

Chart Acquisition Corp.  
Form 10-Q  
November 10, 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 September 30, 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**

**555 Fifth Avenue, 19<sup>th</sup> Floor                      10017**

**New York, NY**

(Address of principal executive offices) (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

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  
Non-accelerated filer   Smaller reporting company  
(Do not check if a  
smaller reporting  
company)

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

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).

As of November 10, 2014, there were 8,785,309 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**

|  | September 30,<br>2014<br>(unaudited) | December 31,<br>2013 |
|--|--------------------------------------|----------------------|
| <b>ASSETS</b>  |                                      |                      |
| Current Assets:  |                                      |                      |
| Cash   | \$ 469,897                           | \$ 118,706           |
| Due from Sponsor   | 660                                  | 409                  |
| Prepaid Expenses   | 5,000                                | 87,252               |
| Total Current Assets   | 475,557                              | 206,367              |
| Non-current Assets:  |                                      |                      |
| Cash and Investments Held in Trust Account   | 65,353,648                           | 75,048,721           |
| Total Assets   | \$ 65,829,205                        | \$ 75,255,088        |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                                      |                      |
| Current Liabilities:   |                                      |                      |
| Accounts Payable and Accrued Expenses  | \$ 1,838,244                         | \$ 194,115           |
| Due to Affiliate   | 1,442                                | 1,442                |
| Notes Payable, Sponsor   | 709,168                              | -                    |
| Notes Payable, Affiliate of Sponsor  | 440,832                              | -                    |
| Total Current Liabilities  | 2,989,686                            | 195,557              |
| Deferred Underwriting Fee  | 2,343,750                            | 2,343,750            |
| Warrant Liability  | 4,327,015                            | 5,906,250            |
| Total Liabilities  | 9,660,451                            | 8,445,557            |
| Common stock subject to possible redemption; 5,116,876 and 6,180,953 shares at \$10.00 per share at September 30, 2014 and December 31, 2013, respectively | 51,168,753                           | 61,809,530           |
| Stockholders' Equity:  | -                                    | -                    |

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|  |               |               |
|--|---------------|---------------|
| 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; 3,668,433 and 3,569,047 shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively (excluding 5,116,876 and 6,180,953 shares subject to possible redemption, respectively) | 367           | 357           |
| Additional Paid-in Capital   | 7,078,919     | 6,085,062     |
| Deficit Accumulated During Development Stage   | (2,079,285 )  | (1,085,418 )  |
| Total Stockholders' Equity   | 5,000,001     | 5,000,001     |
| Total Liabilities and Stockholders' Equity   | \$ 65,829,205 | \$ 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)**

|   | Nine<br>Months<br>Ended<br>September<br>30,<br>2014 | Nine<br>Months<br>Ended<br>September<br>30, 2013 | Three<br>Months<br>Ended<br>September<br>30,<br>2014 | Three<br>Months<br>Ended<br>September<br>30, 2013 | July 22,<br>2011<br>(date of<br>inception)<br>to<br>September<br>30,<br>2014 |
|---|---|--|--|---|--|
| Revenue   | \$-   | \$-  | \$-  | \$-   | \$-  |
| Formation and Operating Costs   | -   | -  | -  | -   | 3,996  |
| General and Administrative Expenses   | 2,585,260   | 831,401  | 1,232,291  | 486,057   | 3,715,403  |
| Loss from Operations  | (2,585,260)   | (831,401 )                                       | (1,232,291)  | (486,057 )  | (3,719,399)  |
| Other Income (expense):   |   |  |  |   |  |
| Interest Income   | 12,158  | 37,896   | 642  | 10,089  | 60,879   |
| Change in Fair Value of Warrant Liability   | 1,579,235   | 1,417,500  | 791,735  | (393,750 )  | 1,579,235  |
| Net Income (Loss) Attributable to Common Stockholders                             | \$(993,867 )  | \$623,995  | \$(439,914 )   | \$(869,718 )                                      | \$(2,079,285)  |
| Weighted Average Number of Common Shares Outstanding, basic and diluted           | 3,569,411   | 3,333,263  | 3,624,920  | 3,317,957   | 2,885,525  |
| Basic and Diluted Net Income (Loss) per Share Attributable to Common Stockholders | \$(0.28 )   | \$0.19   | \$(0.12 )  | \$(0.26 )   | \$(0.72 )  |

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 September 30, 2014****(unaudited)**

|  | Common Stock |                          | Additional         | Deficit   | Total                   |
|--|--------------|--------------------------|--------------------|---|-------------------------|
|  | Shares       | Amount<br>\$.0001<br>Par | Paid-in<br>Capital | Accumulated<br>During<br>Developmental<br>Stage | Stockholders'<br>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                        | 58,782             | -   | 58,783                  |
| Net loss attributable to common stockholders   | -            | -                        | -                  | (58,256 )                                       | (58,256 )               |
| Balances, December 31, 2012  | 3,747,633    | \$ 375                   | \$5,058,409        | \$ (58,783 )                                    | \$5,000,001             |



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|  |            |        |              |                 |              |
|--|------------|--------|--------------|-----------------|--------------|
| Forfeiture of Sponsor shares in connection with the underwriter's election to not exercise their over-allotment option | (281,250 ) | (28 )  | 28           | -               | -            |
| Change in shares subject to possible redemption to 6,180,953 shares at December 31, 2013                               | 102,664    | 10     | 1,026,625    | -               | 1,026,635    |
| Net loss attributable to common stockholders   | -          | -      | -            | (1,026,635 )    | (1,026,635 ) |
| Balances, December 31, 2013  | 3,569,047  | \$ 357 | \$6,085,062  | \$ (1,085,418 ) | \$5,000,001  |
| Redemption of 964,691 shares   | (964,691 ) | (96 )  | (9,646,814 ) | -               | (9,646,910 ) |
| Change in shares subject to possible redemption to 5,116,876 shares at September 30, 2014                              | 1,064,077  | 106    | 10,640,671   | -               | 10,640,777   |
| Net loss attributable to common stockholders   | -          | -      | -            | (993,867 )      | (993,867 )   |
| Balances, September 30, 2014   | 3,668,433  | \$ 367 | \$7,078,919  | \$ (2,079,285 ) | \$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)**

|   | Nine Months<br>Ended<br>September 30,<br>2014 | Nine Months<br>Ended<br>September 30,<br>2013 | July 22, 2011<br>(date of<br>inception) to<br>September 30,<br>2014 |
|---|---|---|---|
| <b>Cash Flows from Operating Activities</b>   |   |   |   |
| Net Income (Loss)   | \$ (993,867 )                                 | \$ 623,995                                    | \$ (2,079,285 )   |
| Adjustment to reconcile net income (loss) to net cash used in operating activities: |   |   |   |
| Change in Fair Value of Warrant Liability   | (1,579,235 )                                  | (1,417,500 )                                  | (1,579,235 )  |
| Change in operating assets and liabilities:   |   |   |   |
| Prepaid Expenses  | 82,252  | (131,872 )                                    | (5,000 )  |
| Accounts Payable and Accrued Expenses   | 1,644,129                                     | 222,589                                       | 1,838,244   |
| Interest – net of interest expense on Trust Account                                 | (11,999 )                                     | (37,896 )                                     | (60,720 )   |
| Interest withdrawn from Trust Account   | 60,162  | -   | 60,162  |
| Due to Affiliate  | -   | 119   | 1,442   |
| Due from Sponsor  | (251 )  | -   | (660 )  |
| Net Cash Used In Operating Activities   | (798,809 )                                    | (740,565 )                                    | (1,825,052 )  |
| <b>Cash Flows from Investing Activities</b>   |   |   |   |
| Proceeds Deposited in Trust Account   | -   | -   | (75,000,000 )   |
| Net Cash Used in Investing Activities   | -   | -   | (75,000,000 )   |
| <b>Cash Flows from Financing Activities</b>   |   |   |   |
| 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                                    | 440,832                                       | -   | 470,832   |
| Principal Payments on Note Payable, Affiliate of Sponsor                            | -   | -   | (30,000 )   |
| Proceeds from Note Payable, Sponsor   | 709,168                                       | -   | 884,168   |
| Principal Payments on Note Payable, Sponsor   | -   | -   | (175,000 )  |
| Payment of Offering Costs   | -   | (16,920 )                                     | (2,630,051 )  |
| Cash received into Trust Account for redemption of shares                           | 9,646,910                                     | -   | 9,646,910   |
| Cash distribution from Trust Account for redemption of shares                       | (9,646,910 )                                  | -   | (9,646,910 )  |
| Net Cash Provided by (Used in) Financing Activities                                 | 1,150,000                                     | (16,920 )                                     | 77,294,949  |
| Net Increase (Decrease) in Cash   | 351,191                                       | (757,485 )                                    | 469,897   |

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|   |            |            |              |
|---|------------|------------|--------------|
| Cash at Beginning of the Period   | 118,706    | 1,147,464  | -            |
| Cash at Ending of the Period  | \$ 469,897 | \$ 389,979 | \$ 469,897   |
| Supplemental Disclosure of Cash Flow Information                        |            |            |              |
| Cash paid for:  |            |            |              |
| Cash paid for state franchise tax                                       | \$ 125,397 | \$ 3,850   | \$ 131,887   |
| 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 September 30, 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 September 30, 2014, the Company had not commenced any operations. All activity through September 30, 2014 relates to the Company’s formation, initial public offering (“public offering”) described below in Note 4, and search for an initial business combination. See Note 11 for a description of the definitive agreements the Company entered into with Tempus Holdings, LLC (“Tempus”) to complete a 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 4 and Note 5, respectively) were originally deposited 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 are 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 (which date has been extended to March 13, 2015, as described in the Liquidation and Going Concern section below) 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 (which date has been extended to March 13, 2015, as described in the Liquidation and Going Concern section below). 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.

On September 5, 2014, the Company held a special meeting of stockholders (the "Meeting"). At the Meeting, the stockholders approved the following items: (i) an amendment to the Company's Amended and Restated Certificate of Incorporation (the "Charter") extending the date by which the Company must consummate its initial business combination from September 13, 2014 to March 13, 2015 (the "Business Combination Deadline Amendment"), (ii) an amendment to the Charter permitting stockholders to redeem their public shares for a pro rata portion of the funds available in the Company's trust account (the "Trust Account") and authorizing the Company and Continental Stock Transfer & Trust Company ("Continental"), the trustee of the Trust Account, to disburse such redemption payments (the "Redemption Rights Amendment") and (iii) an amendment and restatement of the Investment Management Trust Agreement (as amended and restated, the "Trust Agreement") between the Company and Continental permitting distributions from the Trust Account to those persons holding shares of common stock comprising part of the units sold in the Company's initial public offering who wish to exercise their redemption rights in connection with the Meeting, and extending the date on which to liquidate the Trust Account in accordance with the Trust Agreement to March 13, 2015 (the "Trust Amendment"). The affirmative vote of holders of at least sixty-five percent of the issued and outstanding shares of the Company was required to approve each of the proposals.

**CHART ACQUISITION CORP.**

**(a development stage company)**

**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**For the Period from July 22, 2011 (date of inception) to September 30, 2014**

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

In connection with the Meeting, 964,691 shares were redeemed by the Company at a price of \$10.00 per share, for a total redemption amount of \$9,646,910. As of September 30, 2014, \$65,353,648 was held in the Trust Account after the foregoing redemptions.

**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”).

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 March 13, 2015 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.

**CHART ACQUISITION CORP.**

**(a development stage company)**

**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**For the Period from July 22, 2011 (date of inception) to September 30, 2014**

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

**Liquidation and Going Concern (continued)**

As of September 30, 2014, we had a cash balance of \$469,897, held outside of our trust account after issuance of \$1,150,000 in Notes Payable, which is available for use by us to cover the costs associated with identifying a target business and negotiating a business combination and other general corporate uses. We believe that we have sufficient funds available to conduct the normal operations of the business. However, we may need to obtain additional financing from our Sponsor, Cowen Overseas and Joseph Wright to consummate our initial business combination with an operating business by March 13, 2015.

**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 September 30, 2014 and December 31, 2013 and the results of operations for the for the three and nine months ended September 30, 2014 and 2013, and for the period from July 22, 2011 (date of inception) to September 30, 2014 and the cash flow activity for the nine months ended September 30, 2014 and 2013 and for the period from July 22, 2011 (date of inception) to September 30, 2014. 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 September 30, 2014 is not necessarily indicative of the results of operations to be expected for a full fiscal year.

During the six months ended June 30, 2014, the Company identified and corrected an error related to the accounting for the Company's changes in amounts subject to possible redemption for the years ended December 31, 2013 and 2012. This treatment has been consistently applied for the period ended September 30, 2014. The Company determined that its changes in amounts subject to possible redemption should have been accounted for as an adjustment to additional paid-in capital instead of as an adjustment to accumulated deficit. There was no change in



previously reported total assets, total liabilities, common stock subject to possible redemption or net loss attributable to common shares for any of the periods. The accompanying condensed financial statements were revised to reflect a balance in accumulated deficit with a corresponding increase of additional paid-in capital as of December 31, 2013 and 2012. In accordance with Securities and Exchange Commission ("SEC") Staff Accounting Bulletin Nos. 99 and 108 ("SAB 99" and "SAB 108"), the Company evaluated these errors and, based on an analysis of quantitative and qualitative factors, determined that they were not material to each of the prior reporting periods affected and no amendments of previously filed 10-Q or 10-K reports with the SEC are required. We have reassessed the effect of this error as of September 30, 2014 and believe no further adjustment is required.

**CHART ACQUISITION CORP.**

**(a development stage company)**

**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**For the Period from July 22, 2011 (date of inception) to September 30, 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 September 30, 2014, the Company has not commenced any operations nor generated revenue to date. All activity through September 30, 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 Income (Loss) Per Common Share**

Net income (loss) per common share is computed by dividing net income (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 income (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.

**CHART ACQUISITION CORP.**

(a development stage company)

**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**For the Period from July 22, 2011 (date of inception) to September 30, 2014**

**3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (continued)**

**Income Tax**

The Company complies with the accounting and reporting requirements of 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 the 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. A valuation allowance is established when necessary to reduce deferred tax assets when it is determined that it is more likely than not that some portion of the deferred tax asset will not be realized. At September 30, 2014 and December 31, 2013, the Company has a net deferred tax asset of approximately \$728,000 and \$378,000, respectively, related to net operating loss carry forwards which begin to expire in 2032, change in fair value of warrant liability, and start-up costs. Management has determined that a full valuation allowance of the deferred tax asset is appropriate at this time.

FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes” (FIN 48) (now incorporated into FASB ASC 740, Income Taxes), sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. This interpretation uses a two-step approach wherein a tax benefit is recognized if a position is more-likely-than-not to be sustained upon examination by taxing authorities. The amount of the benefit is then measured to be the highest tax benefit that is greater than 50% likely to be realized. Based on its analysis, the Company has determined that it has not incurred any liability for unrecognized tax benefits as of September 30, 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. 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 September 30, 2014.

The Company may be subject to potential examination by U.S. federal, U.S. states or foreign jurisdiction authorities in the areas of income taxes. These potential examinations may include questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions and compliance with U.S. federal, U.S. state and foreign tax laws.

### **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 condensed balance sheets.

### **Recent Accounting Pronouncements**

In June 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2014-10, which eliminated certain financial reporting requirements of companies previously identified as "Development Stage Entities" (Topic 915). The amendments in this ASU simplify accounting guidance by removing all incremental financial reporting requirements for development stage entities. The amendments also reduce data maintenance and, for those entities subject to audit, audit costs by eliminating the requirement for development stage entities to present inception-to-date information in the statements of income, cash flows, and shareholder equity. Early application of each of the amendments is permitted for any annual reporting period or interim period for which the entity's financial statements have not yet been issued (public business entities) or made available for issuance (other entities). Upon adoption, entities will no longer present or disclose any information required by Topic 915. For public business entities, those amendments are effective for annual reporting periods beginning after December 15, 2014, and interim periods therein. The Company will be adopting this standard in future filings.

Management does not believe that any other recently issued, but not yet effective, accounting pronouncements, if currently adopted, would have a material effect on the Company's 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 September 30, 2014**

**3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES— (continued)**

**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 common shares sold as part of the units in the public offering and still outstanding as of September 30, 2014, 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.

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 September 30, 2014 and December 31, 2013, public shares of 5,116,876 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 September 30, 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' prior written notice after the warrants become exercisable, only in the event that the last sales price of the common stock (or the closing bid price of the common stock in the event shares of our common stock are not traded on any specific trading day) equals or exceeds \$17.50 per share for any 20 trading days within a 30 trading day period ending three business days before the notice of redemption is given. In the event that a registration is not effective at the time of exercise, the holders of the warrants shall not be entitled to exercise such warrants (except on a cashless basis under certain circumstances) and in no event (whether in the case of a registration statement not being effective or otherwise) will the Company be required to net cash settle the warrants and the warrants will expire worthless.

**CHART ACQUISITION CORP.**

**(a development stage company)**

**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**For the Period from July 22, 2011 (date of inception) to September 30, 2014**

**5. RELATED PARTY TRANSACTIONS**

**Private Placements**

On August 9, 2011, the Company issued to its Sponsor in a private placement 2,156,250 shares (after giving effect to its 0.75-for-1 reverse stock split effectuated on July 10, 2012) of restricted common stock for an aggregate purchase price of \$25,000, of which 281,250 shares were forfeited in January 2013. The initial shares will not be released from transfer restrictions until: (i) one year after the consummation of the Company's initial business combination or earlier if, subsequent to its business combination, the last sales price of its common stock equals or exceeds \$12.00 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) for any 20 trading days within any 30-trading day period commencing at least 150 days after its initial business combination, or (ii) the date on which it consummates a liquidation, merger, stock exchange or other similar transaction after its initial business combination that results in all of its stockholders having the right to exchange their shares of common stock for cash, securities or other property.

The Sponsor, Joseph Wright and Cowen Overseas purchased, simultaneously with the closing of the public offering, 375,000 units (the "placement units") from the Company at a price of \$10.00 per unit, each unit consisting of one share of common stock ("placement shares") and a warrant to purchase one share of common stock ("placement warrants") (for an aggregate purchase price of \$3,750,000) in private placement pursuant to Section 4(2) of the Securities Act of 1933, as amended. The placement warrants are identical to the warrants sold in the public offering except that, (i) if held by the initial holders or their permitted assigns, they (a) may be exercised for cash or on a cashless basis at the option of the holder; and (b) will not be redeemable by the Company, and (ii) the placement warrants issued to Cowen Overseas, so long as held by Cowen Overseas or any of its related persons under FINRA rules, expire five years from the effectiveness of the registration statement. In addition, the placement warrants and placement shares are subject to transfer restrictions until 30 days following the consummation of the initial business combination.

The founder shares and the placement shares are identical to the shares of common stock included in the units that were sold in the public offering except that (i) the founder shares and the placement shares are subject to certain transfer restrictions as described above, and (ii) each of the initial stockholders and Cowen Overseas has agreed not to redeem any of the founder shares or placement shares, as the case may be, held by them in connection with the consummation of an initial business combination, and each has also waived its rights to participate in any redemption



with respect to its initial shares and placement shares, as the case may be, if the Company fails to consummate an initial business combination.

However, each of the initial stockholders and Cowen Overseas (as applicable) will be entitled to redeem any public shares it acquires in or after the public offering in the event the Company fails to consummate an initial business combination within the required time period.

In connection with a stockholder vote to approve an initial business transaction, if any, each of the Company's initial stockholders have agreed to vote their initial shares and/or placement shares, as the case may be, in favor of the initial business transaction. In addition, the Company's initial stockholders, officers and directors have each also agreed to vote any shares of common stock acquired in the public offering or in the aftermarket in favor of the initial business transaction submitted to stockholders for approval, if any.

The initial holders of the Company's founder shares and placement shares and their permitted transferees are entitled to registration rights pursuant to a registration rights agreement signed on the date of the Company's prospectus relating to the public offering.

Such holders are entitled to demand registration rights and certain "piggy-back" registration rights with respect to the initial shares, the placement shares, the placement warrants and the shares of common stock underlying the placement warrants, commencing, in the case of the initial shares, one year after the consummation of the initial business combination and commencing, in the case of the placement shares, the placement warrants and the shares of common stock underlying the placement warrants, 30 days after the consummation of the initial business combination.

**CHART ACQUISITION CORP.**

**(a development stage company)**

**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**For the Period from July 22, 2011 (date of inception) to September 30, 2014**

**5. RELATED PARTY TRANSACTIONS — (continued)**

**Note Payable to Sponsor**

The Company issued a \$246,667 unsecured non-interest bearing promissory note to our Sponsor on February 10, 2014. The proceeds from the loan were used for working capital purposes of the Company. The principal balance of the note was initially payable on the earlier of (i) the date that is nine (9) months from the date of the note or (ii) the date on which the Company consummates an initial business combination. The notes are convertible at the Sponsor's election upon the consummation of an initial business combination. Upon such election, the notes will convert, at a price of \$0.75 per share, into warrants to purchase common stock of the Company. These warrants would be identical to the placement warrants. On September 9, 2014, the promissory note was amended to provide that the payment date shall be the earlier of: (i) March 13, 2015 or (ii) the date on which the Company consummates its initial business combination.

The Company issued a \$215,834 unsecured non-interest bearing promissory note to our Sponsor on September 9, 2014. The proceeds from the loan were used for working capital purposes of the Company. The principal balance of the note is payable on the earlier of (i) March 13, 2015 or (ii) the date on which the Company consummates an initial business combination. The notes are convertible at the Sponsor's election upon the consummation of an initial business combination. Upon such election, the notes will convert, at a price of \$0.75 per share, into warrants to purchase common stock of the Company. These warrants would be identical to the placement warrants.

The Company issued a \$246,667 unsecured non-interest bearing promissory note to our Sponsor on September 9, 2014. The proceeds from the loan were used for working capital purposes of the Company. The principal balance of the note is payable on the earlier of (i) March 13, 2015 or (ii) the date on which the Company consummates an initial business combination.

**Notes Payable to Affiliates**

The Company issued a \$140,000 unsecured non-interest bearing promissory note to Cowen Overseas, an affiliate of one of our directors, on February 4, 2014. The proceeds from the loan were used for working capital purposes of the Company. The principal balance of the note was initially payable on the date of the consummation of an initial business combination. The notes are convertible at Cowen Overseas' election upon the consummation of an initial business combination. Upon such election, the notes will convert, at a price of \$0.75 per share, into warrants to purchase common stock of the Company. These warrants would be identical to the placement warrants. On September 9, 2014, the promissory note was amended to provide that the payment date shall be the earlier of: (i) March 13, 2015 or (ii) the date on which the Company consummates its initial business combination.

The Company issued a \$122,500 unsecured non-interest bearing promissory note to Cowen Overseas on September 9, 2014. The proceeds from the loan were used for working capital purposes of the Company. The principal balance of the note is payable on the earlier of (i) March 13, 2015 or (ii) the date on which the Company consummates an initial business combination. The notes are convertible at Cowen Overseas' election upon the consummation of an initial business combination. Upon such election, the notes will convert, at a price of \$0.75 per share, into warrants to purchase common stock of the Company. These warrants would be identical to the placement warrants.

The Company issued a \$140,000 unsecured non-interest bearing promissory note to Cowen Overseas on September 9, 2014. The proceeds from the loan were used for working capital purposes of the Company. The principal balance of the note is payable on the earlier of (i) March 13, 2015 or (ii) the date on which the Company consummates an initial business combination.

The Company issued a \$13,333 unsecured non-interest bearing promissory note to Joseph Wright, our Chairman and Chief Executive Officer, on February 7, 2014. The proceeds from the loan were used for working capital purposes of the Company. The principal balance of the note was initially payable on the date of the consummation of an initial business combination. The notes are convertible at Mr. Wright's election upon the consummation of an initial business combination. Upon such election, the notes will convert, at a price of \$0.75 per share, into warrants to purchase common stock of the Company. These warrants would be identical to the placement warrants. On September 9, 2014, the promissory note was amended to provide that the payment date shall be the earlier of: (i) March 13, 2015 or (ii) the date on which the Company consummates its initial business combination.

**CHART ACQUISITION CORP.**

**(a development stage company)**

**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**For the Period from July 22, 2011 (date of inception) to September 30, 2014**

**5. RELATED PARTY TRANSACTIONS — (continued)**

**Notes Payable to Affiliates (continued)**

The Company issued a \$11,666 unsecured non-interest bearing promissory note to Mr. Wright on September 9, 2014. The proceeds from the loan were used for working capital purposes of the Company. The principal balance of the note is payable on the earlier of (i) March 13, 2015 or (ii) the date on which the Company consummates an initial business combination. The notes are convertible at Mr. Wright's election upon the consummation of an initial business combination. Upon such election, the notes will convert, at a price of \$0.75 per share, into warrants to purchase common stock of the Company. These warrants would be identical to the placement warrants.

The Company issued a \$13,333 unsecured non-interest bearing promissory note to Mr. Wright on September 9, 2014. The proceeds from the loan were used for working capital purposes of the Company. The principal balance of the note is payable on the earlier of (i) March 13, 2015 or (ii) the date on which the Company consummates an initial business combination.

**Due to Affiliate**

As of September 30, 2014 and 2013, the Chart Group L.P., an affiliate of the Sponsor, has paid certain offering, formation and operating costs on behalf of the Company. The total of such costs do not bear interest, and is due on demand. At September 30, 2014 and December 31, 2013, the total amount owed to the Chart Group L.P. is \$1,442.

**Administrative Services**

The Company has agreed to pay the Chart Group L.P., an affiliate of the Sponsor a total of \$10,000 per month for office space and general and administrative services. Services commenced on December 14, 2012, the date the securities of the Company were first listed on the Nasdaq Capital Market, and will terminate upon the earlier of the consummation by the Company of an initial business combination and the liquidation of the Company. For the nine months ended September 30, 2014 and 2013 the Company incurred \$90,000, pursuant to this service agreement. At September 30, 2014 and December 31, 2013, the Company has prepaid \$5,000 relative to the service agreement.

## **6. COMMITMENTS**

The Company paid an underwriting discount of 2.750% (or \$2,062,500) of the public unit offering price to the underwriters at the closing of the public offering, with an additional deferred fee of 3.125% (or \$2,343,750) of the gross offering proceeds payable to the representatives of the underwriters upon the Company's consummation of an initial business combination.

## **7. WARRANT LIABILITY**

The Company sold 7,875,000 Units in the December 19, 2012 Public Offering and private placement, which subsequently separated into one common share and one warrant. The warrants expire five years after the date of the Company's initial Business Combination. The warrants issued contain a cash settlement provision, as provided in the Warrant Agreement in the event of a Fundamental Transaction after the Initial Business Combination (see below), which requires liability treatment under ASC Topic 815-40-55-2. ASC Topic 815-40-55-2 indicates that an event that causes a change of control of an issuer is not within the issuer's control and, therefore, a contract that requires net-cash settlement upon a change in control must be classified as an asset or liability.

In connection with our initial public offering, our Sponsor, Mr. Wright and Cowen Overseas deposited an aggregate of \$2,250,000 with Continental Stock Transfer & Trust Company into a segregated escrow account (representing \$0.60 per warrant for up to 3,750,000 warrants). More specifically, the Sponsor deposited \$1,387,500, Mr. Wright deposited \$75,000 and Cowen Overseas deposited \$787,500. The funds held in the escrow account were to be invested only in United States treasuries or in money market funds that invest solely in United States treasuries with a maturity of 180 days or less.

**CHART ACQUISITION CORP.**

**(a development stage company)**

**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**For the Period from July 22, 2011 (date of inception) to September 30, 2014**

**7. WARRANT LIABILITY— (continued)**

In August 2014, our Sponsor, Mr. Wright and Cowen Overseas commenced a tender offer to purchase up to 3,750,000 of our issued and outstanding warrants at a purchase price of \$0.30 per warrant in connection with the Meeting. A total of 7,700 warrants were validly tendered and not withdrawn in the tender offer. In September 2014 our Sponsor, Mr. Wright and Cowen Overseas accepted for purchase all such warrants for an aggregate purchase price of \$2,310.

Management used the quoted price for the valuation of the warrants to determine the warrant liability to be \$4,327,015 and \$5,906,250 as of September 30, 2014 and December 31, 2013. This valuation is revised on a quarterly basis until the warrants are exercised or they expire, with the changes in fair value recorded in the condensed statements of operations.

In the event of a Fundamental Transaction (as defined in the Warrant Agreement), which can only happen after the Company's initial business combination, at the request of the holder delivered at any time through the date that is 30 days after the public disclosure of the consummation of such Fundamental Transaction by the Company pursuant to a Current Report on Form 8-K filed with the SEC, the Company (or the successor entity to the Company) shall purchase such Warrant from the holder by paying to the holder, within five trading days after such request, cash in an amount equal to the Black Scholes Value of the remaining unexercised portion of such Warrant on the date of such Fundamental Transaction. Any holder that receives cash pursuant to the immediately preceding sentence shall not receive any Alternate Consideration (as defined in the Warrant Agreement) from such transaction. For purposes hereof, "Black Scholes Value" means the value of the Warrant based on the Black Scholes Option Pricing Model obtained from the "OV" function on Bloomberg using (i) a price per share of common stock equal to the Closing Sale Price of the common stock for the trading day immediately preceding the date of consummation of the applicable Fundamental Transaction, (ii) a risk-free interest rate corresponding to the U.S. Treasury rate for a period equal to the remaining term of such Warrant as of such date of request, and (iii) an expected volatility equal to the greater of (A) forty percent (40%) and (B) the 30-day volatility obtained from the HVT function on Bloomberg determined as of the trading day immediately following the announcement of the Fundamental Transaction, (iv) a "Style" of "Warrant" and (v) a "Warrant type" of "Capped" where "Call cap" equals \$17.50.

**8. INVESTMENT HELD IN TRUST ACCOUNT**

Subsequent to the public offering, an amount of \$75,000,000 (including \$2,343,750 of deferred underwriters' fee) of the net proceeds of the public offering and private placement, was deposited in a Trust Account and invested only in United States "government securities" within the meaning of Section 2(a)(16) of the Investment Company Act of 1940 have a maturity of 180 days or less until the earlier of (i) the consummation of a business combination, or (ii) liquidation of the Company. In connection with the Meeting, 964,691 shares were redeemed by the Company at a price of \$10.00 per share, for a total redemption amount of \$9,646,910. As of September 30, 2014, \$65,353,648 was held in the Trust Account after the foregoing redemptions.

**CHART ACQUISITION CORP.**

(a development stage company)

**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS****For the Period from July 22, 2011 (date of inception) to September 30, 2014****8. INVESTMENT HELD IN TRUST ACCOUNT— (continued)**

As of September 30, 2014, investment securities in the Trust Account consist of \$65,351,857 in United States money market mutual fund securities and another \$1,791 is held as cash. As of December 31, 2013, investment securities in the Trust Account consist of \$75,043,861 in United States Treasury Bills and another \$4,860 is held as cash. The carrying value, excluding accrued interest income, gross unrealized holding gain (loss) and fair value of held to maturity securities at September 30, 2014 and December 31, 2013 are as follows:

|  | Carrying<br>Value at<br>September 30,<br>2014 | Gross<br>Unrealized<br>Holding<br>Gain<br>(Loss) | Fair<br>Value at<br>September 30,<br>2014 |
|--|---|--|---|
| Held-to-maturity:                      |   |  |   |
| U.S. Treasury money market mutual fund | \$ 65,351,857                                 | \$ -   | \$ 65,351,857                             |

|                          | Carrying<br>Value at<br>December 31,<br>2013 | Gross<br>Unrealized<br>Holding<br>Gain<br>(Loss) | Fair<br>Value at<br>December 31,<br>2013 |
|--------------------------|--|--|--|
| Held-to-maturity:        |  |  |  |
| U.S. Treasury Securities | \$ 75,043,861                                | \$ 1,138   | \$ 75,044,999                            |

**9. FAIR VALUE MEASUREMENTS**

The Company complies with ASC Topic 820, "Fair Value Measurement" for its financial assets and liabilities that are re-measured and reported at fair value at each reporting period, and non-financial assets and liabilities that are re-measured and reported at fair value at least annually.



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The following table presents information about the Company's assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2014 and December 31, 2013, and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and includes situations where there is little, if any, market activity for the asset or liability:

| Description  | September 30,<br>2014 | Quoted<br>Prices<br>In Active<br>Markets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Other<br>Unobservable<br>Inputs<br>(Level 3) |
|--|-----------------------|---|---|---|
| Assets:  |                       |   |   |   |
| U.S. Treasury money market mutual fund held in Trust Account | \$ 65,351,857         | \$65,351,857  | —   | —   |
| Liabilities:   |                       |   |   |   |
| Warrant Liability  | \$ 4,327,015          | —   | \$4,327,015   | —   |

| Description                                    | December 31,<br>2013 | Quoted<br>Prices<br>In Active<br>Markets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Other<br>Unobservable<br>Inputs<br>(Level 3) |
|--|----------------------|---|---|---|
| Assets:  |                      |   |   |   |
| U.S. Treasury Securities held in Trust Account | \$ 75,044,999        | \$75,044,999  | —   | —   |
| Liabilities:                                   |                      |   |   |   |
| Warrant Liability                              | \$ 5,906,250         | —   | \$ 5,906,250  | —   |

The fair values of the Company's investments held in the Trust Account and warrant liability are determined through market, observable and corroborated sources.

**CHART ACQUISITION CORP.**

**(a development stage company)**

**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**For the Period from July 22, 2011 (date of inception) to September 30, 2014**

**10. STOCKHOLDERS' EQUITY**

**Common Stock**

The Company is authorized to issue 29,000,000 shares of common stock. Holders of the Company's common stock are entitled to one vote for each share.

As of September 30, 2014 and December 31, 2013, there were 3,668,433 and 3,569,047 shares of common stock outstanding, respectively (excluding 5,116,876 and 6,180,953 shares subject to possible redemption, respectively).

**Preferred Stock**

The Company is authorized to issue 1,000,000 shares of preferred stock, in one or more series, with such designations, voting and other rights and preferences as may be determined from time to time by the board of directors. At September 30, 2014 and December 31, 2013, the Company has not issued any shares of preferred stock.

**11. BUSINESS COMBINATION**

On July 16, 2014, the Company announced that it signed definitive agreements to complete a business combination transaction with Tempus Intermediate Holdings, LLC ("Tempus").

Pursuant to the definitive agreements, at the closing, a subsidiary of the Company will issue to the equity holders of Tempus equity interests exchangeable for approximately 10 million shares of the Company's common stock and will assume liabilities of Tempus, representing a total purchase price of \$140 million, subject to adjustments as defined in

the definitive agreements. The cash currently held in the Company's trust account will be used to fund any redemption by the Company's public stockholders and the payment of transaction fees and expenses. Remaining cash will be used for working capital. For additional information regarding the business combination transaction with Tempus, please see the Current Report on Form 8-K filed by the Company on July 16, 2014.

The Company's board of directors has unanimously approved the Tempus definitive agreements. Completion of the transaction is subject to approval by the Company's stockholders and other closing conditions.

On September 5, 2014, the Company held the Meeting at which the stockholders approved the following items: (i) an amendment to the Company's Amended and Restated Certificate of Incorporation (the "Charter") extending the date by which the Company must consummate its initial business combination from September 13, 2014 to March 13, 2015 (the "Business Combination Deadline Amendment"), (ii) an amendment to the Charter permitting stockholders to redeem their public shares for a pro rata portion of the funds available in the Company's trust account (the "Trust Account") and authorizing the Company and Continental Stock Transfer & Trust Company ("Continental"), the trustee of the Trust Account, to disburse such redemption payments (the "Redemption Rights Amendment") and (iii) an amendment and restatement of the Investment Management Trust Agreement (as amended and restated, the "Trust Agreement") between the Company and Continental permitting distributions from the Trust Account to those persons holding shares of common stock comprising part of the units sold in the Company's initial public offering who wish to exercise their redemption rights in connection with the Meeting, and extending the date on which to liquidate the Trust Account in accordance with the Trust Agreement to March 13, 2015 (the "Trust Amendment"). The affirmative vote of holders of at least sixty-five percent of the issued and outstanding shares of the Company was required to approve each of the proposals. The number of shares of common stock redeemed in connection with the Meeting was 964,691.

In August 2014, our Sponsor, Mr. Wright and Cowen Overseas commenced a tender offer to purchase up to 3,750,000 of our issued and outstanding warrants at a purchase price of \$0.30 per warrant in connection with the Meeting. A total of 7,700 warrants were validly tendered and not withdrawn in the tender offer. In September 2014, our Sponsor, Mr. Wright and Cowen Overseas accepted for purchase all such warrants for an aggregate purchase price of \$2,310.

**CHART ACQUISITION CORP.**

**(a development stage company)**

**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**For the Period from July 22, 2011 (date of inception) to September 30, 2014**

**12. SUBSEQUENT EVENT**

On March 4, 2014, we received a written notice from NASDAQ indicating that we were not in compliance with NASDAQ Listing Rule 5550(a)(3), which requires us to have at least 300 public holders for continued listing on the exchange. Subsequently, NASDAQ accepted our plan to regain compliance with such rule and provided us until September 2, 2014 to evidence such compliance. On September 5, 2014, we received a letter from NASDAQ stating that we had failed to evidence compliance with NASDAQ Listing Rule 5550(a)(3) by September 2, 2014, and that, accordingly, NASDAQ has determined to initiate procedures to delist our securities from NASDAQ, unless we appeal such determination on or before September 12, 2014. We subsequently appealed NASDAQ's delisting determination, which stayed any delisting actions until the issuance of a decision by a hearings panel. On October 16, 2014, we presented our appeal in front of a hearings panel. On October 23, 2014, NASDAQ advised us that the hearings panel had granted our request for continued listing subject to our completing the business combination with Tempus and achieving compliance with all NASDAQ initial listing requirements, including but not limited to NASDAQ Listing Rule 5550(a)(3), by March 4, 2015.

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

The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the interim financial statements and the notes thereto contained elsewhere in this quarterly report on Form 10-Q ("Report"). Certain information contained in the discussion and analysis set forth below includes forward-looking statements that involve risks and uncertainties.

### **Special Note Regarding Forward-Looking Statements**

All statements other than statements of historical fact included in this Form 10-Q including, without limitation, statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations" regarding our financial position, business strategy and the plans and objectives of management for future operations, are forward looking statements. When used in this Form 10-Q, words such as "anticipate," "believe," "estimate," "expect," "intend" and similar expressions, as they relate to us or our management, identify forward looking statements. Such forward looking statements are based on the beliefs of management, as well as assumptions made by, and information currently available to, our management. Actual results could differ materially from those contemplated by the forward looking statements as a result of certain factors detailed in our filings with the SEC. All subsequent written or oral forward looking statements attributable to us or persons acting on our behalf are qualified in their entirety by this paragraph.

### **Overview**

We are a newly organized blank check company formed on July 22, 2011 for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses. We consummated our initial public offering on December 19, 2012. We seek to capitalize on the global network and investing and operating experience of our management team to identify, acquire and operate one or more businesses focused on the provision and/or outsourcing of government services operating within or outside of North America, although we may pursue acquisition opportunities in other business sectors or geographic regions. We believe that the acquisition and operation of an established business focused on the provision and/or outsourcing of government services will provide a foundation from which to build, through acquisition or organic growth, a diversified business platform. We believe our management team has the skills and experience to identify, evaluate and consummate a business combination and is positioned to assist businesses we acquire to satisfy the increased demand for the provision and/or outsourcing of government services because of the experience of our management team in the government sector. However, our management team's global network and investing and operating experience is not a guarantee of a successful initial business combination.

On September 5, 2014, the Company held the Meeting at which the stockholders approved the following items: (i) an amendment to the Company's Amended and Restated Certificate of Incorporation (the "Charter") extending the date by which the Company must consummate its initial business combination from September 13, 2014 to March 13, 2015 (the "Business Combination Deadline Amendment"), (ii) an amendment to the Charter permitting stockholders to redeem their public shares for a pro rata portion of the funds available in the Company's trust account (the "Trust Account") and authorizing the Company and Continental Stock Transfer & Trust Company ("Continental"), the trustee of the Trust Account, to disburse such redemption payments (the "Redemption Rights Amendment") and (iii) an amendment and restatement of the Investment Management Trust Agreement (as amended and restated, the "Trust Agreement") between the Company and Continental permitting distributions from the Trust Account to those persons holding shares of common stock comprising part of the units sold in the Company's initial public offering who wish to exercise their redemption rights in connection with the Meeting, and extending the date on which to liquidate the Trust Account in accordance with the Trust Agreement to March 13, 2015 (the "Trust Amendment"). The affirmative vote of holders of at least sixty-five percent of the issued and outstanding shares of the Company was required to approve each of the proposals. The number of shares of common stock redeemed in connection with the Meeting was 964,691.

In August 2014, our Sponsor, Mr. Wright and Cowen Overseas commenced a tender offer to purchase up to 3,750,000 of our issued and outstanding warrants at a purchase price of \$0.30 per warrant in connection with the Meeting. A total of 7,700 warrants were validly tendered and not withdrawn in the tender offer. In September 2014, our Sponsor, Mr. Wright and Cowen Overseas accepted for purchase all such warrants for an aggregate purchase price of \$2,310.

### ***Results of Operations***

For the period from July 22, 2011 (inception) through September 30, 2014 we had a net loss of \$2,079,285 including a net loss of \$993,867 for the period from January 1, 2014 to September 30, 2014, consisting primarily of interest income and a change in the fair value of the warrant liability offset by general and administrative expenses.

We have neither engaged in any operations nor generated any revenues to date. All activity through September 30, 2014 relates to our formation, our private placements and offering, the identification and evaluation of prospective candidates for an initial business combination, and general corporate matters. Since the completion of our offering, we have not generated any operating revenues and will not until after completion of our initial business combination, at the earliest. We may generate small amounts of non-operating income in the form of interest income on cash and cash equivalents, but such income is not expected to be significant in view of the current low yields on Treasury securities. We 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. As of September 30, 2014, approximately \$65 million was held in the trust account, after the redemption of 964,691 shares. In addition we had cash outside of the trust account of approximately \$470,000 (from the proceeds of certain notes) and approximately \$1,838,000 in accounts payable and accrued expenses. All interest income on the balance of the trust accounts may be available to us to fund our working capital requirements. Through September 30, 2014, the Company has withdrawn \$60,162 in funds from interest earned on the trust proceeds. Other than the deferred underwriting fees, no amounts are payable to the underwriters of our initial public offering in the event of a business combination.

### ***Liquidity and Capital Resources***

On December 19, 2012, we consummated our offering of 7,500,000 units at a price of \$10.00 per unit. Simultaneously with the consummation of our offering, we consummated the private sale of 375,000 units to our Sponsor, Joseph Wright and Cowen Overseas for \$3.75 million. We received net proceeds from our offering and the sale of the placement units of approximately \$76,120,000 net of the non-deferred portion of the underwriting commissions of \$2,062,050 and offering costs of approximately \$567,550. Upon the closing of the offering and the private placement, \$75,000,000 was placed into a trust account while the remaining funds were placed in an account outside the trust for working capital purposes.

On September 5, 2014, 964,691 shares of common stock were redeemed at a price of \$10.00 per share for a total redemption amount of \$9,646,910.

As of September 30, 2014, investment securities in our trust account consisted of \$65,351,857 in United States money market mutual fund securities. Out of the proceeds of our offering which remained available outside of the trust

account, we obtained officers and directors insurance covering an 18 month period from December 7, 2012 through June 13, 2014 for a cost of \$260,000. In June 2014, the Company renewed its officers and directors insurance covering a 3 month period from June 13, 2014 through September 13, 2014 for a cost of \$43,700. In September 2014, the Company renewed its officers and directors insurance covering a 6 month period from September 13, 2014 through March 13, 2015 for a cost of \$85,950. The invoice was paid in October 2014.

As of September 30, 2014, we had a cash and cash equivalent balance of \$469,897, held outside of our trust account after issuance of \$1,150,000 in Notes Payable, which is available for use by us to cover the costs associated with identifying a target business and negotiating a business combination and other general corporate uses. We believe that we have sufficient funds available to conduct the normal operations of the business. However, we may need to obtain additional financing from our Sponsor, Cowen Overseas and Joseph Wright to consummate our initial business combination with an operating business by March 13, 2015.

For the period from July 22, 2011 (date of inception) to September 30, 2014, we used cash of \$1,825,052 in operating activities, which was largely attributable to a loss from operations of approximately \$3,658,520 (exclusive of a non-cash gain from the change in fair value of the warrant liability). During the first nine months of 2014, we used cash of \$798,809 in operating activities, which was largely attributable to a loss from operations of approximately \$2,573,102 (exclusive of a non-cash gain from the change in fair value of the warrant liability).



We intend to use substantially all of the funds held in the trust account, including any amounts representing interest earned on the trust account (less amounts released to us for working capital purposes or to pay taxes and deferred underwriting commissions) to consummate our initial business combination. We may use all interest earned on the trust account for purposes of working capital, to pay taxes and dissolution expenses. We estimate our annual franchise tax obligations, based on the number of shares of our common stock authorized and outstanding to be approximately \$80,000. Our annual income tax obligations will depend on the amount of interest and other income earned on the amounts held in the trust account. To the extent that our capital stock or debt is used, in whole or in part, as consideration to consummate our initial business combination, the remaining proceeds held in the trust account will be used as working capital to finance the operations of the target business or businesses, make other acquisitions and pursue our growth strategies.

We are an emerging growth company as defined in the JOBS Act. As an emerging growth company, we have elected, pursuant to Section 107(b) of the JOBS Act, to take advantage of the extended transition period provided in Securities Act Section 7(a)(2)(B) for complying with new or revised accounting standards. We will therefore 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 may take advantage of this extended transition period provided in Securities Act Section 7(a)(2)(B) until the first to occur of the date we (i) are no longer an “emerging growth company” or (ii) affirmatively and irrevocably opt out of the extended transition period provided in Securities Act Section 7(a)(2)(B). As such, our financial statements may not be comparable to companies that comply with public company effective dates.

Upon the issuance of a new or revised accounting standard that applies to our financial statements and has a different effective date for public and private companies, we will disclose the date on which adoption is required for non-emerging growth companies and the date on which we will adopt the recently-issued accounting standard.

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

None.

### ***Contractual obligations***

The Company issued a \$246,667 unsecured non-interest bearing promissory note to our Sponsor on February 10, 2014. The proceeds from the loan were used for working capital purposes of the Company. The principal balance of the note was initially payable on the earlier of (i) the date that is nine (9) months from the date of the note or (ii) the date on which the Company consummates an initial business combination. The notes are convertible at the Sponsor’s election upon the consummation of an initial business combination. Upon such election, the notes will convert, at a

price of \$0.75 per share, into warrants to purchase common stock of the Company. These warrants would be identical to the placement warrants. On September 9, 2014, the promissory note was amended to provide that the payment date shall be the earlier of: (i) March 13, 2015 or (ii) the date on which the Company consummates its initial business combination.

The Company issued a \$215,834 unsecured non-interest bearing promissory note to our Sponsor on September 9, 2014. The proceeds from the loan were used for working capital purposes of the Company. The principal balance of the note is payable on the earlier of (i) March 13, 2015 or (ii) the date on which the Company consummates an initial business combination. The notes are convertible at the Sponsor's election upon the consummation of an initial business combination. Upon such election, the notes will convert, at a price of \$0.75 per share, into warrants to purchase common stock of the Company. These warrants would be identical to the placement warrants.

The Company issued a \$246,667 unsecured non-interest bearing promissory note to our Sponsor on September 9, 2014. The proceeds from the loan were used for working capital purposes of the Company. The principal balance of the note is payable on the earlier of (i) March 13, 2015 or (ii) the date on which the Company consummates an initial business combination.

The Company issued a \$140,000 unsecured non-interest bearing promissory note to Cowen Overseas, an affiliate of one of our directors, on February 4, 2014. The proceeds from the loan were used for working capital purposes of the Company. The principal balance of the note was initially payable on the date of the consummation of an initial business combination. The notes are convertible at Cowen Overseas' election upon the consummation of an initial business combination. Upon such election, the notes will convert, at a price of \$0.75 per share, into warrants to purchase common stock of the Company. These warrants would be identical to the placement warrants. On September 9, 2014, the promissory note was amended to provide that the payment date shall be the earlier of: (i) March 13, 2015 or (ii) the date on which the Company consummates its initial business combination.

The Company issued a \$122,500 unsecured non-interest bearing promissory note to Cowen Overseas on September 9, 2014. The proceeds from the loan were used for working capital purposes of the Company. The principal balance of the note is payable on the earlier of (i) March 13, 2015 or (ii) the date on which the Company consummates an initial business combination. The notes are convertible at Cowen Overseas' election upon the consummation of an initial business combination. Upon such election, the notes will convert, at a price of \$0.75 per share, into warrants to purchase common stock of the Company. These warrants would be identical to the placement warrants.

The Company issued a \$140,000 unsecured non-interest bearing promissory note to Cowen Overseas on September 9, 2014. The proceeds from the loan were used for working capital purposes of the Company. The principal balance of the note is payable on the earlier of (i) March 13, 2015 or (ii) the date on which the Company consummates an initial business combination.

The Company issued a \$13,333 unsecured non-interest bearing promissory note to Joseph Wright, our Chairman and Chief Executive Officer, on February 7, 2014. The proceeds from the loan were used for working capital purposes of the Company. The principal balance of the note was initially payable on the date of the consummation of an initial business combination. The notes are convertible at Mr. Wright's election upon the consummation of an initial business combination. Upon such election, the notes will convert, at a price of \$0.75 per share, into warrants to purchase common stock of the Company. These warrants would be identical to the placement warrants. On September 9, 2014, the promissory note was amended to provide that the payment date shall be the earlier of: (i) March 13, 2015 or (ii) the date on which the Company consummates its initial business combination.

The Company issued a \$11,666 unsecured non-interest bearing promissory note to Mr. Wright on September 9, 2014. The proceeds from the loan were used for working capital purposes of the Company. The principal balance of the note is payable on the earlier of (i) March 13, 2015 or (ii) the date on which the Company consummates an initial business combination. The notes are convertible at Mr. Wright's election upon the consummation of an initial business combination. Upon such election, the notes will convert, at a price of \$0.75 per share, into warrants to purchase common stock of the Company. These warrants would be identical to the placement warrants.

The Company issued a \$13,333 unsecured non-interest bearing promissory note to Mr. Wright on September 9, 2014. The proceeds from the loan were used for working capital purposes of the Company. The principal balance of the note is payable on the earlier of (i) March 13, 2015 or (ii) the date on which the Company consummates an initial business combination.

We do not have any other long-term debt, capital lease obligations, operating lease obligations or long-term liabilities other than a monthly fee of \$10,000 payable to the Chart Group L.P., an affiliate of our Sponsor, for office space, secretarial and administrative services.

We began incurring these fees on December 14, 2012 (the date the securities of the Company were first listed on the Nasdaq Capital Market) and will terminate upon the earlier of (i) the consummation of an initial business combination or (ii) the liquidation of the Company.

### ***Significant Accounting Policies***

We have identified the following as our significant accounting policies.

#### *Net Income (Loss) Per Common Share*

Net income (loss) per common share is computed by dividing net income (loss) applicable to common stockholders by the weighted average number of common shares outstanding for the period. Prior to December 13, 2012, 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 income (loss) per common share is the same as basic income (loss) per share for periods presented.

#### *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. Actual results could differ from those estimates.

#### *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.

### *Redeemable Common Stock*

All of the common shares sold as part of the units in the public offering and still outstanding as of September 30, 2014, 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.

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 September 30, 2014, 5,116,876 public shares 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 interest but less franchise and income taxes payable (approximately \$10.00 at September 30, 2014 ).

### *Income Tax*

The Company complies with the accounting and reporting requirements of 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 the 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. A valuation allowance is established when necessary to reduce deferred tax assets when it is determined that it is more likely than not that some portion of the deferred tax asset will not be realized. At September 30, 2014 and December 31, 2013, the Company has a net deferred tax asset of approximately \$728,000 and \$378,000, respectively, related to net operating loss carry forwards which begin to expire in 2032, change in fair value of warrant liability, and start-up costs. Management has determined that a full valuation allowance of the deferred tax asset is appropriate at this time.

FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48) (now incorporated into FASB ASC 740, Income Taxes), sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. This interpretation uses a two-step approach wherein a tax benefit is recognized if a position is more-likely-than-not to be sustained upon examination by taxing authorities. The amount of the benefit is then measured to be the highest tax benefit that is greater than 50% likely to be realized. Based on its analysis, the Company has determined that it has not incurred any liability for unrecognized tax benefits as of September 30, 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. 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 September 30, 2014.

The Company may be subject to potential examination by U.S. federal, U.S. states or foreign jurisdiction authorities in the areas of income taxes. These potential examinations may include questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions and compliance with U.S. federal, U.S. state and foreign tax laws.

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

We were incorporated in Delaware on July 22, 2011 for the purpose of effecting a business combination. We were considered in the development stage at September 30, 2014 and had not yet commenced any operations or generated any revenues. All activity through September 30, 2014 relates to our formation, our initial public offering and the identification and evaluation of prospective candidates for a business combination. The net proceeds of the initial public offering and the private placement in December 2012 were placed into a trust account and invested in United States "government securities" within the meaning of Section 2(a)(16) of the Investment Company Act of 1940 having a maturity of 180 days or less. Due to the short-term nature of these investments, we believe there is no associated material exposure to interest rate risk.

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

##### *Evaluation of Disclosure Controls and Procedures*

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer (together, the “Certifying Officers”), we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based on the foregoing, our Certifying Officers concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Report. Disclosure controls and procedures are controls and other procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our Certifying Officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

##### *Changes in Internal Control over Financial Reporting*

There were no changes in our internal control over financial reporting during our second fiscal quarter of 2014 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

##### *Limitations on the Effectiveness of Internal Controls*

Readers are cautioned that our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will necessarily prevent all fraud and material error. An internal control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our control have been detected. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any control design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

## **PART II — OTHER INFORMATION**

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

None.

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

Factors that could cause our actual results to differ materially from those in this report are any of the risks described in our Annual Report on Form 10-K filed with the SEC on March 17, 2014. Any of these factors could result in a significant or material adverse effect on our results of operations or financial condition. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations.

As of the date of this Report, there have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K filed with the SEC on March 17, 2014, except for the addition of the following risk factors:

***Completion of the business combination transaction is subject to various conditions.***

The consummation of the business combination transaction with Tempus (the “Acquisition”) is subject to the satisfaction of certain conditions, including receipt of the approval of our stockholders of the transaction contemplated in the Equity Transfer and Acquisition Agreement, dated as of July 15, 2014, by and among (i) the Company, (ii) Tempus Group Holdings, LLC, a wholly-owned subsidiary of the Company (the “Buyer”), (iii) Tempus Intermediate Holdings, LLC (“Tempus”), (iv) each of the members of Tempus (the “Members”), (v) Benjamin Scott Terry and John G. Gulbin III (the “Members’ Representative”) (solely for purposes of Section 1.3, 6.3, 6.5, 6.7, and 6.11, 6.20, 6.21 and 8.6 of Articles II, IX, XI and XII) and (vi) Chart Acquisition Group LLC, Mr. Joseph Wright and Cowen Overseas Investment LP (the “Warrant Offerors”) (solely for purposes of Sections 6.14 and 6.15) (the “Purchase Agreement”). Additionally, the consummation of the transaction is subject to Tempus effectuating a corporate reorganization pursuant to a Restructuring Agreement, dated as of July 15, 2014, by and among Tempus and certain of its affiliates (the “Reorganization”).



The Purchase Agreement includes customary termination provisions applicable to Tempus, the Buyer, the Members' Representative and the Company. Buyer and Tempus can jointly agree to terminate the Purchase Agreement at any time prior to the consummation of the Acquisition, and either party may terminate the Purchase Agreement if the closing has not occurred one hundred twenty days after the delivery to the Company of the audited financial statements of Tempus and its subsidiaries required to be delivered pursuant to the Purchase Agreement (the "Required Financial Statements"). In addition, Tempus will have the right to update its disclosure schedules to reflect certain information obtained in connection with the preparation of the Required Financial Statements. If Tempus exercises its right to update its disclosure schedules, the Buyer will have the right to terminate the Purchase Agreement or, if it does not terminate the Purchase Agreement, either waive or refuse to waive any of the matters disclosed in such update. If the Buyer does not terminate the Purchase Agreement and refuses to waive any of the matters disclosed in such update, Tempus will have the right to terminate the Purchase Agreement.

In the event that by the 90th day following date of the Purchase Agreement, either (i) the Required Financial Statements have not been delivered to the Company or (ii) the Reorganization has not been consummated, Buyer will have the right to terminate the Purchase Agreement.

As a result of these and other conditions (as more fully set forth in the Purchase Agreement), we cannot assure you that the Transaction will be completed.

***We have received a delisting notice from NASDAQ and there can be no assurance that our securities will continue to be listed on NASDAQ.***

On March 4, 2014, we received a written notice from NASDAQ indicating that we were not in compliance with NASDAQ Listing Rule 5550(a)(3), which requires us to have at least 300 public holders for continued listing on the exchange. Subsequently, NASDAQ accepted our plan to regain compliance with such rule and provided us until September 2, 2014 to evidence such compliance. On September 5, 2014, we received a letter from NASDAQ stating that we had failed to evidence compliance with NASDAQ Listing Rule 5550(a)(3) by September 2, 2014, and that, accordingly, NASDAQ has determined to initiate procedures to delist our securities from NASDAQ, unless we appeal such determination on or before September 12, 2014. We subsequently appealed NASDAQ's delisting determination, which stayed any delisting actions until the issuance of a decision by a hearings panel. On October 16, 2014, we presented our appeal in front of a hearings panel. On October 23, 2014, NASDAQ advised us that the hearings panel had granted our request for continued listing subject to our completing the business combination with Tempus and achieving compliance with all NASDAQ initial listing requirements, including but not limited to NASDAQ Listing Rule 5550(a)(3), by March 4, 2015. However, there is no assurance that we will regain compliance with all of NASDAQ's initial listing requirements by such date. If we do not regain compliance by such date, our securities will likely cease trading on NASDAQ, which may adversely affect the liquidity and trading of our securities.

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

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURE**

None.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q.

| <b>Exhibit Number</b> | <b>Description</b>   |
|-----------------------|--|
| 2.1                   | Equity Transfer and Acquisition Agreement, dated as of July 15, 2014, by and among (i) The Tempus Group Holdings, LLC, (ii) Tempus Intermediate Holdings, LLC, (iii) the Members, (iv) the Members' Representative, (v) Chart Acquisition Corp., and (vi) Chart Acquisition Group LLC, Mr. Joseph Wright and Cowen Overseas Investment LP (incorporated by reference to the Company's Current Report on Form 8-K |

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filed with the Securities and Exchange Commission on July 16, 2014).

- 2.2 Supporting Stockholder Agreement, dated as of July 15, 2014, by and among Tempus Intermediate Holdings, LLC, Benjamin Scott Terry and John G. Gulbin, III, and Chart Acquisition Group, LLC, The Chart Group, L.P., Christopher D. Brady, Joseph Wright and Cowen Overseas Investment LP (incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 16, 2014).
- 3.1 Amended and Restated Certificate of Incorporation, dated September 5, 2014 (incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 5, 2014).
- 10.1 Amended and Restated Investment Management Trust Agreement, dated September 5, 2014, by and between Chart Acquisition Corp. and Continental Stock Transfer & Trust Company (incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 5, 2014).
- 10.2 Form of Convertible Promissory Note, dated September 9, 2014 (incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 9, 2014).
- 10.3 Form of Promissory Note, dated September 9, 2014 (incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 9, 2014).
- 10.4 Amended and Restated Warrant Agreement, dated September 12, 2014, by and between Continental Stock Transfer & Trust Company and Chart Acquisition Corp. (incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 9, 2014).
- 10.5 Form of Amended and Restated Letter Agreement, dated September 9, 2014, by and among the Company, certain of the Company's security holders and the officers and directors of the Company, Deutsche Bank Securities, Inc. and Cowen and Company, LLC (incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 9, 2014).
- 10.6 Amended and Restated Escrow Agreement, dated September 12, 2014, by and among Chart Acquisition Group, LLC, Joseph Wright, and Cowen Overseas Investment, Continental Stock Transfer & Trust Company, and Deutsche Bank Securities, Inc. and Cowen and Company, LLC (incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 9, 2014).

- 31.1\* Certification of the Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a).
- 31.2\* Certification of the Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a).
- 32.1\* Certification of the Chief Executive Officer required by Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. 1350.
- 32.2\* Certification of the Chief Financial Officer required by Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. 1350.
- 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

\*Filed herewith.

**SIGNATURES**

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

**CHART ACQUISITION CORP.**

Dated: November 10, 2014 /s/ Joseph Wright  
Joseph Wright

Chief Executive Officer

(Principal executive officer)

Dated: November 10, 2014 /s/ Michael LaBarbera  
Michael LaBarbera

Chief Financial Officer

(Principal financial and accounting officer)