, which include comparison of prices from multiple sources, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable or there is significant variability among pricing sources. Level 3 financial instruments also include those for which the determination of fair value requires significant management judgment or estimation. The table below presents a reconciliation for all plan assets measured and recognized at fair value on a recurring basis using significant unobservable inputs (Level 3) during 2010. We did not have any Level 3 plan assets for the year ended December 31, 2011.

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NOTES TO CONSOLIDATED STATEMENTS (Continued)

Level 3 Instruments Only

(Dollars in millions)	Year Ended December 31, 2010 Limited Partnerships
Balance, January 1, 2010	$ 1
Total realized and unrealized losses:	
Included in net income	0
Settlements, net	(1)
Transfers in (out) of Level 3	0
Balance, December 31, 2010	$ 0
Total unrealized gains (losses) included in net income related to assets still held as of December 31, 2010	$ 0

Expected future benefit payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

(Dollars in millions)	Pension Benefits	Postretirement Benefits
2012	$ 14	$ 4
2013	13	5
2014	13	5
2015	13	5
2016	13	5
2017 - 2021	60	23

In 2012, $1 million in contributions are expected to be made to the pension plans and $2 million in contributions are expected to be made to other postretirement benefits plans.

NOTE 18 INCOME TAXES

We account for income taxes in accordance with the accounting guidance prescribed by the FASB, recognizing the current and deferred tax consequences of all transactions that have been recognized in the consolidated financial statements using the provisions of enacted tax laws. Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Valuation allowances are recorded to reduce deferred tax assets to an amount that is more likely than not to be realized.

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NOTES TO CONSOLIDATED STATEMENTS (Continued)

Significant components of the provision for income taxes attributable to continuing operations were as follows:

(Dollars in millions)	Year Ended December 31, 2011	2010	2009
Current income tax provision:			
Federal taxes	**$ 721**	$ (152)	$ 278
State taxes	**89**	31	35
International taxes	**33**	122	22
Total current provision (benefit)	**$ 843**	$ 1	$ 335
Deferred income tax provision:			
Federal taxes	**$ 594**	$ 1,121	$ 9
State taxes	**(88)**	87	(6)
International taxes	**(15)**	71	11
Total deferred provision (benefit)	**$ 491**	$ 1,279	$ 14
Total income tax provision	**$ 1,334**	$ 1,280	$ 349

Income tax benefits of $3 million, $2 million and $793 million in 2011, 2010 and 2009, respectively, were allocated directly to reduce goodwill from acquisitions.

Income tax provision (benefit) reported in stockholders equity was as follows:

(Dollars in millions)	Year Ended December 31, 2011	2010	2009
Foreign currency translation gains (losses)	**$ (1)**	$ 6	$ (9)
Net unrealized securities gains (losses)	**(15)**	48	520
Other-than-temporary impairment on securities	**(26)**	27	0
Net unrealized gains (losses) related to cash flow hedge instruments	**18**	5	61
Adoption of new consolidation accounting standards	**0**	(1,642)	0
Employee stock plans	**(19)**	10	16
Employee retirement plans	**(7)**	0	7
Total income tax provision (benefit)	**$ (50)**	$ (1,546)	$ 595

The reconciliation of income tax attributable to continuing operations, computed at the U.S. federal statutory tax rate, to income tax expense was:

(Dollars in millions)	Year Ended December 31, 2011	2010	2009
Income tax at U.S. federal statutory tax rate	**35.00%**	35.00%	35.00%

State taxes, net of federal benefit	**1.4**	1.3	2.4
Resolution of federal income tax issues and audits	**(1.1)**	(2.5)	(4.6)
Low-income housing, New Markets, and other tax credits	**(4.3)**	(3.3)	(6.5)
Other foreign tax differences, net	**(0.1)**	(0.5)	(0.2)
Other, net	**(1.8)**	(0.4)	0.1
Income taxes	**29.1%**	29.6%	26.2%

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During 2011, 2010 and 2009, our income tax expense was reduced by $50 million, $110 million and $62 million, respectively, due to the resolution of certain tax issues and audits for prior years with the Internal Revenue Service (IRS). This reduction represented the release of previous accruals for potential audit and litigation adjustments which were subsequently settled or eliminated and further refinement of existing tax exposures.

Significant components of our deferred tax assets and liabilities as of December 31, 2011 and 2010 were as follows:

(Dollars in millions)	December 31, 2011	2010
Deferred tax assets:		
Allowance for loan and lease losses	**$ 1,480**	$ 1,950
Rewards & sweepstakes programs	**612**	525
Representation & warranty reserve	**355**	302
Security & loan valuations	**351**	383
Deferred compensation & employee benefits	**322**	281
Net unrealized losses on derivatives	**129**	90
Unearned income	**39**	85
Net operating loss and tax credit carryforwards	**126**	181
Other foreign deferred taxes	**15**	50
Other assets	**279**	194
Subtotal	**3,708**	4,041
Valuation allowance	**(89)**	(130)
Total deferred tax assets	**3,619**	3,911
Deferred tax liabilities:		
Original issue discount	**596**	574
Core deposit and other intangibles	**291**	348
Fixed assets & leases	**167**	112
Other liabilities	**249**	162
Total deferred tax liabilities	**1,303**	1,196
Net deferred tax assets	**$ 2,316**	$ 2,715

We have state net operating loss carryforwards with a tax value of $153 million that expire from 2012 to 2031. We have foreign net operating loss carryforward of $93 million that expires in 2021. We have a foreign tax credit carryforward of $1 million that expires in 2021.

The valuation allowance was decreased by $41 million to adjust the tax benefit of certain state deferred tax assets and net operating loss carryforwards to the amount that we have determined is more likely than not to be realized.

The deferred tax liability for original issue discount represents interchange, late fees, cash advance fees and overlimit fees. These items are generally treated as original issue discount (OID) for tax purposes and recognized over the life of the related credit card receivables. These items are recognized in the income statement as income in the year earned. For income statement purposes, late fees are reported as interest income, and interchange, cash advance fees and overlimit fees are reported as non-interest income.

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(Dollars in millions)	December 31, 2011	2010
Original Issue discount:		
OID late fees	**$ 487**	$ 387
OID all other	**1,169**	1,192
Gross original issue discount	**1,656**	1,579
Net deferred tax liability	**$ 596**	$ 574

The accounting guidance for income taxes clarifies the accounting for uncertainty in income taxes, and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The guidance also provides rules on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

We recognize accrued interest and penalties related to income taxes as a component of income tax expense. During 2011, 2010 and 2009, $(39) million, $(62) million and $(7) million, respectively, of net interest and penalties was included in income tax expense. The accrued balance of interest and penalties related to unrecognized tax benefits is presented in the table below.

A reconciliation of the change in unrecognized tax benefits from January 1, 2010 to December 31, 2011 is as follows:

(Dollars in millions)	Gross Unrecognized Tax Benefits	Accrued Interest and Penalties	Gross Tax, Interest and Penalties
Balance at January 1, 2010	$ 359	$ 100	$ 459
Additions for tax positions related to the current year	0	0	0
Additions for tax positions related to prior years	0	8	8
Reductions for tax positions related to prior years due to IRS and other settlements	(72)	(43)	(115)
Additions for tax positions related to acquired entities in prior years, offset to goodwill	0	0	0
Other reductions for tax positions related to prior years	(2)	0	(2)
Balance at December 31, 2010	$ 285	$ 65	$ 350
Additions for tax positions related to the current year	**0**	**0**	**0**
Additions for tax positions related to prior years	**61**	**26**	**87**
Reductions for tax positions related to prior years due to IRS and other settlements	**(133)**	**(31)**	**(164)**
Additions for tax positions related to acquired entities in prior years, offset to goodwill	**0**	**0**	**0**
Other reductions for tax positions related to prior years	**0**	**0**	**0**
Balance at December 31, 2011	**$ 213**	**$ 60**	**$ 273**
Portion of balance at December 31, 2011 that, if recognized, would impact the effective income tax rate	**$ 123**	**$ 40**	**$ 163**

We are subject to examination by the IRS and other tax authorities in certain countries and states in which we have significant business operations. The tax years subject to examination vary by jurisdiction. The IRS

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NOTES TO CONSOLIDATED STATEMENTS (Continued)

completed its examination of the Company s federal income tax returns for the years 2007 and 2008 in December 2011. The audit resulted in a net agreed tax liability of $42 million, which the Company paid on January 31, 2012. The Company and the IRS were unable to reach a resolution of one issue for the year 2008, and the Company filed a protest with the IRS Office of Appeals with respect to this issue that is currently pending. As a result of the completion of the audit, the amount of the Company s unrecognized tax benefits increased by $15 million.

On February 10, 2011, the Company finalized a Closing Agreement with the IRS that resolved certain outstanding issues for the tax years 2000 through 2008 that were unresolved by the April 9, 2010 decision by the U.S. Tax Court in the Company s federal tax litigation for the tax years 1995-1999. This agreement did not impact the Company s unrecognized tax benefits. On October 21, 2011, the U.S. Court of Appeals for the Fourth Circuit entered an unfavorable decision on the two issues that the Company had appealed from the Tax Court s decision. As a result of the decision, the Company reduced the amount of unrecognized tax benefits with respect to these issues by approximately $93 million.

It is reasonably possible that further settlements related to the Company s unrecognized tax benefits may be made within twelve months of the reporting date. At this time, an estimate of the potential change to the amount of unrecognized tax benefits resulting from such settlements cannot be made.

As of December 31, 2011, U.S. income taxes and foreign withholding taxes have not been provided on approximately $717 million of unremitted earnings of subsidiaries operating outside the U.S., in accordance with the guidance for accounting for income taxes in special areas. These earnings are considered by management to be invested indefinitely. Upon repatriation of these earnings, we could be subject to both U.S. income taxes (subject to possible adjustment for foreign tax credits) and withholding taxes payable to various foreign countries. Determination of the amount of unrecognized deferred U.S. income tax liability and foreign withholding tax on these unremitted earnings is not practicable at this time because such liability is dependent upon circumstances existing if and when remittance occurs.

As of December 31, 2011, U.S. income taxes have not been provided for approximately $287 million of previously acquired thrift bad debt reserves created for tax purposes as of December 31, 1987. These amounts, acquired as a result of the merger with North Fork Bancorporation, Inc. and the acquisition of Chevy Chase Bank, F.S.B., are subject to recapture in the unlikely event that CONA, as successor to North Fork Bank and Chevy Chase Bank F.S.B., makes distributions in excess of earnings and profits, redeems its stock, or liquidates.

NOTE 19 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date (also referred to as an exit price). The fair value accounting guidance provides a three-level fair value hierarchy for classifying financial instruments. This hierarchy is based on whether the inputs to the valuation techniques used to measure fair value are observable or unobservable. Fair value measurement of a financial asset or liability is assigned to a level based on the lowest level of any input that is significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are described below:

Level 1:	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2:	Observable market-based inputs, other than quoted prices in active markets for identical assets or liabilities.
Level 3:	Unobservable inputs.

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The accounting guidance for fair value requires that we maximize the use of observable inputs and minimize the use of unobservable inputs in determining fair value. The accounting guidance for derivatives also provides for the irrevocable option to elect, on a contract-by-contract basis, to measure certain financial assets and liabilities at fair value at inception of the contract and record any subsequent changes in fair value into earnings. We had not made any material fair value option elections as of December 31, 2011 and 2010.

Level 1, 2 and 3 Valuation Techniques

Financial instruments are considered Level 1 when the valuation can be based on quoted prices in active markets for identical assets or liabilities. Level 2 financial instruments are valued using quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or models using inputs that are observable or can be corroborated by observable market data of substantially the full term of the assets or liabilities. Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques, and at least one significant model assumption or input is unobservable and when determination of the fair value requires significant management judgment or estimation.

The following table displays our assets and liabilities measured on our consolidated balance sheets at fair value on a recurring basis as of December 31, 2011 and 2010:

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	December 31, 2011 Fair Value Measurements Using			Assets/ Liabilities
(Dollars in millions)	Level 1	Level 2	Level 3	at Fair Value
Assets				
Securities available for sale:				
U.S. Treasury and other U.S. Agency	$ 124	$ 138	$ 0	$ 262
Residential mortgage-backed securities	0	26,455	195	26,650
Asset-backed securities	0	10,118	32	10,150
Commercial mortgage-backed securities	0	913	274	1,187
Other	279	219	12	510
Total securities available for sale	403	37,843	513	38,759
Other assets:				
Mortgage servicing rights	0	0	93	93
Derivative receivables[1][2]	5	1,828	103	1,936
Retained interests in securitization and other	0	0	145	145
Total Assets	$ 408	$ 39,671	$ 854	$ 40,933
Liabilities				
Other liabilities:				
Derivative payables[1][2]	$ 6	$ 702	$ 279	$ 987
Other[3]	0	0	12	12
Total Liabilities	$ 6	$ 702	$ 291	$ 999

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NOTES TO CONSOLIDATED STATEMENTS (Continued)

	December 31, 2010 Fair Value Measurements Using			Assets/ Liabilities
(Dollars in millions)	Level 1	Level 2	Level 3	at Fair Value
Assets				
Securities available for sale:				
U.S. Treasury and other U.S. Agency	$ 386	$ 314	$ 0	$ 700
Residential mortgage-backed securities	0	29,626	578	30,204
Asset-backed securities	0	9,953	13	9,966
Commercial mortgage-backed securities	0	45	0	45
Other	293	322	7	622
Total securities available for sale	679	40,260	598	41,537
Other assets:				
Mortgage servicing rights	0	0	141	141
Derivative receivables[(1)(2)]	8	1,265	46	1,319
Retained interests in securitizations and other	0	0	152	152
Total Assets	$ 687	$ 41,525	$ 937	$ 43,149
Liabilities				
Other liabilities:				
Derivative payables[(1) (2)]	$ 18	$ 575	$ 43	$ 636
Other[(3)]	0	0	18	18
Total Liabilities	$ 18	$ 575	$ 61	$ 654

(1) We do not offset the fair value of derivative contracts in a loss position against the fair value of contracts in a gain position. We also do not offset fair value amounts recognized for derivative instruments and fair value amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral arising from derivative instruments executed with the same counterparty under a master netting arrangement.

(2) Does not reflect $23 million and $20 million recognized as a net valuation allowance on derivative assets and liabilities for non-performance risk as of December 31, 2011 and 2010, respectively. Non-performance risk is reflected in other assets/liabilities on the balance sheet and offset through the income statement in other income.

(3) Includes manufactured housing, swap and other transactions. See Note 7 Variable Interest Entities and Securitizations for additional information.

The determination of the classification of financial instruments in Level 2 or Level 3 of the fair value hierarchy is performed at the end of each reporting period. We consider all available information, including observable market data, indications of market liquidity and orderliness, and our understanding of the valuation techniques and significant inputs. Based upon the specific facts and circumstances of each instrument or instrument category, judgments are made regarding the significance of the Level 3 inputs to the instruments fair value measurement in its entirety. If Level 3 inputs are considered significant, the instrument is classified as Level 3. The process for determining fair value using unobservable inputs is generally more subjective and involves a high degree of management judgment and assumptions. During 2011, we had minimal movements between Levels 1 and 2.

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NOTES TO CONSOLIDATED STATEMENTS (Continued)

Level 3 Instruments Only

Financial instruments are considered Level 3 when their values are determined using pricing models, which include comparison of prices from multiple sources, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable or there is significant variability among pricing sources. Level 3 financial instruments also include those for which the determination of fair value requires significant management judgment or estimation. The tables below present reconciliation for all assets and liabilities measured and recognized at fair value on a recurring basis using significant unobservable inputs (Level 3). When assets and liabilities are transferred between levels, we recognize the transfer as of the end of the period.

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Year Ended December 31, 2011

		Total Gains or (Losses) (Realized/Unrealized)									
(Dollars in millions)	Balance, January 1, 2011	Included in Net Income[1]	Included in Other Comprehensive Income	Purchases	Sales	Issuances	Settlements	Transfers Into Level 3[2]	Transfers Out of Level 3[2]	Balance, December 31, 2011	Net Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of December 31, 2011[3]
Assets:											
Securities available-for-sale:											
Residential mortgage-backed securities	$ 578	$ 0	$ (21)	$ 20	$ (14)	$ 0	$ (102)	$ 76	$ (342)	$ 195	$ 0
Asset-backed securities	13	0	(4)	34	0	0	0	0	(11)	32	0
Commercial mortgage-backed securities	0	0	10	357	(30)	0	0	76	(139)	274	0
Other	7	0	0	0	0	0	(1)	6	0	12	0
Total securities available-for-sale	598	0	(15)	411	(44)	0	(103)	158	(492)	513	0
Other Assets:											
Mortgage servicing rights	141	(44)	0	0	0	9	(13)	0	0	93	(44)
Derivative receivables	46	49	0	0	0	47	(34)	0	(5)	103	49
Retained interest in securitization and other	152	(7)	0	0	0	0	0	0	0	145	(7)
Liabilities:											
Other Liabilities											
Derivative Payables	(43)	(75)	0	0	0	(182)	17	0	4	(279)	(75)
Other	(18)	6	0	0	0	0	0	0	0	(12)	6

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Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Year Ended December 31, 2010

			Total Gains or (Losses) (Realized/Unrealized)						
(Dollars in millions)	Balance, January 1, 2010	Impact of New Accounting Standards	Included in Net Income[1]	Included in Other Comprehensive (Loss) Income	Purchases, Sales, Issuances, and Settlements, Net	Transfers into Level 3[2]	Transfers Out of Level 3[2]	Balance, December 31, 2010	Net Unrealized Gains (Losses) Included in Net Loss Related to Assets and Liabilities Still Held as of December 31, 2010[3]
Assets:									
Securities available-for-sale:									
Residential mortgage-backed securities	$ 1,468	$ 0	$ (3)	$ (92)	$ (30)	$ 1,156	$ (1,921)	$ 578	$ (3)
Asset-backed securities	13	0	0	(2)	70	50	(118)	13	0
Other	25	0	0	0	0	0	(18)	7	0
Total securities available-for-sale	1,506	0	(3)	(94)	40	1,206	(2,057)	598	(3)
Other Assets:									
Mortgage servicing rights	240	(17)	(82)	0	0	0	0	141	(82)
Derivative receivables	440	(401)	5	0	4	0	(2)	46	5
Retained interest in securitization a and other	3,991	(86)	(2)	0	0	(3,751)	0	152	0
Liabilities:									
Other Liabilities									
Derivative Payables	(33)	0	(11)	0	(1)	2	0	(43)	(11)
Other	(18)	0	0	0	0	0	0	(18)	0

(1) Gains (losses) related to Level 3 mortgage servicing rights are reported in other non-interest income, which is a component of non-interest income. Gains (losses) related to Level 3 derivative receivables and derivative payables are reported in other non-interest income, which is a component of non-interest income. Gains (losses) related to Level 3 retained interests in securitizations are reported in servicing and securitizations income, which is a component of non-interest income.

(2) The transfers out of Level 3 for the years ended December 31, 2011 and 2010 was primarily driven by greater consistency amongst multiple pricing sources. The transfers into Level 3 was primarily driven by less consistency amongst vendor pricing on individual securities for non-agency MBS.

(3) The amount presented for unrealized gains (loss) for assets still held as of the reporting date primarily represents impairments for available-for-sale securities, accretion on certain fixed maturity securities, and change in fair value of derivative instruments. The impairments are reported in total other-than-temporary losses as a component of non-interest income.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

We are required to measure and recognize certain other financial assets at fair value on a nonrecurring basis in the consolidated balance sheet. These financial assets are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when we evaluate impairment).

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NOTES TO CONSOLIDATED STATEMENTS (Continued)

Loans Held For Sale

Loans held for sale are carried at the lower of aggregate cost, net of deferred fees, deferred origination costs and effects of hedge accounting, or fair value. The fair value of loans held for sale is determined using a discounted cash flow model or fair value of the underlying collateral, less the estimated cost to sell. Held for sale loans that are valued using a discounted cash flow are classified as level 2. Loans that are valued using fair value less the estimated cost to sell have significant unobservable inputs and are classified as Level 3 under the fair value hierarchy. Fair value adjustments for loans held for sale are recorded in other non-interest expense in our consolidated statement of income.

Loans Held For Investment, Net

Loans held for investment are carried at the fair value of the underlying collateral, less the estimated cost to sell. Due to the use of unobservable inputs, loans held for investment are classified as Level 3 under the fair value hierarchy. Fair value adjustments for loans held for investment are recorded in provision for loan and lease losses in the consolidated statement of income.

Foreclosed assets

Foreclosed assets are carried at the lower of its carrying amount or fair value less costs to sell. Due to the use of unobservable inputs, foreclosed assets are classified as Level 3 under the fair value hierarchy. Fair value adjustments for foreclosed assets are recorded in other non-interest expense in the consolidated statement of income.

Other Assets

Nonrecurring other assets measured at fair value consist of long-lived assets held for sale. These assets are recorded in other assets in our consolidated balance sheets. These assets are carried at the lower of their carrying amount or fair value less costs to sell. Due to the use of unobservable inputs, long-lived assets held for sale are classified as Level 3 under the fair value hierarchy. Fair value adjustments for other assets are recorded in other non-interest expense in the consolidated statement of income.

For assets measured at fair value on a nonrecurring basis and still held on the consolidated balance sheet, the following table provides the fair value measures by level of valuation assumptions used and the gains or losses recognized for these assets as a result of fair value measurements.

	December 31, 2011				
	Fair Value Measurements Using			Assets at Fair	Total
(Dollars in millions)	Level 1	Level 2	Level 3	Value	Gains/(Losses)[2]
Assets					
Loans held for sale	$ 0	$ 201	$ 0	$ 201	$ 0
Loans held for investment	0	0	113	113	(66)
Foreclosed assets[1]	0	0	169	169	(21)
Other	0	0	21	21	(19)
Total	$ 0	$ 201	$ 303	$ 504	$ (106)

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	December 31, 2010				
	Fair Value Measurements Using				
(Dollars in millions)	Level 1	Level 2	Level 3	Assets at Fair Value	Total Gains/(Losses)[2]
Assets					
Loans held for sale	$ 0	$ 206	$ 0	$ 206	$ (9)
Loans held for investment	0	126	159	285	(151)
Foreclosed assets[1]	0	0	249	249	(42)
Other	0	0	18	18	(8)
Total	$ 0	$ 332	$ 426	$ 758	$ (210)

[1] Represents the fair value and related losses of foreclosed properties that were written down subsequent to their initial classification as foreclosed properties.

[2] Represents the gains/losses recognized for the periods presented.

Fair Value of Financial Instruments

The following reflects the fair value of financial instruments, whether or not recognized on the consolidated balance sheet, at fair value as of December 31, 2011 and 2010:

	December 31,			
	2011		2010	
(Dollars in millions)	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial Assets				
Cash and cash equivalents	**$ 5,838**	**$ 5,838**	$ 5,249	$ 5,249
Restricted cash for securitization investors	**791**	**791**	1,602	1,602
Securities available for sale	**38,759**	**38,759**	41,537	41,537
Loans held for sale	**201**	**201**	228	228
Net loans held for investment	**131,642**	**133,710**	120,319	124,117
Interest receivable	**1,029**	**1,029**	1,070	1,070
Accounts receivable from securitization	**94**	**94**	118	118
Derivatives	**1,936**	**1,936**	1,319	1,319
Mortgage servicing rights	**93**	**93**	141	141
Financial Liabilities				
Non-interest bearing deposits	**$ 18,281**	**$ 18,281**	$ 15,048	$ 15,048
Interest-bearing deposits	**109,945**	**110,002**	107,162	107,587
Senior and subordinated notes	**11,034**	**10,870**	8,650	9,236
Securitized debt obligations	**16,527**	**16,632**	26,915	26,943
Federal funds purchased and securities loaned or sold under agreements to repurchase	**1,464**	**1,464**	1,517	1,517
Other borrowings	**10,536**	**10,607**	4,714	4,901
Interest payable	**466**	**466**	488	488
Derivatives	**987**	**987**	636	636

The following describes the valuation techniques used in estimating the fair value of our financial instruments as of December 31, 2011 and 2010. We applied the fair value provisions, to the financial instruments not recognized on the consolidated balance sheet at fair value, which include loans held for investment, interest receivable, non-interest bearing and interest bearing deposits, other borrowings, senior and subordinated notes, and interest

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NOTES TO CONSOLIDATED STATEMENTS (Continued)

payable. The provisions requiring us to maximize the use of observable inputs and to measure fair value using a notion of exit price were factored into our selection of inputs of our established valuation techniques.

Financial Assets

Cash and Cash Equivalents

The carrying amounts of cash and due from banks, federal funds sold and resale agreements and interest-bearing deposits at other banks approximate fair value.

Restricted Cash or Securitization Investors

The carrying amounts of restricted cash for securitization investors approximate their fair value due to their relatively short-term nature.

Securities Available For Sale

Quoted prices in active markets are used to measure the fair value of U.S. Treasury securities. For other investment categories, we utilize multiple third party pricing services to obtain fair value measures for the large majority of our securities. A pricing service may be considered as the primary pricing provider for certain types of securities, and the designation of the primary pricing provider may vary depending on the type of securities. The determination of the primary pricing provider is based on our experience and validation benchmark of the pricing service s performance in terms of providing fair value measurement for the various types of securities.

Certain securities available for sale are classified as Level 2 and 3, the majority of which are collateralized mortgage obligations and mortgage-backed securities. Classification indicates that significant valuation assumptions are not consistently observable in the market. When significant assumptions are not consistently observable, fair values are derived using the best available data. Such data may include quotes provided by a dealer, the use of external pricing services, independent pricing models, or other model-based valuation techniques such as calculation of the present values of future cash flows incorporating assumptions such as benchmark yields, spreads, prepayment speeds, credit ratings, and losses. The techniques used by the pricing services utilize observable market data to the extent available. Pricing models may be used, which can vary by asset class and may incorporate available trade, bid and other market information. Across asset classes, information such as trader/dealer input, credit spreads, forward curves, and prepayment speeds are used to help determine appropriate valuations. Because many fixed income securities do not trade on a daily basis, the evaluated pricing applications may apply available information through processes such as benchmarking curves, like securities, sector groupings, and matrix pricing to prepare valuations. In addition, model processes are used by the pricing services to develop prepayment and interest rate scenarios.

We validate the pricing obtained from the primary pricing providers through comparison of pricing to additional sources, including other pricing services, dealer pricing indications in transaction results, and other internal sources. Pricing variances among different pricing sources are analyzed and validated.

As of December 31, 2011, we saw further improvements in the market value of our portfolio holdings driven by lower interest rates and reduced risk premiums as compared to 2010. The decrease in the amount of Level 3 securities reflected continued run-off or liquidation of the securities and improvement in pricing consistency.

CAPITAL ONE FINANCIAL CORPORATION

NOTES TO CONSOLIDATED STATEMENTS (Continued)

Loans Held For Sale

Loans held for sale are carried at the lower of aggregate cost, net of deferred fees, deferred origination costs and effects of hedge accounting, or fair value. The fair value of loans held for sale is determined using current secondary market prices for portfolios with similar characteristics. The carrying amounts as of December 31, 2011 and 2010 approximate fair value.

Loans Held For Investment, Net

The fair values of credit card loans, installment loans, auto loans, home loans and commercial loans were estimated using a discounted cash flow method, a form of the income approach. Discount rates were determined considering rates at which similar portfolios of loans would be made under current conditions and considering liquidity spreads applicable to each loan portfolio based on the secondary market. The fair value of credit card loans excluded any value related to customer account relationships. The increase in fair value above carrying amount at December 31, 2011 was primarily due to a tightening of liquidity spreads and improved credit performance noted in our credit card, auto and commercial loan portfolios.

Interest Receivable

The carrying amount of interest receivable approximates the fair value of this asset due to its relatively short-term nature.

Accounts Receivable from Securitizations

Accounts receivable from securitizations include the interest-only strip, retained notes accrued interest receivable, cash reserve accounts and cash spread accounts for those securitization structures achieving off-balance sheet treatment. Refer to Note 7 Variable Interest Entities and Securitizations for discussion regarding the adoption of the new accounting consolidation standards on January 1, 2010. We use a valuation model that calculates the present value of estimated future cash flows. The model incorporates our estimate of assumptions market participants use in determining fair value, including estimates of payment rates, defaults, and discount rates including adjustments for liquidity, and contractual interest and fees. Other retained interests related to securitizations are carried at cost, which approximates fair value. The valuation technique for these securities is discussed in more detail in Note 7 Variable Interest Entities and Securitizations.

Derivative Assets

Most of our derivatives are not exchange traded, but instead traded in over the counter markets where quoted market prices are not readily available. The fair value derived for those derivatives using models that use primarily market observable inputs, such as interest rate yield curves, credit curves, option volatility and currency rates are classified as Level 2. Any derivative fair value measurements using significant assumptions that are unobservable are classified as Level 3, which include interest rate swaps whose remaining terms do not correlate with market observable interest rate yield curves. The impact of counterparty non-performance risk is considered when measuring the fair value of derivative assets. These derivatives are included in other assets on the balance sheet.

We validate the pricing obtained from the internal models through comparison of pricing to additional sources, including external valuation agents and other internal sources. Pricing variances among different pricing sources are analyzed and validated.

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Mortgage Servicing Rights

MSRs do not trade in an active market with readily observable prices. Accordingly, we determine the fair value of MSRs using a valuation model that calculates the present value of estimated future net servicing income. The model incorporates assumptions that market participants use in estimating future net servicing income, including estimates of prepayment spreads, discount rate, cost to service, contractual servicing fee income, ancillary income and late fees. We record MSRs at fair value on a recurring basis. Fair value measurements of MSRs use significant unobservable inputs and, accordingly, are classified as Level 3. The valuation technique for these securities is discussed in more detail in Note 8 Goodwill and Other Intangible Assets.

Financial liabilities

Interest Bearing Deposits

The fair value of other interest-bearing deposits was determined based on discounted expected cash flows using discount rates consistent with current market rates for similar products with similar remaining terms.

Non-Interest Bearing Deposits

The carrying amount of non-interest bearing deposits approximates fair value.

Senior and Subordinated Notes

We engage multiple third party pricing services in order to estimate the fair value of senior and subordinated notes. The pricing service utilizes a pricing model that incorporates available trade, bid and other market information. It also incorporates spread assumptions, volatility assumptions and relevant credit information into the pricing models.

Securitized Debt Obligations

We utilized multiple third party pricing services to obtain fair value measures for the large majority of our securitized debt obligations. The techniques used by the pricing services utilize observable market data to the extent available; and pricing models may be used which incorporate available trade, bid and other market information as described in the above section. We used internal pricing models, discounted cash flow models or similar techniques to estimate the fair value of certain securitization trusts where third party pricing was not available.

Other Borrowings

The carrying amount of federal funds purchased and repurchase agreements, FHLB advances, and other short-term borrowings approximates fair value. The fair value of junior subordinated borrowings was estimated using the same methodology as described for senior and subordinated notes. The fair value of other borrowings was determined based on trade information for bonds with similar duration and credit quality, adjusted to incorporate any relevant credit information of the issuer. The increase in fair value of other borrowings above carrying values at December 31, 2011 was primarily due to interest rate spreads across the industry.

Interest Payable

The carrying amount of interest payable approximates the fair value of this liability due to its relatively short-term nature.

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Derivative Liabilities

Most of our derivatives are not exchange traded, but instead traded in over the counter markets where quoted market prices are not readily available. The fair value of those derivatives, derived using models that use primarily market observable inputs, such as interest rate yield curves, credit curves, option volatility and currency rates, are classified as Level 2. Any derivative fair value measurements using significant assumptions that are unobservable are classified as Level 3, which include interest rate swaps whose remaining terms do not correlate with market observable interest rate yield curves. The impact of counterparty non-performance risk is considered when measuring the fair value of derivative assets. These derivatives are included in other liabilities on the consolidated balance sheets.

We validate the pricing obtained from the internal models through comparison of pricing to additional sources, including external valuation agents and other internal sources. Pricing variances among different pricing sources are analyzed and validated.

Commitments to extend credit and letters of credit

These financial instruments are generally not sold or traded. The fair value of the financial guarantees outstanding and included in other liabilities as of December 31, 2011 and 2010 that have been issued since January 1, 2003 was $4 million and $3 million, respectively. The estimated fair values of extensions of credit and letters of credit are not readily available. However, the fair value of commitments to extend credit and letters of credit is based on fees currently charged to enter into similar agreements with comparable credit risks and the current creditworthiness of the counterparties. Commitments to extend credit issued by us are generally short-term in nature and, if drawn upon, are issued under current market terms and conditions for credits with comparable risks. At December 31, 2011 and 2010, there was no material unrealized appreciation or depreciation on these financial instruments.

NOTE 20 BUSINESS SEGMENTS

Segment Description

Our principal operations are currently organized into three primary business segments, which are defined based on the products and services provided, or the type of customer served: Credit Card, Consumer Banking and Commercial Banking. The operations of acquired businesses have been integrated into our existing business segments. Certain activities that are not part of a segment are included in the Other category.

Credit Card: Consists of our domestic consumer and small business credit card lending, national small business lending, national closed end installment lending and the international credit card lending businesses in Canada and the United Kingdom.

Consumer Banking: Consists of our branch-based lending and deposit gathering activities for consumers and small businesses, national deposit gathering, national auto lending and consumer home loan lending and servicing activities.

Commercial Banking: Consists of our lending, deposit gathering and treasury management services to commercial real estate and middle market customers. Our middle market customers typically include commercial and industrial companies with annual revenues between $10 million to $1.0 billion.

Other Category: Includes the residual impact of the allocation of our centralized Corporate Treasury group activities, such as management of our corporate investment portfolio and asset/liability management, to our

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NOTES TO CONSOLIDATED STATEMENTS (Continued)

business segments. Accordingly, net gains and losses on our investment securities portfolio and certain trading activities are included in the Other category. The Other category also includes foreign exchange-rate fluctuations related to the revaluation of foreign currency-denominated investments; certain gains (losses) on the sale and securitization of loans; unallocated corporate expenses that do not directly support the operations of the business segments or for which the business segments are not considered financially accountable in evaluating their performance, such as acquisition and restructuring charges; provisions for representation and warranty reserves related to continuing operations; certain material items that are non-recurring in nature; and offsets related to certain line-item reclassifications.

Basis of Presentation

We report the financial results of our business segments on a continuing operations basis. See Note 3 Discontinued Operations for a discussion of discontinued operations. The results of our individual businesses, which are prepared on an internal management accounting and reporting basis, reflect the manner in which management evaluates performance and makes decisions about funding our operations and allocating resources. We refer to the business segment results derived from our internal management accounting and reporting process as our managed presentation, which differs in some cases from our reported results prepared based on U.S. GAAP. There is no comprehensive, authoritative body of guidance for management accounting equivalent to U.S. GAAP; therefore, the managed basis presentation of our business segment results may not be comparable to similar information provided by other financial service companies. In addition, our individual business segment results should not be used as a substitute for comparable results determined in accordance with U.S. GAAP.

Prior to January 1, 2010, our managed-basis presentation assumed that our securitized loans had not been sold and that the earnings from securitized loans were classified in our results of operations in the same manner as the earnings on loans that we owned. Our managed results also reflected differences in accounting for the valuation of retained interests and the recognition of gains and losses on the sale of interest-only strips. Our managed results did not include the addition of an allowance for loan and lease losses for the loans underlying our off-balance sheet securitization trusts. The adoption on January 1, 2010 of the new consolidation accounting standards resulted in accounting for the loans in our securitization trusts in our reported financial statements in a manner similar to how we account for these loans on a managed basis. As a result, our total reported and managed basis presentations are generally comparable for periods beginning after January 1, 2010.

We may periodically change our business segments or reclassify business segment results based on modifications to our management reporting methodologies and changes in organizational alignment.

Business Segment Reporting Methodology

The results of our business segments are intended to reflect each segment as if it were a stand-alone business. We have developed allocation methods for use in our internal management accounting and reporting process to assign certain managed balance sheet assets, deposits and other liabilities and their related revenue and expenses directly or indirectly attributable to each business segment. These allocation methods include funds transfer pricing and various other internally-developed methodologies and assumptions management believes are appropriate to reflect the results of each business segment. Due to the integrated nature of our business segments, estimates and judgments have been made in allocating certain revenue and expense items. Transactions between segments are based on specific criteria or approximate third-party rates. We regularly assess the assumptions, methodologies and reporting classifications used for segment reporting, which may result in the implementation of refinements or changes in future periods.

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CAPITAL ONE FINANCIAL CORPORATION

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Following is a description of the principles and methodologies used in preparing our business segment results.

Net interest income: Interest income from loans held for investment and interest expense from deposits and other interest-bearing liabilities are reflected within each applicable business segment. Because funding and asset/liability management are managed centrally by our Corporate Treasury Group, net interest income for our business segments also includes the results of a funds transfer pricing process that is intended to allocate a cost of funds used or credit for funds provided to all business segment assets and liabilities, respectively, using a matched funding concept. Also, taxable-equivalent benefit of tax-exempt products is allocated to each business unit with a corresponding increase in income tax expense.

Non-interest income: Non-interest fees and other revenue associated with loans or customers managed by each business segment and other direct revenues are accounted for within each business segment.

Provision for loan and lease losses: The provisions for loan and lease losses are directly attributable to the business segment in which the loans are managed.

Non-interest expense: Non-interest expenses directly managed and incurred by a business segment are accounted for within each business segment. We allocate certain non-interest expenses indirectly incurred by business segments, such as corporate support functions, to each business segment based on various factors, including the actual cost of the services from the service providers, the utilization of the services, the number of employees or other relevant factors.

Goodwill and other intangible assets: Goodwill and other intangible assets are assigned to business segments based on the relative fair value of each segment. Intangible amortization is included in the results of the applicable segment.

Income taxes: Income taxes are assessed for each business segment based on a standard tax rate with the residual tax expense or benefit to arrive at the consolidated effective tax rate included in the Other category.

Loans held for investment: Loans are reported within each business segment based on product or customer type.

Deposits: Deposits are reported within each business segment based on product or customer type.

Segment Results and Reconciliation

The following tables provide a summary of our business segment results for the years ended December 31, 2011, 2010 and 2009 and selected balance sheet data as of December 31, 2011 and 2010. Total consolidated assets are not allocated among our business segments in the information that is reviewed by our chief operating decision maker. The total of our business segment results and Other category, or Total Managed, differs from our total consolidated reported results. The impact of these differences is reflected in the Reconciliation category. The securitization adjustments remove the impact of presenting off-balance sheet securitized loans in our business segment results in the same manner as on-balance sheet loans to reconcile to our total consolidated reported results.

We may periodically change our business segments or reclassify business segment results based on modifications to our management reporting methodologies and changes in organizational alignment.

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	Year Ended December 31, 2011						
(Dollars in millions)	**Credit Card**	**Consumer Banking**	**Commercial Banking**	**Other**	**Total Managed**	**Reconciliation(1)**	**Total Reported**
Net interest income (expense)	**$ 7,822**	**$ 4,236**	**$ 1,377**	**$ (694)**	**$ 12,741**	**$ 0**	**$ 12,741**
Non-interest income (expense)	**2,609**	**720**	**270**	**(61)**	**3,538**	**0**	**3,538**
Total revenue	**10,431**	**4,956**	**1,647**	**(755)**	**16,279**	**0**	**16,279**
Provision for loan and lease losses	**1,870**	**452**	**31**	**7**	**2,360**	**0**	**2,360**
Non-interest expense:							
Core deposit intangible amortization	**0**	**132**	**40**	**0**	**172**	**0**	**172**
Other non-interest expense	**5,035**	**3,112**	**749**	**264**	**9,160**	**0**	**9,160**
Total non-interest expense	**5,035**	**3,244**	**789**	**264**	**9,332**	**0**	**9,332**
Income (loss) from continuing operations before income taxes	**3,526**	**1,260**	**827**	**(1,026)**	**4,587**	**0**	**4,587**
Income tax provision (benefit)	**1,249**	**451**	**295**	**(661)**	**1,334**	**0**	**1,334**
Income (loss) from continuing operations, net of tax	**$ 2,277**	**$ 809**	**$ 532**	**$ (365)**	**$ 3,253**	**$ 0**	**$ 3,253**

	Year Ended December 31, 2010						
(Dollars in millions)	**Credit Card**	**Consumer Banking**	**Commercial Banking**	**Other**	**Total Managed**	**Reconciliation(1)**	**Total Reported**
Net interest income (expense)	$ 7,894	$ 3,727	$ 1,292	$ (452)	$ 12,461	$ (4)	$ 12,457
Non-interest income (expense)	2,720	870	181	(55)	3,716	(2)	3,714
Total revenue	10,614	4,597	1,473	(507)	16,177	(6)	16,171
Provision for loan and lease losses	3,188	241	429	55	3,913	(6)	3,907
Non-interest expense:							
Core deposit intangible amortization	0	144	55	0	199	0	199
Other non-interest expense	3,951	2,806	741	237	7,735	0	7,735
Total non-interest expense	3,951	2,950	796	237	7,934	0	7,934
Income (loss) from continuing operations before income taxes	3,475	1,406	248	(799)	4,330	0	4,330
Income tax provision (benefit)	1,201	501	88	(510)	1,280	0	1,280
Income (loss) from continuing operations, net of tax	$ 2,274	$ 905	$ 160	$ (289)	$ 3,050	$ 0	$ 3,050

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NOTES TO CONSOLIDATED STATEMENTS (Continued)

	Year Ended December 31, 2009						
(Dollars in millions)	**Credit Card**	**Consumer Banking**	**Commercial Banking**	**Other**	**Total Managed**	**Reconciliation[1]**	**Total Reported**
Net interest income	$ 7,542	$ 3,231	$ 1,144	$ 172	$ 12,089	$ (4,392)	$ 7,697
Non-interest income	3,747	755	172	73	4,747	539	5,286
Total revenue	11,289	3,986	1,316	245	16,836	(3,853)	12,983
Provision for loan and lease losses	6,051	876	983	173	8,083	(3,853)	4,230
Non-interest expense:							
Restructuring expense	0	0	0	119	119	0	119
Core deposit intangible amortization	0	169	43	0	212	0	212
Other non-interest expense	3,738	2,565	618	165	7,086	0	7,086
Total non-interest expense	3,738	2,734	661	284	7,417	0	7,417
Income (loss) from continuing operations before income taxes	1,500	376	(328)	(212)	1,336	0	1,336
Income tax provision (benefit)	522	132	(115)	(190)	349	0	349
Income (loss) from continuing operations, net of tax	$ 978	$ 244	$ (213)	$ (22)	$ 987	$ 0	$ 987

[1] Reflects the impact of adjustments to reconcile our total business segment results, which are presented on a managed basis, to our reported U.S. GAAP results. These adjustments primarily consist of: (i) the reclassification of finance charges, past due fees, other interest income and interest expense amounts included in non-interest income for management reporting purposes to net interest income for U.S. GAAP reporting purposes and (ii) the reclassification of net charge-offs included in non-interest income for management reporting purposes to the provision for loan and lease losses for U.S. GAAP reporting purposes.

Business Segment Loans and Deposits

The total loan and deposit amounts attributable to each of our reportable business segments as of December 31, 2011 and 2010 are presented in the following tables:

	December 31, 2011				
(Dollars in millions)	**Credit Card**	**Consumer Banking**	**Commercial Banking**	**Other**	**Total Reported**
Loans held for investment	**$ 65,075**	**$ 36,315**	**$ 34,001**	**$ 501**	**$ 135,892**
Total deposits	**0**	**88,540**	**26,532**	**13,154**	**128,226**

	December 31, 2010				
(Dollars in millions)	**Credit Card**	**Consumer Banking**	**Commercial Banking**	**Other**	**Total Reported**
Loans held for investment	$ 61,371	$ 34,383	$ 29,742	$ 451	$ 125,947

Total deposits	0	82,959	22,630	16,621	122,210

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NOTES TO CONSOLIDATED STATEMENTS (Continued)

NOTE 21 COMMITMENTS, CONTINGENCIES AND GUARANTEES

Letters of Credit

We issue letters of credit (financial standby, performance standby and commercial) to meet the financing needs of our customers. Standby letters of credit are conditional commitments issued by us to guarantee the performance of a customer to a third party in a borrowing arrangement. Commercial letters of credit are short-term commitments issued primarily to facilitate trade finance activities for customers and are generally collateralized by the goods being shipped to the client. Collateral requirements are similar to those for funded transactions and are established based on management s credit assessment of the customer. Management conducts regular reviews of all outstanding letters of credit and customer acceptances, and the results of these reviews are considered in assessing the adequacy of our allowance for loan and lease losses.

We had contractual amounts of standby letters of credit and commercial letters of credit of $1.9 billion at December 31, 2011. As of December 31, 2011, financial guarantees had expiration dates ranging from 2012 to 2021. The fair value of the guarantees outstanding which we included in our consolidated balance sheets in other liabilities was $4 million as of December 31, 2011.

Contingent Payments Related to Acquisitions and Partnership Agreements

Certain of our acquisition and partnership agreements include contingent payment provisions in which we agree to provide future payments, up to a maximum amount, based on certain performance criteria. Our contingent payment arrangements are generally based on the difference between the expected credit performance of specified loan portfolios as of the date of the applicable agreement and the actual future performance. To the extent that actual losses associated with these portfolios are less than the expected level, we agree to share a portion of the benefit with the seller. The maximum contingent payment amount related to our acquisitions totaled $330 million as of December 31, 2011. The actual payment amount related to $30 million of this balance will be determined as of September 30, 2012. The actual payment amount related to the remaining $300 million of this balance will be determined as of December 31, 2013. We recognized an expense related to contingent payment arrangements of $30 million in the second quarter of 2011, $60 million in the third quarter of 2011, and a reduction to expense of $(2) million in the fourth quarter of 2011. As such, we recognized a cumulative expense of $88 million in 2011 related to contingent payment arrangements. We had a liability for contingent payments related to these arrangements of $88 million as of December 31, 2011. We did not record a liability related to these arrangements as of December 31, 2010 based on our expectation of credit losses on the portfolios.

Potential Mortgage Representation & Warranty Liabilities

In recent years, we acquired three subsidiaries that originated residential mortgage loans and sold them to various purchasers, including purchasers who created securitization trusts. These subsidiaries are Capital One Home Loans, which was acquired in February 2005; GreenPoint Mortgage Funding, Inc. (GreenPoint), which was acquired in December 2006 as part of the North Fork acquisition; and Chevy Chase Bank, which was acquired in February 2009 and subsequently merged into CONA.

In connection with their sales of mortgage loans, the subsidiaries entered into agreements containing varying representations and warranties about, among other things, the ownership of the loan, the validity of the lien securing the loan, the loan s compliance with any applicable loan criteria established by the purchaser, including underwriting guidelines and the ongoing existence of mortgage insurance, and the loan s compliance with applicable federal, state and local laws. The representations and warranties do not address the credit performance

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NOTES TO CONSOLIDATED STATEMENTS (Continued)

of the mortgage loans, but mortgage loan performance often influences whether a claim for breach of representation and warranty will be asserted and has an effect on the amount of any loss in the event of a breach of a representation or warranty.

Each of these subsidiaries may be required to repurchase mortgage loans in the event of certain breaches of these representations and warranties. In the event of a repurchase, the subsidiary is typically required to pay the then unpaid principal balance of the loan together with interest and certain expenses (including, in certain cases, legal costs incurred by the purchaser and/or others). The subsidiary then recovers the loan or, if the loan has been foreclosed, the underlying collateral. The subsidiary is exposed to any losses on the repurchased loans after giving effect to any recoveries on the collateral. In some instances, rather than repurchase the loans, a subsidiary may agree to make a cash payment to make an investor whole on losses or to settle repurchase claims. In addition, our subsidiaries may be required to indemnify certain purchasers and others against losses they incur as a result of certain breaches of representations and warranties. In some cases, the amount of such losses could exceed the repurchase amount of the related loans.

These subsidiaries, in total, originated and sold to non-affiliates approximately $111 billion original principal balance of mortgage loans between 2005 and 2008, which are the years (or vintages) with respect to which our subsidiaries have received the vast majority of the repurchase requests and other related claims.

The following table presents the original principal balance of mortgage loan originations, by vintage for 2005 through 2008, for the three general categories of purchasers of mortgage loans and the outstanding principal balance as of December 31, 2011 and 2010:

Unpaid Principal Balance of Mortgage Loans Originated and Sold to Third Parties Based on Category of Purchaser

	Unpaid Principal Balance December 31,		Original Unpaid Principal Balance				
(Dollars in billions)	**2011**	**2010**	**Total**	**2008**	**2007**	**2006**	**2005**
Government sponsored enterprises (GSEs[1])	**$ 5**	$ 5	$ 11	$ 1	$ 4	$ 3	$ 3
Insured Securitizations	**6**	7	19	0	2	8	9
Uninsured Securitizations and Other	**30**	33	81	3	15	30	33
Total	**$ 41**	$ 45	$ 111	$ 4	$ 21	$ 41	$ 45

(1) GSEs include Fannie Mae and Freddie Mac.

Between 2005 and 2008, our subsidiaries sold an aggregate amount of $11 billion in original principal balance mortgage loans to the GSEs.

Of the $19 billion in original principal balance of mortgage loans sold directly by our subsidiaries to private-label purchasers who placed the loans into securitizations supported by bond insurance (Insured Securitizations), approximately $13 billion original principal balance was placed in securitizations as to which the monoline bond insurers have made repurchase requests or loan file requests to one of our subsidiaries (Active Insured Securitizations), and the remaining approximately $6 billion original principal balance was placed in securitizations as to which the monoline bond insurers have not made repurchase requests or loan file requests to one of our subsidiaries (Inactive Insured Securitizations). Insured Securitizations often allow the monoline bond insurer to act independently of the investors. Bond insurers typically have indemnity agreements directly with both the mortgage originators and the securitizers, and they often have super-majority rights within the trust documentation that allow them to direct trustees to pursue mortgage repurchase requests without coordination with other investors.

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Because we do not service most of the loans our subsidiaries sold to others, we do not have complete information about the current ownership of the $81 billion in original principal balance of mortgage loans not sold directly to GSEs or placed in Insured Securitizations. We have determined based on information obtained from third-party databases that about $50 billion original principal balance of these mortgage loans are currently held by private-label publicly issued securitizations not supported by bond insurance (Uninsured Securitizations). In contrast with the bond insurers in Insured Securitizations, investors in Uninsured Securitizations often face a number of legal and logistical hurdles before they can direct a securitization trustee to pursue mortgage repurchases, including the need to coordinate with a certain percentage of investors holding the securities and to indemnify the trustee for any litigation it undertakes. An additional approximately $22 billion original principal balance of mortgage loans were initially sold to private investors as whole loans. Of this amount, we believe approximately $10 billion original principal balance of mortgage loans were ultimately purchased by GSEs. For purposes of our reserves-setting process, we consider these loans to be private-label loans rather than GSE loans. Various known and unknown investors purchased the remaining $9 billion original principal balance of mortgage loans in this category.

With respect to the $111 billion in original principal balance of mortgage loans originated and sold to others between 2005 and 2008, we estimate that approximately $41 billion in unpaid principal balance remains outstanding as of December 31, 2011, approximately $15 billion in losses have been realized and approximately $11 billion in unpaid principal balance is at least 90 days delinquent. Because we do not service most of the loans we sold to others, we do not have complete information about the underlying credit performance levels for some of these mortgage loans. These amounts reflect our best estimates, including extrapolations where necessary. These extrapolations occur on the approximately $9 billion original principal balance of mortgage loans for which we do not have complete information about the current holders or the underlying credit performance. These estimates could change as we get additional data or refine our analysis.

The subsidiaries had open repurchase requests relating to approximately $2.1 billion original principal balance of mortgage loans as of December 31, 2011, compared with $1.6 billion as of December 31, 2010. As of December 31, 2011, the majority of new repurchase demands received over the last year and, as discussed below, the majority of our $943 million reserve relates to the $24 billion of original principal balance of mortgage loans originally sold to the GSEs or to Active Insured Securitizations. Currently, repurchase demands predominantly relate to the 2006 and 2007 vintages. We have received relatively few repurchase demands from the 2008 and 2009 vintages, mostly because GreenPoint ceased originating mortgages in August 2007.

The following table presents information on pending repurchase requests by counterparty category and timing of initial repurchase request. The amounts presented are based on original loan principal balances.

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NOTES TO CONSOLIDATED STATEMENTS (Continued)

Open Pipeline All Vintages (all entities)[1]

(Dollars in millions) (All amounts are Original Principal Balance)	GSEs	Insured Securitizations	Uninsured Securitizations and Other	Total
Open claims as of December 31, 2009	$ 61	$ 366	$ 588	$ 1,015
Gross new demands received	204	645	104	953
Loans repurchased/made whole[2]	(52)	(179)	(5)	(236)
Demands rescinded[2]	(87)	0	(22)	(109)
Open claims as of December 31, 2010	**$ 126**	**$ 832**	**$ 665**	**$ 1,623**
Gross new demands received	**196**	**359**	**131**	**686**
Loans repurchased/made whole	**(67)**	**(14)**	**(16)**	**(97)**
Demands rescinded	**(85)**	**(6)**	**(30)**	**(121)**
Reclassifications[3]	**6**	**72**	**(78)**	**0**
Open claims as of December 31, 2011	**$ 176**	**$ 1,243**	**$ 672**	**$ 2,091**

(1) The open pipeline includes all repurchase requests ever received by our subsidiaries where either the requesting party has not formally rescinded the repurchase request and where our subsidiary has not agreed to either repurchase the loan at issue or make the requesting party whole with respect to its losses. Accordingly, repurchase requests denied by our subsidiaries and not pursued by the counterparty remain in the open pipeline. Moreover, repurchase requests submitted by parties without contractual standing to pursue repurchase requests are included within the open pipeline unless the requesting party has formally rescinded its repurchase request. Finally, the amounts reflected in this chart are the original principal balance amounts of the mortgage loans at issue and do not correspond to the losses our subsidiary would incur upon the repurchase of these loans.

(2) Activity in 2010 relates to repurchase demands from all years.

(3) Represents adjustments to correct the counterparty category as of December 31, 2011 for amounts that were misclassified. The reclassification had no impact on the total pending repurchase requests; however, it resulted in an increase in open claims attributable to GSEs and Insured Securitizations and a decrease in open claims attributable to Uninsured Securitizations and Other.

We have established representation and warranty reserves for losses associated with the mortgage loans sold by each subsidiary that we consider to be both probable and reasonably estimable, including both litigation and non-litigation liabilities. These reserves are reported in our consolidated balance sheets as a component of other liabilities. The reserve setting process relies heavily on estimates, which are inherently uncertain, and requires the application of judgment. We evaluate these estimates on a quarterly basis. We build our representation and warranty reserves through the provision for repurchase losses, which we report in our consolidated statements of income as a component of non-interest income for loans originated and sold by Chevy Chase Bank and Capital One Home Loans and as a component of discontinued operations for loans originated and sold by GreenPoint. In establishing the representation and warranty reserves, we consider a variety of factors depending on the category of purchaser.

In establishing reserves for the $11 billion original principal balance of GSE loans, we rely on the historical relationship between GSE loan losses and repurchase outcomes to estimate: (1) the percentage of current and future GSE loan defaults that we anticipate will result in repurchase requests from the GSEs over the lifetime of the GSE loans; and (2) the percentage of those repurchase requests that we anticipate will result in actual repurchases. We also rely on estimated collateral valuations and loss forecast models to estimate our lifetime liability on GSE loans. This reserving approach to the GSE loans reflects the historical interaction with the GSEs around repurchase requests, and also includes anticipated repurchases resulting from mortgage insurance rescissions. The GSEs typically have stronger contractual rights than non-GSE counterparties because GSE

CAPITAL ONE FINANCIAL CORPORATION

NOTES TO CONSOLIDATED STATEMENTS (Continued)

contracts typically do not contain prompt notice requirements for repurchase requests or materiality qualifications to the representations and warranties. Moreover, although we often disagree with the GSEs about the validity of their repurchase requests, we have established a negotiation pattern whereby the GSEs and our subsidiaries continually negotiate around individual repurchase requests, leading to the GSEs rescinding some repurchase requests and our subsidiaries agreeing in some cases to repurchase some loans or make the GSEs whole with respect to losses. Our lifetime representation and warranty reserves with respect to GSE loans are grounded in this history.

For the $13 billion original principal balance in Active Insured Securitizations, our reserving approach also reflects our historical interaction with monoline bond insurers around repurchase requests. Typically, monoline bond insurers allege a very high repurchase rate with respect to the mortgage loans in the Active Insured Securitization category. In response to these repurchase requests, our subsidiaries typically request information from the monoline bond insurers demonstrating that the contractual requirements around a valid repurchase request have been satisfied. In response to these requests for supporting documentation, monoline bond insurers typically initiate litigation. Accordingly, our reserves within the Active Insured Securitization are not based upon the historical repurchase rate with monoline bond insurers, but rather upon the expected resolution of litigation with the monoline bond insurers. Every bond insurer within this category is pursuing a substantially similar litigation strategy either through active or probable litigation. Accordingly, our representation and warranty reserves for this category are litigation reserves. In establishing litigation reserves for this category, we consider current and future losses inherent within the securitization and apply legal judgment to the anticipated factual and legal record to estimate the lifetime legal liability for each securitization. Our estimated legal liability for each securitization within this category assumes that we will be responsible for only a portion of the losses inherent in each securitization. Our litigation reserves with respect to both the U.S. Bank Litigation and the DBSP Litigation, in each case as referenced below, are contained within the Active Insured Securitization reserve category. Further, our litigation reserves with respect to indemnification risks from certain representation and warranty lawsuits brought by monoline bond insurers against third-party securitizations sponsors, where GreenPoint provided some or all of the mortgage collateral within the securitization but is not a defendant in the litigation, are also contained within this category.

For the $6 billion original principal balance of mortgage loans in the Inactive Insured Securitizations category and the $81 billion original principal balance of mortgage loans in the Uninsured Securitizations and other whole loan sales categories, we establish reserves by relying on our historical activity and repurchase rates to estimate repurchase liabilities over the next twelve (12) months. We do not believe we can estimate repurchase liability for these categories for a period longer than twelve (12) months because of the relatively irregular nature of repurchase activity within these categories. Some Uninsured Securitization investors from this category who have not made repurchase requests or filed representation and warranty lawsuits are currently suing investment banks and securitization sponsors under federal and/or state securities laws. Although we face some direct and indirect indemnity risks from these litigations, we have not established reserves with respect to these indemnity risks because we do not consider them to be both probable and reasonably estimable liabilities.

The aggregate reserves for all three subsidiaries were $943 million as of December 31, 2011, as compared with $816 million as of December 31, 2010. We recorded a total provision for repurchase losses for our representation and warranty repurchase exposure of $212 million for the year ended December 31, 2011, primarily driven by increased repurchase activity from Uninsured Securitizations and other whole loan investors. During 2011, we had settlements of repurchase requests totaling $85 million that were charged against the reserve. The table below summarizes changes in our representation and warranty reserves for the years ended December 31, 2011 and 2010.

CAPITAL ONE FINANCIAL CORPORATION

NOTES TO CONSOLIDATED STATEMENTS (Continued)

The following table summarizes changes in our representation and warranty reserve for the full years of 2011 and 2010:

Changes in Representation and Warranty Reserves

(Dollars in millions)	Year Ended December 31, 2011	2010
Representation and warranty repurchase reserve, beginning of period[1]	**$ 816**	$ 238
Provision for repurchase losses[2]	**212**	636
Net realized losses	**(85)**	(58)
Representation and warranty repurchase reserve, end of period[1]	**$ 943**	$ 816

(1) Reported in our consolidated balance sheets as a component of other liabilities.
(2) The pre-tax portion of the provision for mortgage repurchase claims recognized in our consolidated statements of income as a component of non-interest income totaled $43 million and $204 million, for the years ended December 31, 2011 and 2010, respectively. The pre-tax portion of the provision for mortgage repurchase claims recognized in our consolidated statements of income as a component of discontinued operations totaled $169 million and $432 million, for the years ended December 31, 2011 and 2010, respectively.

As indicated in the table below, most of the reserves relate to the $11 billion in original principal balance of mortgage loans sold directly to the GSEs and to the $13 billion in mortgage loans sold to purchasers who placed them into Active Insured Securitizations.

Allocation of Representation and Warranty Reserves

(Dollars in millions, except for loans sold)	Reserve Liability December 31, 2011	2010	Loans Sold 2005 to 2008[1]
GSEs and Active Insured Securitizations	**$ 778**	$ 796	$ 24
Inactive Insured Securitizations and Others	**165**	20	87
Total	**$ 943**	$ 816	$ 111

(1) Reflects, in billions, the total original principal balance of mortgage loans originated by our subsidiaries and sold to third party investors between 2005 and 2008.

The adequacy of the reserves and the ultimate amount of losses incurred by our subsidiaries will depend on, among other things, actual future mortgage loan performance, the actual level of future repurchase and indemnification requests (including the extent, if any, to which Inactive Insured Securitizations and other currently inactive investors ultimately assert claims), the actual success rates of claimants, developments in litigation, actual recoveries on the collateral and macroeconomic conditions (including unemployment levels and housing prices).

As part of our business planning processes, we have considered various outcomes relating to the potential future representation and warranty liabilities of our subsidiaries that are possible but do not rise to the level of being both probable and reasonably estimable outcomes that would justify an incremental accrual under applicable accounting standards. We believe that the upper end of the reasonably possible future losses from

representation and warranty claims beyond the current accrual levels, including reasonably possible future losses relating to the US Bank Litigation, DBSP Litigation and the FHLB of Boston Litigation, could be as high as $1.5 billion, the

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CAPITAL ONE FINANCIAL CORPORATION

NOTES TO CONSOLIDATED STATEMENTS (Continued)

same level as we provided as of September 30, 2011 and an increase of $400 million from the estimate we provided as of December 31, 2010. This increase is attributable to increased activity from uninsured investors, increased governmental and regulatory scrutiny of mortgage practices and continued difficulty in the housing market and overall economy. Notwithstanding our ongoing attempts to estimate a reasonably possible amount of loss beyond our current accrual levels based on current information, it is possible that actual future losses will exceed both the current accrual level and our current estimated upper-end of the amount of reasonably possible losses. There is still significant uncertainty regarding the numerous factors that may impact the ultimate loss levels, including, but not limited to, litigation outcomes, future repurchase claims levels, ultimate repurchase success rates and mortgage loan performance levels.

Litigation

In accordance with the current accounting standards for loss contingencies, we establish reserves for litigation related matters when it is probable that a loss associated with a claim or proceeding has been incurred and the amount of the loss can be reasonably estimated. Litigation claims and proceedings of all types are subject to many uncertain factors that generally cannot be predicted with assurance. Below we provide a description of material legal proceedings and claims.

For some of the matters disclosed below, we are able to determine estimates of potential future outcomes that are not probable and reasonably estimable outcomes justifying either the establishment of a reserve or an incremental reserve build, but which are reasonably possible outcomes. For other disclosed matters, such an estimate is not possible at this time. For those matters where an estimate is possible, excluding the reasonably possible future losses relating to the U.S. Bank Litigation, the DBSP Litigation, and the FHLB of Boston Litigation because reasonably possible losses with respect to those litigations are included within the range of reasonably possible representation and warranty liabilities discussed above, management currently estimates the aggregate high end of the range of possible loss is $50 million to $175 million. Notwithstanding our attempt to estimate a reasonably possible range of loss beyond our current accrual levels for some litigation matters based on current information, it is possible that actual future losses will exceed both the current accrual level and the range of reasonably possible losses disclosed here. Given the inherent uncertainties involved in these matters, and the very large or indeterminate damages sought in some of these matters, there is significant uncertainty as to the ultimate liability we may incur from these litigation matters and an adverse outcome in one or more of these matters could be material to our results of operations or cash flows for any particular reporting period.

Interchange Litigation

In 2005, a number of entities, each purporting to represent a class of retail merchants, filed antitrust lawsuits (the Interchange Lawsuits) against MasterCard and Visa and several member banks, including our subsidiaries and us, alleging among other things, that the defendants conspired to fix the level of interchange fees. The complaints seek injunctive relief and civil monetary damages, which could be trebled. Separately, a number of large merchants have asserted similar claims against Visa and MasterCard only. In October 2005, the class and merchant Interchange Lawsuits were consolidated before the U.S. District Court for the Eastern District of New York for certain purposes, including discovery. Fact and expert discovery have closed. The parties have briefed and presented oral argument on motions to dismiss, class certification and motions for summary judgment and are awaiting decisions from the court.

The defendant banks are members of Visa U.S.A., Inc. (Visa). As members, our subsidiary banks have indemnification obligations to Visa with respect to final judgments and settlements of certain litigation against Visa. In the first quarter of 2008, Visa completed an IPO of its stock. With IPO proceeds, Visa established an escrow account for the benefit of member banks to fund certain litigation settlements and claims, including the

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NOTES TO CONSOLIDATED STATEMENTS (Continued)

Interchange Lawsuits. As a result, in the first quarter of 2008, we reduced our Visa-related indemnification liabilities of $91 million recorded in other liabilities with a corresponding reduction of other non-interest expense. We made an election in accordance with the accounting guidance for fair value option for financial assets and liabilities on the indemnification guarantee to Visa, and the fair value of the guarantee at December 31, 2011 and 2010 was zero. In January 2011, we entered into a MasterCard Settlement and Judgment Sharing Agreement, along with other defendant banks, which apportions between MasterCard and its member banks any costs and liabilities of any judgment or settlement arising from the Interchange Lawsuits.

In March 2011, a furniture store owner, on behalf of himself and other merchants who accept Visa and MasterCard branded credit cards, filed a class action in the Supreme Court of British Columbia (Vancouver Registry) against the Visa and MasterCard membership associations related to credit card interchange fees. In May 2011, another merchant, on behalf of himself and other merchants who accept Visa and MasterCard branded credit cards, filed a class action in the Ontario Superior Court of Justice (Toronto Region) asserting the same alleged violations of law related to credit card interchange fees and network rules. Both class actions name Visa and MasterCard and a number of member banks, including Capital One Financial Corporation, which only issues MasterCard branded credit cards in Canada. The class action complaints allege that the associations and member banks are liable for civil conspiracy, unjust enrichment, constructive trust and unlawful interference with economic interests and violated Canadian anti-competition laws by (a) conspiring to fix supra-competitive interchange fees and merchant discounts, and (b) requiring participation in the respective networks and adherence to Visa and MasterCard Rules to acceptance of payment guarantee services.

Late Fees Litigation

In 2007, a number of individual plaintiffs, each purporting to represent a class of cardholders, filed antitrust lawsuits in the U.S. District Court for the Northern District of California against several issuing banks, including us. These lawsuits allege, among other things, that the defendants conspired to fix the level of late fees and over-limit fees charged to cardholders, and that these fees are excessive. In May 2007, the cases were consolidated for all purposes, and a consolidated amended complaint was filed alleging violations of federal statutes and state law. The amended complaint requests civil monetary damages, which could be trebled, and injunctive relief. In November 2007, the court dismissed the amended complaint. Plaintiffs appealed that order to the Ninth Circuit Court of Appeals. The plaintiffs appeal challenges the dismissal of their claims under the National Bank Act, the Depository Institutions Deregulation Act of 1980 and the California Unfair Competition Law (the UCL), but not their antitrust conspiracy claims. In June 2009, the Ninth Circuit Court of Appeals stayed the matter pending the bankruptcy proceedings of one of the defendant financial institutions. On January 4, 2012, the Ninth Circuit Court of Appeals entered an additional order continuing the stay of the matter pending the bankruptcy proceedings.

Credit Card Interest Rate Litigation

In July 2010, the U.S. Court of Appeals for the Ninth Circuit reversed a dismissal entered in favor of COBNA in Rubio v. Capital One Bank, which was filed in the U.S. District Court for the Central District of California in 2007. The plaintiff in Rubio alleges in a putative class action that COBNA breached its contractual obligations and violated the Truth In Lending Act (the TILA) and the UCL when it raised interest rates on certain credit card accounts. The plaintiff seeks damages, restitution, attorney s fees and an injunction against future rate increases. The District Court granted COBNA s motion to dismiss all claims as a matter of law prior to any discovery. On appeal, the Ninth Circuit reversed the District Court s dismissal with respect to the TILA and UCL claims, remanding the case back to the District Court for further proceedings. The Ninth Circuit upheld the dismissal of the plaintiff s breach of contract claim, finding that COBNA was contractually allowed to increase interest rates. In September 2010, the Ninth Circuit denied COBNA s Petition for Panel Rehearing and Rehearing

CAPITAL ONE FINANCIAL CORPORATION

NOTES TO CONSOLIDATED STATEMENTS (Continued)

En Banc. In January 2011, COBNA filed a writ of certiorari with the United States Supreme Court, seeking leave to appeal the Ninth Circuit s ruling. On April 4, 2011, the United States Supreme Court denied Capital One s writ of certiorari, and as a result, the Ninth Circuit remanded the case back to the District Court to begin discovery.

The Capital One Bank Credit Card Interest Rate Multi-district Litigation matter involves similar issues as Rubio. This multi-district litigation matter was created as a result of a June 2010 transfer order issued by the United States Judicial Panel on Multi-district Litigation (MDL), which consolidated for pretrial proceedings in the U.S. District Court for the Northern District of Georgia two pending putative class actions against COBNA Nancy Mancuso, et al. v. Capital One Bank (USA), N.A., et al., (E.D. Virginia); and Kevin S. Barker, et al. v. Capital One Bank (USA), N.A., (N.D. Georgia), A third action, Jennifer L. Kolkowski v. Capital One Bank (USA), N.A., (C.D. California) was subsequently transferred into the MDL. On August 2, 2010, the plaintiffs in the MDL filed a Consolidated Amended Complaint. The Consolidated Amended Complaint alleges in a putative class action that COBNA breached its contractual obligations, and violated the TILA, the California Consumers Legal Remedies Act, the UCL, the California False Advertising Act, the New Jersey Consumer Fraud Act, and the Kansas Consumer Protection Act when it raised interest rates on certain credit card accounts. The MDL plaintiffs seek statutory damages, restitution, attorney s fees and an injunction against future rate increases. Fact discovery is now closed. On August 8, 2011, Capital One filed a motion for summary judgment, which remains pending with the court.

West Virginia Attorney General Litigation

In January 2010, the West Virginia Attorney General filed suit against COBNA and various affiliates in Mason County, West Virginia, challenging numerous credit card practices under the West Virginia Consumer Credit and Protection Act. The West Virginia Attorney General seeks injunctive relief, consumer refunds, statutory damages, disgorgement, and attorneys fees. COBNA removed the case to the U.S. District Court for the Southern District of West Virginia and filed a motion to dismiss the complaint. In July 2010, the U.S. District Court for the Southern District of West Virginia remanded the case back to Mason County Circuit Court and denied the motion to dismiss as moot. In August 2010, we filed a motion to dismiss and a motion to stay discovery pending resolution of the motion to dismiss. In April 2011, the Court denied our motion to dismiss and scheduled a bench trial to begin on December 6, 2011. On July 20, 2011, COBNA removed the case again to the U.S. District Court for the Southern District of West Virginia. The plaintiff filed a motion to remand the matter to state court. On August 12, 2011, the district court issued an order remanding the matter back to Mason County Circuit Court. In January, 2012, the West Virginia Attorney General dismissed all claims with prejudice for post-2005 conduct as part of a settlement agreement in which COBNA agreed to pay a non-material amount of money related to certain pre-2006 conduct.

Mortgage Repurchase Litigation

On February 5, 2009, GreenPoint was named as a defendant in a lawsuit commenced in the Supreme Court of the State of New York, New York County, by U.S. Bank National Association, Syncora Guarantee Inc. (formerly known as XL Capital Assurance Inc.) and CIFG Assurance North America, Inc. (the U.S. Bank Litigation). Plaintiffs allege, among other things, that GreenPoint breached certain representations and warranties in two contracts pursuant to which GreenPoint sold approximately 30,000 mortgage loans having an aggregate original principal balance of approximately $1.8 billion to a purchaser that ultimately transferred most of these mortgage loans to a securitization trust. Some of the securities issued by the trust were insured by two of the plaintiffs. Plaintiffs have alleged breaches of representations and warranties with respect to certain specific mortgage loans. Plaintiffs seek unspecified damages and an order compelling GreenPoint to repurchase the entire portfolio of 30,000 mortgage loans based on alleged breaches of representations and warranties relating to a limited sampling

CAPITAL ONE FINANCIAL CORPORATION

NOTES TO CONSOLIDATED STATEMENTS (Continued)

of loans in the portfolio, or, alternatively, the repurchase of specific mortgage loans to which the alleged breaches of representations and warranties relate. On March 3, 2010, the Court granted GreenPoint s motion to dismiss with respect to plaintiffs Syncora and CIFG and denied the motion with respect to U.S. Bank. In March 2010, GreenPoint answered the complaint with respect to U.S. Bank, denying the allegations, and filed a counterclaim against U.S. Bank alleging breach of covenant of good faith and fair dealing. In April 2010, plaintiffs U.S. Bank, Syncora, and CIFG filed an amended complaint seeking, among other things, the repurchase remedies described above and indemnification for losses suffered by Syncora and CIFG. GreenPoint filed a motion to dismiss the amended complaint. In January 2011, the Court instructed plaintiffs to seek leave of court to file an amended complaint supported by an evidentiary showing of merit. Plaintiffs filed their motion for leave in June 2011, GreenPoint opposed the motion, and the court heard arguments on the motion in January 2012. As noted above, GreenPoint has established reserves with respect to its probable and reasonably estimable legal liability from the U.S. Bank Lawsuit, which reserves are included within the overall representation and warranty reserve. Also as noted above, GreenPoint has exposure to loss in excess of the amount established within the overall representation and warranty reserve because GreenPoint has not established reserves with respect to the portfolio-wide repurchase claim on the basis that the claim is not considered probable and reasonably estimable. In the event GreenPoint is obligated to repurchase all 30,000 mortgage loans under the portfolio-wide repurchase claim, GreenPoint would incur the current and future economic losses inherent in the portfolio. With respect to the mortgage loan portfolio at issue in the U.S. Bank Litigation, we believe approximately $849 million of losses have been realized and approximately $297 million in mortgage loans are still outstanding, of which approximately $37 million are more than 90 days delinquent, including foreclosures and REO.

In September 2010, DB Structured Products, Inc. (DBSP) named GreenPoint in a third-party complaint, filed in the New York County Supreme Court, alleging breach of contract and seeking indemnification (the DBSP Litigation). In the underlying suit, Assured Guaranty Municipal Corp. (AGM) sued DBSP for alleged breaches of representations and warranties made by DBSP with respect to certain residential mortgage loans that collateralize a securitization insured by AGM and sponsored by DBSP (the Underlying Lawsuit). DBSP purchased the HELOC loans from GreenPoint in 2006. The entire securitization is comprised of about 6,200 mortgage loans with an aggregate original principal balance of approximately $353 million. DBSP asserts that any liability it faces lies with GreenPoint, alleging that DBSP s representations and warranties to AGM are substantially similar to the representations and warranties made by GreenPoint to DBSP. GreenPoint filed a motion to dismiss the complaint in October 2010, which the court denied on July 25, 2011. The parties are currently engaged in discovery. As noted above, GreenPoint has established reserves with respect to its estimated probable and reasonable estimable legal liability from the DBSP Litigation, which reserves are included within the overall representation and warranty reserve. Also as noted above, GreenPoint has not established a reserve with respect to any portfolio-wide repurchase claim, but in the event GreenPoint is obligated to indemnify DBSP for the repurchase of all 6,200 mortgage loans, GreenPoint would incur the current and future economic losses inherent in the securitization. With respect to these loans, we believe approximately $148 million of losses have been realized and approximately $47 million in mortgage loans are still outstanding, of which approximately $3 million are more than 90 days delinquent, including foreclosures and REO.

SEC Investigation

Since July 2009, we have been providing documents and information in response to an inquiry by the Staff of the SEC. In the first quarter of 2010, the SEC issued a formal order of investigation with respect to this inquiry. Although the order, as is generally customary, authorizes a broader inquiry by the Staff, we believe that the investigation is focused largely on our method of determining the loan loss reserves for our auto finance business for certain quarterly periods in 2007. We are cooperating fully with the Staff s investigation.

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NOTES TO CONSOLIDATED STATEMENTS (Continued)

Checking Account Overdraft Litigation

In May 2010, Capital One Financial Corporation and COBNA were named as defendants in a putative class action named Steen v. Capital One Financial Corporation, et al., filed in the U.S. District Court for the Eastern District of Louisiana. Plaintiff challenges our practices relating to fees for overdraft and non-sufficient funds fees on consumer checking accounts. Plaintiff alleges that our methodology for posting transactions to customer accounts is designed to maximize the generation of overdraft fees, supporting claims for breach of contract, breach of the covenant of good faith and fair dealing, unconscionability, conversion, unjust enrichment and violations of state unfair trade practices laws. Plaintiff seeks a range of remedies, including restitution, disgorgement, injunctive relief, punitive damages and attorneys fees. In May 2010, the case was transferred to the Southern District of Florida for coordinated pre-trial proceedings as part of a multi-district litigation (MDL) involving numerous defendant banks, In re Checking Account Overdraft Litigation. In January 2011, plaintiffs filed a second amended complaint against CONA in the MDL court. In February 2011, CONA filed a motion to dismiss the second amended complaint. On March 21, 2011, the MDL court granted the motion to dismiss claims of breach of the covenant of good faith and fair dealing under Texas law, but denied the motion to dismiss in all other respects. On April 18, 2011, CONA moved for reconsideration of those portions of the court s ruling denying its motion to dismiss, and on June 7, 2011, CONA moved for certification of an interlocutory appeal. The MDL court denied the motion to reconsider on June 23, 2011, and denied the motion for interlocutory appeal on July 13, 2011. The parties are now engaged in discovery.

Patent Litigation

On February 23, 2011, Capital One Financial Corporation, Capital One, N.A., and Capital One Bank (USA), N.A. (collectively, Capital One), were named as defendants, along with several other banks, in a patent infringement lawsuit filed by DataTreasury Corporation (DataTreasury) in the United States District Court for the Eastern District of Texas. DataTreasury alleges that Capital One and the other banks willfully infringed certain patents relating to remote image capture with centralized processing and storage. Capital One was served with the complaint on April 5, 2011, and filed an answer on May 26, 2011. On August 30, 2011, Capital One joined other defendants in filing a Motion to Transfer Venue from the U.S. District Court for the Eastern District of Texas, Tyler Division to the Southern District of Texas, Houston Division. That motion is currently pending.

FHLB Securities Litigation

On April 20, 2011, the Federal Home Loan Bank of Boston (the FHLB of Boston) filed suit against dozens of mortgage industry participants in Massachusetts Superior Court, alleging, among other things, violations of Massachusetts state securities laws in the sale and marketing of certain residential mortgage-backed securities (the FHLB of Boston Litigation). Capital One Financial Corporation and Capital One, National Association are named in the complaint as alleged successors in interest to Chevy Chase Bank, which allegedly marketed some of the mortgage-backed securities at issue in the litigation. The FHLB of Boston seeks rescission, unspecified damages, attorneys fees, and other unspecified relief. The case was removed to the United States District Court for the District of Massachusetts in May 2011, and plaintiff subsequently filed a motion to remand the matter to state court.

Tax Matters

On September 21, 2009, the U.S. Tax Court issued a decision in the case *Capital One Financial Corporation and Subsidiaries v. Commissioner* covering tax years 1995-1999, with both parties prevailing on certain issues. On July 6, 2010, we filed a motion to appeal certain issues upon which the IRS prevailed. The IRS chose not to appeal the issues upon which we prevailed resulting in a final resolution of those issues favorable to us. On

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October 21, 2011, the Fourth Circuit Court of Appeals affirmed the Tax Court s unfavorable decision on the issues we appealed. As we do not intend to pursue further appeals on these issues, the Fourth Circuit s decision represents a final resolution of the remaining issues in the case. We have accounted for these matters in accordance with the accounting guidance for income taxes, and the resolution of these matters will not have a material effect on our financial position.

Other Pending and Threatened Litigation

In addition, we are commonly subject to various pending and threatened legal actions relating to the conduct of our normal business activities. In the opinion of management, the ultimate aggregate liability, if any, arising out of all such other pending or threatened legal actions will not be material to our consolidated financial position or our results of operations.

Pending Acquisitions

HSBC U.S. Credit Card Business

In August 2011, we announced that we entered into a purchase agreement to acquire substantially all of the assets and assume liabilities of HSBC s credit card and private-label credit card business in the United States for a premium estimated at $2.6 billion as of June 30, 2011. We currently expect the HSBC acquisition to close in the second quarter of 2012, subject to customary closing conditions, including certain governmental clearances and approvals. Pursuant to the purchase agreement, we have the option, subject to certain conditions, to pay up to $750 million of the consideration to HSBC in the form of our common stock (valued at $39.23 per share).

NOTE 22 SIGNIFICANT CONCENTRATION OF CREDIT RISK

We are active in originating loans in the United States and internationally. International loans are originated in Canada and the United Kingdom. We review each potential customer s credit application and evaluate the applicant s financial history and ability and willingness to repay. Loans are made on an unsecured and secured basis. Certain commercial, small business, home loans and auto loans require collateral in various forms including cash deposits, auto and real estate, as appropriate. We have higher concentrations of loans where the Commercial and Consumer Banking segments operate, the South and Northeast regions of the U.S. In particular, our commercial portfolio is concentrated in the New York metropolitan area. The regional economic conditions in the New York area affect the demand for our commercial products and services as well as the ability of our customers to repay their commercial loans and the value of the collateral securing these loans.

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The following table presents the geographic distribution of our loan portfolio:

	December 31,			
	2011		2010	
(Dollars in millions)	Loans	Percentage of Total	Loans	Percentage of Total
Geographic Region:				
International				
U.K.	**$ 3,828**	**2.8%**	$ 4,102	3.3%
Canada	**4,638**	**3.4**	3,420	2.7
Total International	**8,466**	**6.2**	7,522	6.0
Domestic[1]				
South	**51,113**	**37.7**	45,811	36.3
West	**20,277**	**14.9**	19,690	15.6
Midwest	**18,408**	**13.5**	16,562	13.2
Northeast	**37,628**	**27.7**	36,362	28.9
Total Domestic	**127,426**	**93.8**	118,425	94.0
Total	**$ 135,892**	**100.0%**	$ 125,947	100.0%

[1] South consists of AL, AR, DC, DE, FL, GA, KY, LA, MD, MS, NC, OK, SC, TN, TX, VA and WV. West consists of AK, AZ, CA, CO, HI, ID, MT, NM, NV, OR, UT, WA and WY. Midwest consists of IA, IL, IN, KS, MI, MN, MO, ND, NE, OH, SD and WI. Northeast consists of CT, ME, MA, NH, NJ, NY, PA, RI and VT.

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NOTES TO CONSOLIDATED STATEMENTS (Continued)

NOTE 23 CAPITAL ONE FINANCIAL CORPORATION (PARENT COMPANY ONLY)

Condensed Financial Information

The following Parent Company Only financial statements are provided in accordance with Regulation S-X of the Securities and Exchange Commission which requires all issuers or guarantors of registered securities to include separate annual financial statements.

(Dollars in millions)	December 31, 2011	December 31, 2010
Balance Sheets		
Assets:		
Cash and cash equivalents	**$ 9,351**	$ 5,482
Investment in subsidiaries	**33,113**	31,368
Loans to subsidiaries	**337**	336
Securities available for sale	**56**	7
Other	**1,317**	1,144
Total assets	**44,174**	38,337
Liabilities:		
Senior and subordinated notes	**8,467**	6,223
Other borrowings	**4,481**	4,030
Other	**1,560**	1,543
Total liabilities	**14,508**	11,796
Stockholders Equity:		
Common stock	**5**	5
Paid-in-capital, net	**19,274**	19,084
Retained earnings	**13,462**	10,406
Accumulated other comprehensive income	**169**	248
Less: Treasury stock, at cost	**(3,244)**	(3,202)
Stockholders equity	**29,666**	26,541
Total liabilities and stockholders equity	**$ 44,174**	$ 38,337

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CAPITAL ONE FINANCIAL CORPORATION

NOTES TO CONSOLIDATED STATEMENTS (Continued)

(Dollars in millions)	Year Ended December 31, 2011	2010	2009
Statements of Income			
Interest from temporary investments	**$ 26**	$ 27	$ 37
Interest expense	**515**	479	336
Dividends, principally from bank subsidiaries	**1,950**	1,200	500
Non-interest income	**29**	35	32
Non-interest expense	**361**	273	90
Income before income taxes and equity in undistributed earnings of subsidiaries	**1,129**	510	143
Income tax benefit	**(247)**	(221)	(109)
Equity in undistributed earnings of subsidiaries	**1,877**	2,319	735
Income from continuing operations, net of tax	**3,253**	3,050	987
Loss from discontinued operations, net of tax	**(106)**	(307)	(103)
Net income	**3,147**	2,743	884
Preferred stock dividends, accretion of discount and other	**(26)**	0	(564)
Net income available to common stockholders	**$ 3,121**	$ 2,743	$ 320

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CAPITAL ONE FINANCIAL CORPORATION

NOTES TO CONSOLIDATED STATEMENTS (Continued)

(Dollars in millions)	2011	December 31, 2010	2009
Statements of Cash Flows			
Operating Activities:			
Net income	**$ 3,147**	$ 2,743	$ 884
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Equity in (earnings) loss of subsidiaries:			
Continuing operations	**(1,877)**	(2,319)	(735)
Discontinued operations	**106**	307	103
Amortization expense	**(2)**	0	0
Stock plan compensation expense	**57**	3	(6)
Increase in other assets	**(65)**	(3,261)	(115)
Increase (decrease) in other liabilities	**18**	543	(399)
Net cash (used in) provided by operating activities	**1,384**	(1,984)	(268)
Investing Activities:			
Decrease (increase) in investment in subsidiaries	**(46)**	433	(2,250)
Purchase of securities available for sale	**(54)**	0	0
(Increase) decrease in loans to subsidiaries	**(1)**	164	689
Net payment for companies acquired	**0**	0	31
Net cash provided by (used in) investing activities	**(101)**	597	(1,530)
Financing Activities:			
Increase in borrowings from subsidiaries	**450**	390	1,988
Issuance of senior notes	**0**	0	995
Maturities of senior notes	**2,992**	0	(1,030)
Repurchase of senior notes	**(855)**	0	0
Dividends paid	**(91)**	(91)	(319)
Purchases of treasury stock	**(42)**	(22)	(14)
Net proceeds from issuances of common stock	**39**	30	1,536
Proceeds from stock-based payment activities	**93**	96	116
Net proceeds from issuance/redemption of preferred stock and warrants	**0**	0	(3,555)
Net cash (used in) provided by financing activities	**2,586**	403	(283)
(Decrease) increase in cash and cash equivalents	**3,869**	(984)	(2,081)
Cash and cash equivalents at beginning of year	**5,482**	6,466	8,547
Cash and cash equivalents at end of year	**$ 9,351**	$ 5,482	$ 6,466

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CAPITAL ONE FINANCIAL CORPORATION

NOTES TO CONSOLIDATED STATEMENTS (Continued)

NOTE 24 INTERNATIONAL OPERATIONS

Our international activities are primarily performed through Capital One (Europe) plc, a subsidiary of COBNA that provides consumer lending in the UK, and Capital One Bank Canada Branch, a foreign branch office of COBNA that provides consumer lending products in Canada. The total assets, revenue, income before income taxes and net income of the international operations are summarized below.

(Dollars in millions)		December 31,	
	2011	2010	2009
International			
Total assets	**$ 9,289**	$ 8,171	$ 3,806
Revenue[1]	**1,346**	1,355	701
Income (loss) before income taxes	**(89)**	526	105
Income tax provision	**(38)**	150	28
Net income (loss)	**$ (51)**	$ 376	$ 77
Domestic			
Total assets	**$ 196,730**	$ 189,332	$ 165,840
Revenue[1]	**14,933**	14,816	12,282
Income from continuing operations before income taxes	**4,676**	3,804	1,231
Income tax provision	**1,372**	1,130	321
Income from continuing operations, net of tax	**3,304**	2,674	910
Loss from discontinued operations, net of tax	**(106)**	(307)	(103)
Net income	**$ 3,198**	$ 2,367	$ 807
Total Operations			
Total assets	**$ 206,019**	$ 197,503	$ 169,646
Revenue[1]	**16,279**	16,171	12,983
Income from continuing operations before income taxes	**4,587**	4,330	1,336
Income tax provision	**1,334**	1,280	349
Income from continuing operations, net of tax	**3,253**	3,050	987
Loss from discontinued operations, net of tax	**(106)**	(307)	(103)
Net income	**3,147**	2,743	884
Preferred stock dividends, accretion of discount and other	**(26)**	0	(564)
Net income available to common stockholders	**$ 3,121**	$ 2,743	$ 320

[1] Revenue is net interest income plus non-interest income.

We maintain our books and records on a legal entity basis for the preparation of financial statements in conformity with U.S. GAAP. Because certain international operations are integrated with many of our domestic operations, estimates and assumptions have been made to assign certain expense items between domestic and foreign operations.

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CAPITAL ONE FINANCIAL CORPORATION

NOTES TO CONSOLIDATED STATEMENTS (Continued)

NOTE 25 RELATED PARTY TRANSACTIONS

In the ordinary course of business, we may have loans issued to our executive officers, directors, and principal stockholders, also known as Regulation O Insiders. Pursuant to our policy, such loans are issued on the same terms as those prevailing at the time for comparable loans to unrelated persons and do not involve more than the normal risk of collectability.

NOTE 26 SUBSEQUENT EVENTS

ING Direct

On June 16, 2011, we entered into a purchase and sale agreement with ING Groep N.V., ING Bank N.V., ING Direct N.V., ING Direct Bancorp (collectively, the ING Sellers), under which we would acquire substantially all of the ING Sellers ING Direct business in the United States (ING Direct). On February 17, 2012, we closed the acquisition of ING Direct, which included (i) the acquisition of all the equity interests of ING Bank, fsb, (ii) the acquisition of all the equity interests of each of WS Realty, LLC and ING Direct Community Development LLC and (iii) the acquisition of certain other assets and the assumption of certain other liabilities of ING Direct Bancorp. Headquartered in Wilmington, Delaware, ING Direct is the largest direct bank in the United States. With the closing of the transaction, we add over seven million customers and $83.0 billion in deposits to become the sixth largest depository institution and the leading direct bank in the United States.

In exchange for the equity interests and assets and liabilities associated with ING Direct, we transferred consideration of 54,028,086 shares of Capital One common stock with a fair value of approximately $2.6 billion as of February 17, 2012 and approximately $6.3 billion in cash to the ING Sellers. In the third quarter of 2011, we closed a public underwritten offering of 40 million shares of our common stock, subject to forward sale agreements. We settled the forward sale agreements entirely by physical delivery of shares of common stock in exchange for cash proceeds from the forward purchasers of approximately $1.9 billion on February 16, 2012. Direct costs related to the equity offering of $73 million were deferred and offset against the net proceeds at settlement. In the third quarter of 2011, we also closed a public offering of four different series of senior notes for total cash proceeds of $3.0 billion. The net proceeds from the equity and debt offerings along with cash from current liquidity sources were used to fund the cash component of the purchase price.

Because we closed the ING Direct transaction subsequent to December 31, 2011, the results for ING Direct are not reflected in our consolidated financial statements for 2011. The ING Direct transaction will be accounted for using the acquisition method of accounting, which requires, among other things, that we allocate the purchase price to the assets acquired and liabilities assumed based on their fair values as of the acquisition date. Given the limited time between the acquisition date and the issuance of our consolidated financial statements for 2011, the allocation of the purchase price of ING Direct based on the fair value of assets acquired and liabilities assumed as of February 17, 2012 has not yet been completed. We are in the process of assembling and assessing information to assist us in determining the required fair value measures at acquisition. We expect to substantially complete the initial accounting for ING Direct, including the purchase price allocation, later in the first quarter of 2012. We will begin reporting the results of ING Direct for the period from the date of acquisition in our consolidated financial statements in the first quarter of 2012. We also will provide the following additional information, which is currently not available to us, in our

first quarter 2012 consolidated financial statements:

Comparative consolidated pro forma revenue and net income results as if the acquisition of ING Direct had occurred as of January 1, 2011.

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CAPITAL ONE FINANCIAL CORPORATION

NOTES TO CONSOLIDATED STATEMENTS (Continued)

The fair value, gross contractually required payments, best estimate as of the acquisition date of the required payments that are not expected to be collected, and other information related to acquired loans.

The amounts recorded at acquisition for each major class of assets acquired and liabilities assumed.

The nature, amounts recognized and measurement basis of assets and liabilities arising from contingencies recognized at acquisition.

Qualitative and quantitative information related to any goodwill or bargain purchase gain recorded at acquisition.

Sale of Visa Shares

In January 2012, we sold our 4,030,842 Class B shares of Visa Inc. common stock to another financial institution for approximately $189 million. We expect to recognize a pre-tax gain of approximately $138 million on the sale of the Class B shares during the quarter ending March 31, 2012. Visa s Class B shares are subject to certain transfer restrictions prior to the settlement of covered litigation involving Visa, MasterCard International and several member banks including Capital One. Upon the lifting of the transfer restrictions, the Class B shares convert into Class A shares based on a conversion ratio calculated by Visa.

In conjunction with the sale of the Class B shares, we entered into a derivative agreement under which, among other things, we will make cash payments to the buyer whenever the conversion ratio of the Class B shares into Class A shares is reduced, and the buyer will make cash payments to us for any increase in the conversion ratio. We determined that the initial fair value of this derivative was a liability of $51 million which represents an estimate of the exposure liability from probable litigation losses, and is factored into the calculation of the pre-tax gain. A fair degree of subjectivity is used in estimating the fair value of the derivative liability, as such, our eventual cost could be significantly higher or lower than the current estimate.

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CAPITAL ONE FINANCIAL CORPORATION

Selected Quarterly Financial Information[1] [2]

	2011				2010			
(Dollars in millions)(Unaudited)	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter[3]	Second Quarter[3]	First Quarter[3]
Summary of results of operations:								
Interest income	**$ 3,701**	**$ 3,835**	**$ 3,699**	**$ 3,752**	$ 3,674	$ 3,815	$ 3,835	$ 4,029
Interest expense	**519**	**552**	**563**	**612**	651	706	738	801
Net interest income	**3,182**	**3,283**	**3,136**	**3,140**	3,023	3,109	3,097	3,228
Provision for loan and lease losses	**861**	**622**	**343**	**534**	838	867	723	1,478
Net interest income after provision for loan and lease losses	**2,321**	**2,661**	**2,793**	**2,606**	2,185	2,242	2,374	1,750
Non-interest income	**868**	**871**	**857**	**942**	939	907	807	1,061
Non-interest expense	**2,618**	**2,297**	**2,255**	**2,162**	2,091	1,996	2,000	1,847
Income from continuing operations before income taxes	**571**	**1,235**	**1,395**	**1,386**	1,032	1,153	1,181	964
Income taxes	**160**	**370**	**450**	**354**	332	335	369	244
Income from continuing operations, net of tax	**411**	**865**	**945**	**1,032**	701	818	812	720
Loss from discontinued operations, net of tax[2]	**(4)**	**(52)**	**(34)**	**(16)**	(4)	(15)	(204)	(84)
Net income	**407**	**813**	**911**	**1,016**	697	803	608	636
Preferred stock dividends, accretion of discount and other	**(26)**	**0**	**0**	**0**	0	0	0	0
Net income available to common stockholders	**$ 381**	**$ 813**	**$ 911**	**$ 1,016**	$ 697	$ 803	$ 608	$ 636
Per common share:								
Basic EPS:								
Income from continuing operations	**$ 0.89**	**$ 1.89**	**$ 2.07**	**$ 2.27**	$ 1.55	$ 1.81	$ 1.79	$ 1.59
Loss from discontinued operations	**(0.01)**	**(0.11)**	**(0.07)**	**(0.03)**	(0.01)	(0.03)	(0.45)	(0.18)
Net income	**0.88**	**1.78**	**2.00**	**2.24**	1.54	1.78	1.34	1.41
Diluted EPS:								
Income from continuing operations	**0.89**	**1.88**	**2.04**	**2.24**	1.53	1.79	1.78	1.58
Loss from discontinued operations	**(0.01)**	**(0.11)**	**(0.07)**	**(0.03)**	(0.01)	(0.03)	(0.45)	(0.18)
Net income	**$ 0.88**	**$ 1.77**	**$ 1.97**	**$ 2.21**	$ 1.52	$ 1.76	$ 1.33	$ 1.40
Average common shares (millions)	**456**	**456**	**456**	**454**	453	453	452	451
Average common shares and common equivalent shares (millions)	**459**	**460**	**462**	**460**	457	457	456	455
Average balance sheet data:								
Loans held for investment	**$ 131,581**	**$ 129,043**	**$ 127,916**	**$ 125,077**	$ 125,441	$ 126,307	$ 128,203	$ 134,206
Total assets	**200,106**	**201,611**	**199,229**	**198,075**	197,704	196,598	199,357	207,232
Interest-bearing deposits	**109,914**	**110,750**	**109,251**	**108,633**	106,597	104,186	104,163	104,018
Total deposits	**128,450**	**128,268**	**125,834**	**124,158**	121,736	118,255	118,484	117,530
Stockholders equity	**$ 29,698**	**$ 29,316**	**$ 28,255**	**$ 27,009**	$ 26,255	$ 25,307	$ 24,526	$ 23,681

[1] The above schedule is a tabulation of our unaudited quarterly results for the years ended December 31, 2011 and 2010. Our common shares are traded on the New York Stock Exchange under the symbol COF. In addition, shares may be traded in the over-the-counter stock market.

There were 15,286 and 14,981 common stockholders of record as of December 31, 2011 and 2010, respectively.

(2) Certain prior period amounts have been reclassified to conform to the current period presentation.

(3) Results and balances have been recast to reflect the impact of purchase accounting adjustments from the Chevy Chase Bank acquisition as if those adjustments had been recorded at the acquisition date.

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Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

(a) Disclosure Controls and Procedures

As of the end of the period covered by this report and pursuant to Rule 13a-15 of the Securities Exchange Act of 1934 (the Exchange Act), our management, including the Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness and design of our disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act). These disclosure controls and procedures are the responsibility of our management. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded, as of the end of the period covered by this report, that our disclosure controls and procedures are effective in recording, processing, summarizing and reporting information required to be disclosed within the time periods specified in the Securities and Exchange Commission s rules and forms. We have established a Disclosure Committee consisting of members of senior management to assist in this evaluation.

(b) Management s Report on Internal Control Over Financial Reporting

The Report of Management on Internal Control over Financial Reporting is included in Item 8. Financial Statements and Supplementary Data and is incorporated herein by reference. The Report of Independent Registered Public Accounting Firm with respect to our internal control over financial reporting also is included in Item 8 and incorporated herein by reference.

(c) Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the quarter ended December 31, 2011, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by Item 10 will be included in the Company s 2011 Proxy Statement (the Proxy Statement) under the headings Governance of Capital One and Section 16(a) Beneficial Ownership Reporting Compliance, and is incorporated herein by reference. The Proxy Statement will be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days of the Company s 2011 fiscal year.

Item 11. Executive Compensation

The information required by Item 11 will be included in the Proxy Statement under the headings Director Compensation, Compensation Discussion and Analysis, Named Executive Officer Compensation, Compensation Committee Interlocks and Insider Participation and Compensation Committee Report, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by Item 12 will be included in the Proxy Statement under the headings Security Ownership and Equity Compensation Plan Information, and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 will be included in the Proxy Statement under the headings Related Person Transactions and Director Independence, and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information required by Item 14 will be included in the Proxy Statement under the heading Ratification of Selection of Independent Auditors, and is incorporated herein by reference.

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PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) Financial Statement Schedules

The following documents are filed as part of this report:

(1) Financial Statements:
Consolidated Statement of Income for the Years Ended December 31, 2011, 2010 and 2009

Consolidated Balance Sheet as of December 31, 2011 and 2010

Consolidated Statement of Changes in Stockholders Equity for the Years Ended December 31, 2011, 2010 and 2009

Consolidated Statement of Cash Flows for the Years Ended December 31, 2011, 2010 and 2009

Notes to Consolidated Financial Statements

Selected Quarterly Data

Management s Report on Internal Control Over Financial Reporting

Report of Independent Registered Public Accounting Firm

(2) Schedules:
None

(b) Exhibits

An index to exhibits has been filed as part of this report beginning on page 236 and is incorporated herein by reference.

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SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CAPITAL ONE FINANCIAL CORPORATION

Date: February 28, 2012

By: /s/ RICHARD D. FAIRBANK
Richard D. Fairbank
Chairman of the Board, Chief Executive Officer and President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ RICHARD D. FAIRBANK	Chairman, Chief Executive Officer and President (Principal Executive Officer)	February 28, 2012
Richard D. Fairbank		
/s/ GARY L. PERLIN	Chief Financial Officer	February 28, 2012
Gary L. Perlin	(Principal Financial Officer)	
/s/ R. Scott Blackley	Controller (Principal Accounting Officer)	February 28, 2012
R. Scott Blackley		
/s/ E.R. CAMPBELL	Director	February 28, 2012
E.R. Campbell		
/s/ W. RONALD DIETZ	Director	February 28, 2012
W. Ronald Dietz		
/s/ PATRICK W. GROSS	Director	February 28, 2012
Patrick W. Gross		
/s/ ANN F. HACKETT	Director	February 28, 2012
Ann F. Hackett		
/s/ LEWIS HAY, III	Director	February 28, 2012
Lewis Hay, III		
/s/ PIERRE E. LEROY	Director	February 28, 2012

Pierre E. Leroy

/s/ MAYO A. SHATTUCK III	Director	February 28, 2012
Mayo A. Shattuck III		
/s/ Peter E. Raskind	Director	February 28, 2012
Peter E. Raskind		
/s/ BRADFORD H. WARNER	Director	February 28, 2012
Bradford H. Warner		

EXHIBIT INDEX

CAPITAL ONE FINANCIAL CORPORATION

ANNUAL REPORT ON FORM 10-K

DATED DECEMBER 31, 2011

Commission File No. 1-13300

The following exhibits are incorporated by reference or filed herewith. References to (i) the 2002 Form 10-K are to the Corporation s Annual Report on Form 10-K for the year ended December 31, 2002, filed on March 17, 2003; (ii) the 2003 Form 10-K are to the Corporation s Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 5, 2004; (iii) the 2004 Form 10-K are to the Corporation s Annual Report on Form 10-K for the year ended December 31, 2004, filed on March 9, 2005; (iv) the 2005 Form 10-K are to the Corporation s Annual Report on Form 10-K for the year ended December 31, 2005, filed on March 2, 2006, as amended on April 12, 2006; (v) the 2006 Form 10-K are to the Corporation s Annual Report on Form 10-K for the year ended December 31, 2006, filed on March 1, 2007; (vi) the 2007 Form 10-K are to the Corporation s Annual Report on Form 10-K for the year ended December 31, 2007, filed on February 29, 2008; (vii) the 2008 Form 10-K are to the Corporation s Annual Report on Form 10-K for the year ended December 31, 2008, filed on February 26, 2009; (viii) the 2009 Form 10-K are to the Corporation s Annual Report on Form 10-K for the year ended December 31, 2009, filed on February 26, 2010; (ix) the 2010 Form 10-K are to the Corporation s Annual Report on Form 10-K for the year ended December 31, 2010, filed on March 1, 2011, as amended on March 7, 2011.

Exhibit No.	Description
2.1	Stock Purchase Agreement, dated as of December 3, 2008, by and among Capital One Financial Corporation, B.F. Saul Real Estate Investment Trust, Derwood Investment Corporation, and B.F. Saul Company Employee s Profit Sharing and Retirement Trust (incorporated by reference to Exhibit 2.4 of the Corporation s 2008 Form 10-K).
2.2.1	Purchase and Sale Agreement, dated as of June 16, 2011, by and among Capital One Financial Corporation, ING Groep N.V., ING Bank N.V., ING Direct N.V. and ING Direct Bancorp (incorporated by reference to Exhibit 2.1 of the Corporation s Current Report on Form-8-K, filed on June 22, 2011).
2.2.2*	First Amendment to the Purchase and Sale Agreement by and among Capital One Financial Corporation, ING Groep N.V., ING Bank N.V., ING Direct N.V. and ING Direct Bancorp, dated as of February 17, 2012.
2.3	Purchase and Assumption Agreement, dated as of August 10, 2011, by and among Capital One Financial Corporation, HSBC Finance Corporation, HSBC USA Inc. and HSBC Technology and Services (USA) Inc. (incorporated by reference to Exhibit 2.1 of the Corporation s Current Report on Form-8-K, filed on August 12, 2011).
3.1	Restated Certificate of Incorporation of Capital One Financial Corporation, (as amended and restated May 16, 2011) (incorporated by reference to Exhibit 3.4 of the Corporation s Current Report on Form 8-K, filed on May 17, 2011).
3.2	Amended and Restated Bylaws of Capital One Financial Corporation (incorporated by reference to Exhibit 3.2 of the Corporation s Current Report on Form 8-K, filed on May 17, 2011).
4.1.1	Specimen certificate representing the common stock of Capital One Financial Corporation (incorporated by reference to Exhibit 4.1 of the Corporation s 2003 Form 10-K).
4.1.2	Warrant Agreement, dated December 3, 2009, between Capital One Financial Corporation and Computershare Trust Company, N.A. (incorporated herein by reference to the Exhibit 4.1 of the Corporation s Form 8-A filed on December 4, 2009).

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Exhibit No.	Description
4.2.1	Senior Indenture dated as of November 1, 1996 between Capital One Financial Corporation and The Bank of New York Mellon Trust Company, N.A., formerly known as The Bank of New York Trust Company, N.A. (as successor to Harris Trust and Savings Bank), as trustee (incorporated by reference to Exhibit 4.1 of the Corporation s Report on Form 8-K, filed on November 13, 1996).
4.2.2	Copy of 6.25% Notes, due 2013, of Capital One Financial Corporation (incorporated by reference to Exhibit 4.5.5 of the 2003 Form 10-K).
4.2.3	Copy of 5.25% Notes, due 2017, of Capital One Financial Corporation (incorporated by reference to Exhibit 4.5.6 of the 2004 Form 10-K).
4.2.4	Copy of 4.80% Notes, due 2012, of Capital One Financial Corporation (incorporated by reference to Exhibit 4.5.7 of the 2004 Form 10-K).
4.2.5	Copy of 5.50% Senior Notes, due 2015, of Capital One Financial Corporation (incorporated by reference to Exhibit 4.1 of the Corporation s Quarterly Report on Form 10-Q for the period ending June 30, 2005).
4.2.6	Specimen of 6.750% Senior Note, due 2017, of Capital One Financial Corporation (incorporated by reference to Exhibit 4.1 of the Corporation s Report on Form 8-K, filed on September 5, 2007).
4.2.7	Specimen of 7.375% Senior Note, due 2014, of Capital One Financial Corporation (incorporated by reference to Exhibit 4.1 of the Corporation s Report on Form 8-K, filed on May 22, 2009).
4.2.8	Specimen of Floating Rate Senior Note due 2014, of Capital One Financial Corporation (incorporated by reference to Exhibit 4.3 of the Corporation s Current Report on Form 8-K, filed on July 19, 2011).
4.2.9	Specimen of 2.125% Senior Note due 2014, of Capital One Financial Corporation (incorporated by reference to Exhibit 4.4 of the Corporation s Current Report on Form 8-K, filed on July 19, 2011).
4.2.10	Specimen of 3.150% Senior Note due 2016, of Capital One Financial Corporation (incorporated by reference to Exhibit 4.5 of the Corporation s Current Report on Form 8-K, filed on July 19, 2011).
4.2.11	Specimen of 4.750% Senior Note due 2021, of Capital One Financial Corporation (incorporated by reference to Exhibit 4.6 of the Corporation s Current Report on Form 8-K, filed on July 19, 2011).
4.3	Indenture (providing for the issuance of Junior Subordinated Debt Securities), dated as of June 6, 2006, between Capital One Financial Corporation and The Bank of New York Mellon Trust Company, N.A., as indenture trustee (incorporated by reference to Exhibit 4.1 of the Corporation s Current Report on Form 8-K, filed on June 12, 2006).
4.4.1	First Supplemental Indenture, dated as of June 6, 2006, between Capital One Financial Corporation and The Bank of New York Mellon Trust Company, N.A., as indenture trustee (incorporated by reference to Exhibit 4.2 of the Corporation s Current Report on Form 8-K, filed on June 12, 2006).
4.4.2	Amended and Restated Declaration of Trust of Capital One Capital II, dated as of June 6, 2006, between Capital One Financial Corporation as Sponsor, The Bank of New York Mellon, as institutional trustee, BNY Mellon Trust of Delaware, as Delaware Trustee and the Administrative Trustees named therein (incorporated by reference to Exhibit 4.3 of the Corporation s Current Report on Form 8-K, filed on June 12, 2006).
4.4.3	Guarantee Agreement, dated as of June 6, 2006, between Capital One Financial Corporation and The Bank of New York Mellon Trust Company, N.A., as guarantee trustee (incorporated by reference to Exhibit 4.4 of the Corporation s Current Report on Form 8-K, filed on June 12, 2006).

Exhibit No.	Description
4.4.4	Specimen certificate representing the Enhanced TRUPS (incorporated by reference to Exhibit 4.5 of the Corporation s Current Report on Form 8-K, filed on June 12, 2006).
4.4.5	Specimen certificate representing the Junior Subordinated Debt Security (incorporated by reference to Exhibit 4.6 of the Corporation s Current Report on Form 8-K, filed on June 12, 2006).
4.5.1	Second Supplemental Indenture, dated as of August 1, 2006, between Capital One Financial Corporation and The Bank of New York Mellon Trust Company, N.A., as indenture trustee (incorporated by reference to Exhibit 4.2 of the Corporation s Current Report on Form 8-K, filed on August 4, 2006).
4.5.2	Copy of Junior Subordinated Debt Security Certificate (incorporated by reference to Exhibit 4.6 of the Corporation s Current Report on Form 8-K, filed on August 4, 2006).
4.5.3	Amended and Restated Declaration of Trust of Capital One Capital III, dated as of August 1, 2006, between Capital One Financial Corporation, as Sponsor, The Bank of New York Mellon, as institutional trustee, BNY Mellon Trust of Delaware, as Delaware trustee and the Administrative Trustees named therein (incorporated by reference to Exhibit 4.3 of the Corporation s Current Report on Form 8-K, filed on August 4, 2006).
4.5.4	Guarantee Agreement, dated as of August 1, 2006, between Capital One Financial Corporation and The Bank of New York Mellon Trust Company, N.A., as guarantee trustee (incorporated by reference to Exhibit 4.4 of the Corporation s Current Report on Form 8-K, filed on August 4, 2006).
4.5.5	Copy of Capital Security Certificate (incorporated by reference to Exhibit 4.5 of the Corporation s Current Report on Form 8-K, filed on August 4, 2006).
4.6.1	Third Supplemental Indenture, dated as of February 5, 2007, between Capital One Financial Corporation and The Bank of New York Mellon Trust Company, N.A., as indenture trustee (incorporated by reference to Exhibit 4.2 of the Corporation s Current Report on Form 8-K, filed on February 8, 2007).
4.6.2	Amended and Restated Declaration of Trust of Capital One Capital IV, dated as of February 5, 2007, between Capital One Financial Corporation as Sponsor, The Bank of New York Mellon, as institutional trustee, BNY Mellon Trust of Delaware, as Delaware Trustee and the Administrative Trustees named therein (incorporated by reference to Exhibit 4.3 of the Corporation s Current Report on Form 8-K, filed on February 8, 2007).
4.6.3	Guarantee Agreement, dated as of February 5, 2007, between Capital One Financial Corporation and The Bank of New York Mellon Trust Company, N.A., as guarantee trustee (incorporated by reference to Exhibit 4.4 of the Corporation s Current Report on Form 8-K, filed on February 8, 2007).
4.6.4	Specimen certificate representing the Capital Security (incorporated by reference to Exhibit 4.5 of the Corporation s Current Report on Form 8-K, filed on February 8, 2007).
4.6.5	Specimen certificate representing the Capital Efficient Note (incorporated by reference to Exhibit 4.6 of the Corporation s Current Report on Form 8-K, filed on February 8, 2007).
4.7.1	Fourth Supplemental Indenture, dated as of August 5, 2009, between Capital One Financial Corporation and The Bank of New York Mellon Trust Company, N.A., as indenture trustee (incorporated by reference to Exhibit 4.2 of the Corporation s Current Report on Form 8-K, filed on August 6, 2009).
4.7.2	Amended and Restated Declaration of Trust of Capital One Capital V, dated as of August 5, 2009, between Capital One Financial Corporation as Sponsor, The Bank of New York Mellon Trust Company, N.A., as institutional trustee, BNY Mellon Trust of Delaware, as Delaware Trustee and the Administrative Trustees named therein (incorporated by reference to Exhibit 4.3 of the Corporation s Current Report on Form 8-K, filed on August 6, 2009).

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Exhibit No.	Description
4.7.3	Guarantee Agreement, dated as of August 5, 2009, between Capital One Financial Corporation and The Bank of New York Mellon Trust Company, N.A., as guarantee trustee (incorporated by reference to Exhibit 4.4 of the Corporation s Current Report on Form 8-K, filed on August 6, 2009).
4.7.4	Specimen Trust Preferred Security Certificate (incorporated by reference to Exhibit 4.5 of the Corporation s Current Report on Form 8-K, filed on August 6, 2009).
4.7.5	Specimen Junior Subordinated Debt Security (incorporated by reference to Exhibit 4.6 of the Corporation s Current Report on Form 8-K, filed on August 6, 2009).
4.8.1	Fifth Supplemental Indenture, dated as of November 13, 2009, between Capital One Financial Corporation and The Bank of New York Mellon Trust Company, N.A., as indenture trustee (incorporated by reference to Exhibit 4.2 of the Corporation s Current Report on Form 8-K, filed on November 13, 2009).
4.8.2	Amended and Restated Declaration of Trust of Capital One Capital VI, dated as of November 13, 2009, between Capital One Financial Corporation as Sponsor, The Bank of New York Mellon Trust Company, N.A., as institutional trustee, BNY Mellon Trust of Delaware, as Delaware Trustee and the Administrative Trustees named therein (incorporated by reference to Exhibit 4.3 of the Corporation s Current Report on Form 8-K, filed on November 13, 2009).
4.8.3	Guarantee Agreement, dated as of November 13, 2009, between Capital One Financial Corporation and The Bank of New York Mellon Trust Company, N.A., as guarantee trustee (incorporated by reference to Exhibit 4.4 of the Corporation s Current Report on Form 8-K, filed on November 13, 2009).
4.8.4	Specimen Trust Preferred Security Certificate (incorporated by reference to Exhibit 4.5 of the Corporation s Current Report on Form 8-K, filed on November 13, 2009).
4.8.5	Specimen Junior Subordinated Debt Security (incorporated by reference to Exhibit 4.6 of the Corporation s Current Report on Form 8-K, filed on November 13, 2009).
4.9.1	Indenture, dated as of August 29, 2006, between Capital One Financial Corporation and The Bank of New York Mellon Trust Company, N.A., as indenture trustee (incorporated by reference to Exhibit 4.1 of the Corporation s Current Report on Form 8-K, filed on August 31, 2006).
4.9.2	Copy of Subordinated Note Certificate (incorporated by reference to Exhibit 4.2 of the Corporation s Current Report on Form 8-K, filed on August 31, 2006).
10.1.1	Capital One Financial Corporation 1994 Stock Incentive Plan, as amended (incorporated by reference to Exhibit 10.7 of the 2002 Form 10-K).
10.1.2	Capital One Financial Corporation 1999 Stock Incentive Plan (incorporated by reference to Exhibit 4 of the Corporation s Registration Statement on Form S-8, Commission File No. 333-78609, filed on May 17, 1999).
10.1.3	Capital One Financial Corporation, 2004 Stock Incentive Plan (incorporated herein by reference to Exhibit 4.1 of the Corporation s Registration Statement on Form S-8, Commission File No. 333-117920, filed on August 4, 2004).
10.1.4	Amended and Restated 2004 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 of the Corporation s Current Report on Form 8-K, filed on May 3, 2006).
10.1.5	Second Amended and Restated 2004 Stock Incentive Plan (incorporated herein by reference to the Company s Proxy Statement on Definitive Schedule 14A, filed on March 13, 2009).
10.2.1	Form of Nonstatutory Stock Option Agreement between Capital One Financial Corporation and Richard D. Fairbank under the Company s 2004 Stock Incentive Plan (incorporated by reference to Exhibit 99.1 of the Corporation s Report on Form 8-K, filed on December 23, 2005).

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Exhibit No.	Description
10.2.2	Form of Nonstatutory Stock Option Agreement between Capital One Financial Corporation and Richard D. Fairbank under the Company s 2004 Stock Incentive Plan (incorporated by reference to Exhibit 99.1 of the Corporation s Report on Form 8-K, filed December 23, 2004).
10.2.3	Form of Restricted Stock Award Agreement between Capital One Financial Corporation and certain of its executives or associates under the Company s 2004 Stock Incentive Plan (incorporated by reference to Exhibit 10.20.2 of the 2004 Form 10-K).
10.2.4	Form of Nonstatutory Stock Option Agreement between Capital One Financial Corporation and certain of its executives under the Company s 2004 Stock Incentive Plan (incorporated by reference to Exhibit 10.20.3 of the 2004 Form 10-K).
10.2.5	Restricted Stock Unit Award Agreement, dated May 17, 2004, by and between Capital One Financial Corporation and Richard D. Fairbank (incorporated by reference to Exhibit 10.1 of the Corporation s quarterly report on Form 10-Q for the period ending September 30, 2004).
10.2.6	Form of Performance Unit Award Agreements granted to our executive officers, including the Chief Executive Officer, under the 2004 Stock Incentive Plan on January 26, 2011 (incorporated by reference to Exhibit 10.16 of the 2010 Form 10-K).
10.2.7	Form of Restricted Stock Unit Award Agreements granted to our executive officers, including the Chief Executive Officer, under the 2004 Stock Incentive Plan (incorporated by reference to Exhibit 10.17 of the 2010 Form 10-K).
10.2.8	Form of Nonstatutory Stock Option Award Agreements granted to our executive officers, including the Chief Executive Officer, under the 2004 Stock Incentive Plan on January 26, 2011 (incorporated by reference to Exhibit 10.18 of the 2010 Form 10-K).
10.2.9	Form of Restricted Stock Award Agreements granted to our executive officers under the 2004 Stock Incentive Plan on January 26, 2011 (incorporated by reference to Exhibit 10.19 of the 2010 Form 10-K).
10.2.10*	Form of Nonstatutory Stock Option Award Agreements granted to our executive officers, including our Chief Executive Officer, under the 2004 Stock Incentive Plan on January 31, 2012.
10.2.11*	Form of Performance Unit Award Agreements granted to our executive officers, including our Chief Executive Officer, under the 2004 Stock Incentive Plan on January 31, 2012.
10.2.12*	Form of Restricted Stock Unit Award Agreements granted to our executive officers, including our Chief Executive Officer, under the 2004 Stock Incentive Plan on January 31, 2012.
10.2.13*	Form of Restricted Stock Award Agreements granted to our executive officers under the 2004 Stock Incentive Plan on January 31, 2012.
10.3.1	Capital One Financial Corporation 1999 Non-Employee Directors Stock Incentive Plan, as amended (incorporated by reference to Exhibit 10.4 of the 2002 Form 10-K).
10.3.2	Form of 1999 Non-Employee Directors Stock Incentive Plan Nonstatutory Stock Option Agreement between Capital One Financial Corporation and certain of its Directors (incorporated by reference to Exhibit 10.2 of the Corporation s quarterly report on Form 10-Q for the period ending September 30, 2004).
10.3.3	Form of 1999 Non-Employee Directors Stock Incentive Plan Deferred Share Units Award Agreement between Capital One Financial Corporation and certain of its Directors (incorporated by reference to Exhibit 10.3 of the Corporation s quarterly report on Form 10-Q for the period ending September 30, 2004).
10.3.4*	Form of Restricted Stock Unit Award Agreement granted to our directors under the 2004 Stock Incentive Plan.

Exhibit No.	Description
10.3.5*	Form of Stock Option Award Agreement granted to our directors under the 2004 Stock Incentive Plan.
10.4*	Amended and Restated Capital One Financial Corporation Executive Severance Plan.
10.5*	Capital One Financial Corporation Non-Employee Directors Deferred Compensation Plan.
10.6*	Amended and Restated Capital One Financial Corporation Voluntary Non-Qualified Deferred Compensation Plan.
10.7	2002 Non-Executive Officer Stock Incentive Plan (incorporated herein by reference to Exhibit 10.3 of the Corporation s Registration Statement on Form S-8, Commission File No. 333-97123, filed on July 25, 2002).
10.8.1	Form of Change of Control Employment Agreement between Capital One Financial Corporation and Richard D. Fairbank (incorporated by reference to Exhibit 10.1 of the Corporation s Report on Form 8-K, filed on October 30, 2007).
10.8.2*	Form of Change of Control Employment Agreement between Capital One Financial Corporation and each of its named executive officers, other than our Chief Executive Officer.
10.9.1	Forward Sale Agreement between Capital One Financial Corporation and Barclays Capital Inc., dated July 14, 2011 (incorporated by reference to Exhibit 10.1 of the Company s Report on Form 8-K, filed on July 19, 2011).
10.9.2*	Amendment Agreement Number 1 to the Forward Sale Agreement between Capital One Financial Corporation and Barclays Capital Inc., dated November 1, 2011.
10.9.3*	Amendment Agreement Number 2 to the Forward Sale Agreement between Capital One Financial Corporation and Barclays Capital Inc., dated November 18, 2011.
10.10.1	Forward Sale Agreement between Capital One Financial Corporation and Morgan Stanley & Co. LLP, dated July 14, 2011 (incorporated by reference to Exhibit 10.2 of the Company s Report on Form 8-K, filed on July 19, 2011).
10.10.2*	Amendment Agreement Number 1 to the Forward Sale Agreement between Capital One Financial Corporation and Morgan Stanley & Co. LLP., dated November 1, 2011.
10.10.3*	Amendment Agreement Number 2 to the Forward Sale Agreement between Capital One Financial Corporation and Morgan Stanley & Co. LLP., dated November 18, 2011.
10.11*	Special Separation Agreement and Release by and between Capital One Financial Corporation and Lynn A. Carter, dated as of December 30, 2011.
12.1*	Computation of Ratio of Earnings to Combined Fixed Charges.
12.2*	Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends.
21*	Subsidiaries of the Company.
23*	Consent of Ernst & Young LLP.
31.1*	Certification of Richard D. Fairbank
31.2*	Certification of Gary L. Perlin
32.1*	Certification** of Richard D. Fairbank
32.2*	Certification** of Gary L. Perlin
99.1*	Reconciliation of Non-GAAP Measures and Regulatory Capital Measures.

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Exhibit No.	Description
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Indicates a document being filed with this Form 10-K.

** Information in this Form 10-K furnished herewith shall not be deemed to be filed for the purposes of Section 18 of the 1934 Act or otherwise subject to the liabilities of that section.