

Chart Acquisition Corp.
Form 10-Q
May 12, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2014

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

For the transition period from _____ to _____

Commission File Number: 001-35762

CHART ACQUISITION CORP.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation
or organization)

45-2853218
(I.R.S. Employer
Identification Number)

c/o The Chart Group, LP
75 Rockefeller Plaza, 14th Floor
New York, NY
(Address of principal executive offices)

10019
(Zip Code)

Registrant's telephone number, including area code: (212) 350-8205

Not Applicable
(Former name or former address, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x

As of May 12, 2014 there were 9,750,000 shares of Company's common stock issued and outstanding.

CHART ACQUISITION CORP.

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PART 1 – FINANCIAL INFORMATION

ITEM 1. INTERIM FINANCIAL STATEMENTS

CHART ACQUISITION CORP.
(a development stage company)
CONDENSED BALANCE SHEETS

	March 31, 2014 (unaudited)	December 31, 2013
ASSETS		
Current Assets:		
Cash	\$ 351,104	\$ 118,706
Due from Sponsor	409	409
Prepaid Expenses	46,354	87,252
Total Current Assets	397,867	206,367
Non-current Assets:		
Cash and Investments Held in Trust Account	75,001,978	75,048,721
Total Assets	\$ 75,399,845	\$ 75,255,088
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 385,370	\$ 194,115
Due to Affiliate	1,442	1,442
Note Payable, Sponsor	246,667	-
Notes Payable, Affiliate of Sponsor	153,333	-
Total Current Liabilities	786,812	195,557
Deferred Underwriting Fee	2,343,750	2,343,750
Warrant Liability	5,433,750	5,906,250
Total Liabilities	8,564,312	8,445,557
Common stock subject to possible redemption; 6,183,553 and 6,180,953 shares at \$10.00 per share at March 31, 2014 and December 31, 2013, respectively	61,835,532	61,809,530
Stockholders' Equity:		
Preferred Stock, \$.0001 par value; 1,000,000 shares authorized, no shares issued and outstanding	-	-
Common Stock, \$.0001 par value; 29,000,000 shares authorized; 3,566,447 and 3,569,047 shares issued and outstanding at March 31, 2014 and December 31, 2013, respectively (excluding 6,183,553 and 6,180,953 shares subject to possible redemption, respectively)	357	357
Additional Paid-in Capital	4,999,644	4,999,644
Deficit Accumulated During Development Stage	-	-
Total Stockholders' Equity	5,000,001	5,000,001
Total Liabilities and Stockholders' Equity	\$ 75,399,845	\$ 75,255,088

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

CHART ACQUISITION CORP.
(a development stage company)
CONDENSED STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013	July 22, 2011 (date of inception) to March 31, 2014
Revenue	\$ -	\$ -	\$ -
Formation and Operating Costs	-	-	3,996
General and Administrative Expenses	452,616	154,651	1,582,759
Loss from Operations	(452,616)	(154,651)	(1,586,755)
Other Income:			
Interest Income	6,118	14,916	54,839
Change in Fair Value of Warrant Liability	472,500	2,047,500	472,500
Net Income (Loss) Attributable to Common Stockholders	\$ 26,002	\$ 1,907,765	\$ (1,059,416)
Weighted Average Number of Common Shares Outstanding, basic and diluted	3,569,018	3,516,828	2,758,135
Basic and Diluted Net Income (Loss) per Share Attributable to Common Stockholders	\$ 0.01	\$ 0.54	\$ (0.38)

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

CHART ACQUISITION CORP.
(a development stage company)
CONDENSED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Period from July 22, 2011 (date of inception) to March 31, 2014
(unaudited)

	Common Stock Shares	Common Stock Amount \$.0001 Par	Additional Paid-in Capital	Deficit Accumulated During Developmental Stage	Total Stockholders' Equity
Sale of common stock issued to Sponsor on August 9, 2011 at \$.011594 per share	2,156,250	\$216	\$24,784	\$ -	\$25,000
Net loss attributable to common stockholders'	-	-	-	(527)	(527)
Balances, December 31, 2011	2,156,250	216	24,784	(527)	24,473
Sale of 7,500,000 units on December 19, 2012, net of underwriters' discount and offering expenses (including 6,289,495 subject to possible redemption)	7,500,000	750	70,025,449	-	70,026,199
Reclassification of shares subject to possible redemption at redemption value on December 19, 2012	(6,289,495)	(629)	(62,894,319)	-	(62,894,948)
Warrant liability recorded on December 19, 2012	-	-	(5,906,250)	-	(5,906,250)
Sale of 375,000 units to Sponsor on December 19, 2012	375,000	37	3,749,963	-	3,750,000
Change in shares subject to possible redemption to 6,283,617 shares at December 31, 2012	5,878	1	(1)	58,783	58,783
Net loss attributable to common stockholders	-	-	-	(58,256)	(58,256)
Balances, December 31, 2012	3,747,633	\$375	\$4,999,626	\$ -	\$5,000,001
Forfeiture of sponsor shares in connection with the underwriter's election to not exercise their over-allotment option	(281,250)	(28)	28	-	-
	102,664	10	(10)	1,026,635	1,026,635

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Change in shares subject to possible redemption to 6,180,953 shares at December 31, 2013					
Net loss attributable to common stockholders	-	-	-	(1,026,635)	(1,026,635)
Balances, December 31, 2013	3,569,047	\$357	\$4,999,644	\$ -	\$5,000,001
Change in shares subject to possible redemption to 6,183,553 shares at March 31, 2014					
Net income attributable to common stockholders	(2,600)	-	-	(26,002)	(26,002)
Balances, March 31, 2014	3,566,447	\$357	\$4,999,644	\$ -	\$5,000,001

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

CHART ACQUISITION CORP.
(a development stage company)
CONDENSED STATEMENTS OF CASH FLOWS
(unaudited)

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013	July 22, 2011 (date of inception) to March 31, 2014
Cash Flows from Operating Activities			
Net Income (Loss)	\$ 26,002	\$ 1,907,765	\$ (1,059,416)
Adjustment to reconcile net income (loss) to net cash used in operating activities:			
Change in Fair Value of Warrant Liability	(472,500)	(2,047,500)	(472,500)
Change in operating assets and liabilities:			
Prepaid Expenses	40,898	(207,157)	(46,354)
Accounts Payable and Accrued Expenses	191,255	2,664	385,370
Due to Affiliate	-	-	1,442
Due from Sponsor	-	-	(409)
Net Cash Used In Operating Activities	(214,345)	(344,228)	(1,191,867)
Cash Flows from Investing Activities			
Proceeds Deposited in Trust Account	-	-	(75,000,000)
Interest on Trust Account	(6,118)	(14,916)	(54,839)
Interest withdrawn from Trust Account	52,861	-	52,861
Net Cash Provided by (Used in) Investing Activities	46,743	(14,916)	(75,001,978)
Cash Flows from Financing Activities			
Proceeds from Sale of Common Stock to Sponsor	-	-	25,000
Proceeds from Public Offering	-	-	75,000,000
Proceeds from Issuance of Units to Sponsor	-	-	3,750,000
Proceeds from Note Payable, Affiliate of Sponsor	153,333	-	183,333
Principal Payments on Note Payable, Affiliate of Sponsor	-	-	(30,000)
Proceeds from Note Payable, Sponsor	246,667	-	421,667
Principal Payments on Note Payable, Sponsor	-	-	(175,000)
Payment of Offering Costs	-	-	(2,630,051)
Net Cash Provided by Financing Activities	400,000	-	76,544,949
Net Increase (Decrease) in Cash	232,398	(359,144)	351,104
Cash at Beginning of the Period	118,706	1,147,464	-
Cash at Ending of the Period	\$ 351,104	\$ 788,320	\$ 351,104
Supplemental Disclosure for Non-Cash Financing Activities			
Adjustment for warrant liability in connection with the Public Offering	\$ -	\$ -	\$ 5,906,250
Deferred Underwriters' Fee	\$ -	\$ -	\$ 2,343,750
Accrued Expenses Included in Deferred Offering Costs	\$ -	\$ -	\$ 16,920

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

CHART ACQUISITION CORP.

(a development stage company)

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the Period from July 22, 2011 (date of inception) to March 31, 2014

1. DESCRIPTION OF ORGANIZATION AND BUSINESS OPERATIONS

Chart Acquisition Corp. (the “Company,” “we” or “us”) was incorporated in Delaware on July 22, 2011. The Company is a blank check company formed for the purpose of acquiring, through a merger, capital stock exchange, asset acquisition, stock purchase, reorganization, exchangeable share transaction or similar business combination, one or more operating businesses or assets (a “business combination”). The Company has neither engaged in any operations nor generated any revenues to date. The Company has selected December 31 as its fiscal year end.

At March 31, 2014, the Company had not commenced any operations. All activity through March 31, 2014 relates to the Company’s formation, initial public offering (“public offering”) described below in Note 4, and search for an initial business combination.

The registration statement for the public offering was declared effective on December 13, 2012. The Company consummated the public offering on December 19, 2012 and received net proceeds of approximately \$76,120,000 which includes \$3,750,000 received from the private placement of 375,000 units to Chart Acquisition Group LLC, a Delaware limited liability Company (the “sponsor”), Joseph Wright, the Company’s chief executive officer and chairman of the board and Cowen Overseas Investment LP (“Cowen Overseas), an affiliate of Cowen and Company, LLC, one of the lead underwriters of the public offering and is net of approximately \$2,630,000 of legal, accounting and underwriting fees. The sponsor, Joseph Wright and Cowen Overseas each purchased units consisting of one share of common stock and a warrant to purchase one share of common stock (the “private placement”—Note 5).

The Company’s management has broad discretion with respect to the specific application of the net proceeds of the public offering, although substantially all of the net proceeds of the public offering are intended to be generally applied toward effecting an initial business combination. Net proceeds of approximately \$75,000,000 from the public offering and simultaneous private placements of the placement units (as described below in Note 5) are being held in a trust account in the United States maintained by Continental Stock Transfer & Trust Company, acting as trustee. The proceeds held in the trust account will be invested only in United States government treasury bills with a maturity of 180 days or less or in money market funds investing solely in United States Treasuries and meeting certain conditions under Rule 2a-7 under the Investment Company Act of 1940, as amended. Except for interest income earned on the trust account balance and released to us for working capital purposes and to pay taxes or dissolution expenses, if any, our amended and restated certificate of incorporation provides that none of the funds held in trust will be released from the trust account, until the earlier of (i) the consummation of our initial business combination; (ii) the expiration or termination of any tender offer conducted by the Company in connection with a proposed business combination not otherwise withdrawn; (iii) the redemption of the Company’s public shares if it is unable to consummate a business combination by September 13, 2014, subject to applicable law; or (iv) otherwise upon its liquidation or in the event its management resolves to liquidate the trust account and ceases to pursue the consummation of a business combination prior to September 13, 2014. The proceeds deposited in the trust account could become subject to the claims of our creditors, if any, which could have priority over the claims of the Company’s public stockholders.

Initial Business Combination

For the purposes of consummating an initial business combination, the Company is not limited to a particular industry or geographic region, although its management team intends to focus on operating businesses in the following sectors: the provision and/or outsourcing of government services. The management team anticipates structuring a business

combination to acquire 100% of the equity interests or assets of the target business or businesses. It may also, however, structure a business combination to acquire less than 100% of such interests or assets of the target business but will not acquire less than a controlling interest.

The Company may consummate the initial business combination and conduct the redemptions without stockholder vote pursuant to Rule 13e-4 and Regulation 14E of the Exchange Act, which regulate issuer tender offers, and may file tender offer documents with the Securities and Exchange Commission (“SEC”).

CHART ACQUISITION CORP.
(a development stage company)
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
For the Period from July 22, 2011 (date of inception) to March 31, 2014

1. DESCRIPTION OF ORGANIZATION AND BUSINESS OPERATIONS — (continued)

Initial Business Combination (continued)

Regardless of whether the Company holds a stockholder vote or a tender offer in connection with an initial business combination, public stockholders will have the right to redeem their shares for an amount in cash equal to their pro rata share of the aggregate amount then on deposit in the trust account, including interest but less taxes payable plus amounts released to fund working capital requirements. As a result, such shares will be recorded at redemption value and classified as temporary equity upon the completion of the public offering, in accordance with Financial Accounting Standards Board, ("FASB") Accounting Standards Codification, ("ASC") Topic 480, "Distinguishing Liabilities from Equity."

The Company will not redeem its public shares in an amount that would cause its net tangible assets to be less than \$5,000,001 and, solely if it seeks stockholder approval, a majority of the outstanding shares of common stock voted are voted in favor of the initial business combination.

Solely if the Company holds a stockholder vote to approve the initial business combination, and it does not conduct redemptions pursuant to the tender offer rules, it may enter into privately negotiated transactions to purchase public shares from stockholders who would otherwise elect to redeem their shares, with such purchases made using funds held in the trust account. All shares so purchased by the Company will be immediately cancelled.

Liquidation and Going Concern

If the Company does not consummate an initial business combination by September 13, 2014 it will (i) cease all operations except for the purpose of winding up, (ii) as promptly as reasonably possible but not more than ten business days thereafter, redeem all public shares then outstanding, at a per-share price, payable in cash, equal to the aggregate amount then on deposit in the trust account, including any amounts representing interest earned on the trust account, less any interest released to the Company for working capital purposes, the payment of taxes or dissolution expenses, divided by the number of then outstanding public shares, which redemption will completely extinguish public stockholders' rights as stockholders (including the right to receive further liquidation distributions, if any), subject to applicable law, and (iii) as promptly as reasonably possible following such redemption, subject to the approval of its remaining stockholders and board of directors, dissolve and liquidate, subject in each case to its obligations under Delaware law to provide for claims of creditors and the requirements of other applicable law. The mandatory liquidation and subsequent dissolution raises substantial doubt about the Company's ability to continue as a going concern.

2. BASIS OF PRESENTATION

The accompanying condensed interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and pursuant to the accounting and disclosure rules and regulations of the Securities and Exchange Commission ("SEC"), and reflect all adjustments, consisting only of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the financial position as of March 31, 2014 and December 31, 2013 and the results of operations and cash flows for the three months ended March 31, 2014 and 2013, and for the period from July 22, 2011 (date of inception) to March 31, 2014.

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Certain information and disclosures normally included in financial statements prepared in accordance with GAAP have been omitted pursuant to such rules and regulations. The results of operations for the period ended March 31, 2014 is not necessarily indicative of the results of operations to be expected for a full fiscal year.

CHART ACQUISITION CORP.
(a development stage company)
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
For the Period from July 22, 2011 (date of inception) to March 31, 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Development Stage Company

The Company complies with the reporting requirements of ASC Topic 915, "Development Stage Entities." At March 31, 2014, the Company has not commenced any operations nor generated revenue to date. All activity through March 31, 2014, relates to the Company's formation, the public offering and search for an initial business combination. Following the public offering, the Company will not generate any operating revenues until after completion of an initial business combination, at the earliest. The Company generates non-operating income in the form of interest income on the designated trust account after the public offering.

Net Loss Per Common Share

Net loss per common share is computed by dividing net loss applicable to common stockholders by the weighted average number of common shares outstanding for the period. For all periods presented, the Company did not have any dilutive securities and other contracts that could, potentially, be exercised or converted into common shares and then share in the earnings of the Company. As a result, diluted loss per common share is the same as basic loss per share for periods presented.

Securities Held in Trust Account

Investment securities consist of United States Treasury securities. The Company classifies its securities as held-to-maturity in accordance with FASB ASC Topic 320 "Investments - Debt and Equity Securities." Held-to-maturity securities are those securities which the Company has the ability and intent to hold until maturity. Held-to-maturity treasury securities are recorded at amortized cost and adjusted for the amortization or accretion of premiums or discounts.

A decline in the market value of held-to-maturity securities below cost that is deemed to be other than temporary, results in an impairment that reduces the carrying costs to such securities' fair value. The impairment is charged to earnings and a new cost basis for the security is established. To determine whether an impairment is other than temporary, the Company considers whether it has the ability and intent to hold the investment until a market price recovery and considers whether evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and the duration of the impairment, changes in value subsequent to year-end, forecasted performance of the investee, and the general market condition in the geographic area or industry the investee operates in.

Premiums and discounts are amortized or accreted over the life of the related held-to-maturity security as an adjustment to yield using the effective-interest method. Such amortization and accretion is included in the "interest income" line item in the statements of operations. Interest income is recognized when earned.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax

Deferred income taxes are provided for the differences between the bases of assets and liabilities for financial reporting and income tax purposes. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized. At March 31, 2014 and December 31, 2013 the Company has a deferred tax asset of approximately \$516,000 and \$360,000, respectively, related to net operating loss carry forwards which begin to expire in 2031 and start-up costs. Management has determined that a full valuation allowance of the deferred tax asset is appropriate at this time.

The Company is required to determine whether its tax positions are more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit recognized is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authority.

CHART ACQUISITION CORP.
(a development stage company)
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
For the Period from July 22, 2011 (date of inception) to March 31, 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (continued)

Income Tax (continued)

De-recognition of a tax benefit previously recognized results in the Company recording a tax liability that reduces ending retained earnings. Based on its analysis, the Company has determined that it has not incurred any liability for unrecognized tax benefits as of March 31, 2014. The Company's conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analyses of and changes to tax laws, regulations and interpretations thereof. The Company files an income tax return in the U.S. federal jurisdiction, and may file income tax returns in various U.S. states and foreign jurisdictions. Generally, the Company is subject to income tax examinations by major taxing authorities since inception.

The Company recognizes interest and penalties related to unrecognized tax benefits in interest expense and other expenses, respectively. No interest expense or penalties have been recognized as of March 31, 2014.

Fair Value of Financial Instruments

The fair value of the Company's assets and liabilities, which qualify as financial instruments under ASC Topic 820, "Fair Value Measurements and Disclosures", approximates the carrying amounts represented in the accompanying balance sheets.

Recent Accounting Pronouncements

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

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash accounts in a financial institution, which at times, may exceed the Federal depository insurance coverage of \$250,000. The Company has not experienced losses on these accounts and management believes the Company is not exposed to significant risks on such accounts.

Redeemable Common Stock

As discussed in Note 1, all of the 7,500,000 common shares sold as part of the units in the public offering contain a redemption feature which allows for the redemption of common shares under the Company's liquidation or tender offer/stockholder approval provisions. In accordance with ASC Topic 480 "Distinguishing Liabilities from Equity", redemption provisions not solely within the control of the Company require the security to be classified outside of permanent equity.

Ordinary liquidation events, which involve the redemption and liquidation of all of the entity's equity instruments, are excluded from the provisions of ASC Topic 480. Although the Company does not specify a maximum redemption threshold, its charter provides that in no event will they redeem its public shares in an amount that would cause its net

tangible assets (stockholders' equity) to be less than \$5,000,001.

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CHART ACQUISITION CORP.
(a development stage company)
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
For the Period from July 22, 2011 (date of inception) to March 31, 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES— (continued)

Redeemable Common Stock— (continued)

The Company recognizes changes in redemption value immediately as they occur and will adjust the carrying value of the security to equal the redemption value at the end of each reporting period. Increases or decreases in the carrying amount of redeemable common stock shall be affected by charges against the par value of common stock and retained earnings, or in the absence of retained earnings, by charges against additional paid-in capital in accordance with ASC Topic 480-10-S99. Accordingly, at March 31, 2014 and December 31, 2013, public shares of 6,183,553 and 6,180,953, respectively, are classified outside of permanent equity at its redemption value. The redemption value is equal to the pro rata share of the aggregate amount then on deposit in the Trust Account, including any amounts representing interest earned on the trust account, less any interest released to the Company for working capital purposes or the payment of taxes (approximately \$10.00 at March 31, 2014).

4. PUBLIC OFFERING

The public offering called for the Company to offer for sale 7,500,000 units at a purchase price of \$10.00 per unit. Each unit consists of (i) one share of the Company's common stock, \$0.0001 par value ("common stock"), and (ii) one warrant to purchase one share of common stock ("warrant"). Each warrant entitles the holder to purchase one share of the Company's common stock at a price of \$11.50. Each warrant will become exercisable on the later of 30 days after the completion of an initial business combination and one year from the date of the prospectus for the public offering, and will expire five years from the date of the initial business combination, or earlier upon redemption or liquidation. The Company may redeem the warrants at a price of \$0.01 per warrant upon 30 days