Global Defense & National Security Systems, Inc.
Form 10-K
March 14, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2013

or

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

For the transition period from _____ to _____

Commission file number 000-10030

GLOBAL DEFENSE & NATIONAL SECURITY SYSTEMS, INC.
(Exact Name of Registrant as Specified on Its Charter)

Delaware	**46-3134302**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
11921 Freedom Drive, Suite 550 Two Fountain Square Reston, Virginia	**20190**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number including area code **(202) 800-4333**

Securities registered under Section 12(b) of the Exchange Act:

Title of Class	Name of each exchange on which registered
Common Stock, $0.0001 par value	Nasdaq Capital Market

Securities registered under Section 12(g) of the Exchange Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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 þ

No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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).

Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions 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 þ
(Do not check if 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 þ No o

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrants most recently completed second fiscal quarter: Not applicable.

The number of shares outstanding of the registrant's common stock as of March 14, 2014 was 9,624,725.

DOCUMENTS INCORPORATED BY REFERENCE:

None.

GLOBAL DEFENSE & NATIONAL SECURITY SYSTEMS, INC.

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GLOBAL DEFENSE & NATIONAL SECURITY SYSTEMS, INC.

Certain Terms

Throughout this document, unless otherwise specified or if the context otherwise requires, the “Company”, “we”, “us”, and “our” refer to Global Defense & National Security Systems, Inc., a blank check company organized under the laws of the State of Delaware on July 3, 2013.

Forward-Looking Statements

This Annual Report contains statements that are forward-looking and as such are not historical facts. Rather, these statements constitute projections, forecasts and forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of performance. They involve known and unknown risks, uncertainties, assumptions and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by these statements. Such statements can be identified by the fact that they do not relate strictly to historical or current facts. These statements use words such as “believe,” “expect,” “should,” “strive,” “plan,” “intend,” “esti “anticipate” or similar expressions. When the Company discusses its strategies or plans, it is making projections, forecasts or forward-looking statements. Such statements are based on the beliefs of management, as well as assumptions made by, and information currently available to, the Company’s management. Actual results and stockholders’ value will be affected by a variety of risks and factors, including, without limitation, international, national and local economic conditions, merger, acquisition and business combination risks, financing risks, geo-political risks, and acts of terror or war. Many of the risks and factors that will determine these results and stockholder values are beyond the Company’s ability to control or predict.

All such forward-looking statements speak only as of the date of this Annual Report. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. All subsequent written or oral forward-looking statements attributable to us or persons acting on the Company’s behalf are qualified in their entirety by this Forward-Looking Statements section.

GLOBAL DEFENSE & NATIONAL SECURITY SYSTEMS, INC.

PART I

Item 1. *Business*

Introduction

We are a blank check development stage company organized under the laws of the State of Delaware on July 3, 2013. We were formed for the purpose of acquiring, through a merger, capital stock exchange, asset acquisition, stock purchase, reorganization, exchangeable share transaction or other similar business transaction, one or more operating businesses or assets (a "Business Combination"). We have reviewed, and continue to review, a number of opportunities to enter into a business combination with an operating business. Accordingly, we are not able to conclusively determine at this time whether we will complete a Business Combination with any of the target companies that we have reviewed or with whose management we have had discussions, or with any other target company, or the likelihood thereof. We also have neither engaged in any operations nor generated any revenue to date.

On July 19, 2013, our sponsor, Global Defense & National Security Holdings LLC, a Delaware limited liability company ("Sponsor") purchased 2,003,225 shares (the "Sponsor's Shares") of the Company's common stock, par value $0.0001 per share (the "Common Stock") for an aggregate purchase price of $25,000, or approximately $.0125 per share.

On October 29, 2013, we consummated our initial public offering (the "IPO") of 6,900,000 shares (the "Public Shares") of the Common Stock, including 900,000 shares of Common Stock issued pursuant to the full exercise of the underwriters' over-allotment option. The Public Shares were sold at a price of $10.00 per share, generating gross proceeds to the Company of $69,000,000.

Simultaneously with the closing of the IPO, the Company completed the private sale of 721,500 shares of Common Stock ("Private Placement Shares") at a purchase price of $10.00 per Private Placement Share, to our Sponsor generating gross proceeds to the Company of $7,215,000.

A total of $72,795,000 comprised of approximately $65.6 million of the proceeds from the IPO, including approximately $1.9 million of underwriters' deferred discount, and the proceeds of the sale of the Private Placement Shares were placed in a Trust Account (the "Trust Account") maintained by American Stock Transfer & Trust Company, acting as trustee. These funds will not be released until the earlier of the Company's completion of its initial Business Combination or the Company's liquidation, although the Company may withdraw the interest earned on the funds held in the Trust Account to pay franchise and income taxes.

Our efforts to identify an initial Business Combination will not be limited to a particular industry or geographic region, although we intend to focus on companies in the United States of America (the "United States" or the "U.S.") operating in the defense and national security sectors.

Business Strategy

Our management team intends to focus on increasing stockholder value by growing revenue and profitability (through acquisitions and organic growth) and improving the efficiency of business operations. Consistent with this strategy, we believe the general criteria and guidelines below are important in evaluating prospective target businesses.

Strong Competitive Position in Industry: We intend to focus on companies located in the U.S. that have leading or niche market positions in the defense and national security sectors and compelling business fundamentals. We will analyze the strengths and weaknesses of target businesses relative to the competitive environment, with a particular emphasis on measuring competitive advantage from intellectual property, technology positioning, capability framework, contract and pipeline strength, contract performance, barriers to entry, capital investment, and brand. We will seek to acquire one or more businesses that demonstrate advantages when compared to their competitors, which may help to protect their market position and increase profitability.

Mission Critical Capabilities that Address a Market Need: We intend to target companies that are focused on developing next generation technologies and that have capabilities within the FY 2014 budget priorities of the Department of Defense, the Department of Homeland Security, the Department of State, and the Intelligence Community. These capabilities include, but are not limited to software engineering, systems engineering and integration, mission systems information technology ("IT") and architectures, and operational support services.

Opportunities for Platform Growth: We will seek to acquire one or more businesses that, through Global Strategies Group's industry relationships and position as a strategic operator with a strong track record of supporting the U.S. national security mission, can be grown both organically and through additional acquisitions. We will look to acquire businesses that are providing solutions in areas prioritized by the U.S. government as posing the greatest threats to U.S. national security. We may initially consider those sectors that complement our management team's background and broad network of industry relationships.

Established Companies with Compelling Financial Metrics: We will seek to acquire established companies with compelling financial metrics. These metrics would include, but not be limited to, recurring revenue streams with opportunities for growth, diverse customer base with long-term contracts, strong margins, low requirements for working capital and capital expenditure, and scalability potential. Although we are not restricted from doing so, we do not intend to acquire start-up companies.

Opportunities to Create Synergies and Increase Intrinsic Value: We will seek to acquire companies whose business opportunities, operations, and financial position can benefit from Global Strategies Group's expertise. Given Global Strategies Group's history as a strategic operator and investor in these sectors, we have the ability to generate synergies and open new growth opportunities for our initial business acquisition, thereby increasing the intrinsic value of the business. We believe we can do this by exploiting our proven entrepreneurial mindset, leveraging our industry relationships, creating transformational growth through investments, and emphasizing business best practices.

Invest in a Motivated and Capable Management Team: We will seek to acquire businesses with experienced management teams who have a personal stake in the performance of the acquired businesses. We will focus on management teams with a track record of consistent financial performance. We anticipate that our own officers and directors will complement, not replace, the skills of the target company's management team. If necessary, we will assess opportunities to improve a target's management team and to recruit additional talent through our extensive network of contacts.

While these criteria will be used in evaluating Business Combination opportunities, we may decide to enter into a Business Combination with a target business or businesses that do not meet these proposed criteria and guidelines.

Effecting a Business Combination

General

We intend to utilize the cash proceeds of the IPO and the concurrent private placement of the Private Placement Shares, our securities, debt or a combination of cash, securities and debt as the purchase consideration in a Business

Combination. While substantially all of the net proceeds of our IPO and the concurrent private placement of the Private Placement Shares are allocated to completing a Business Combination, the proceeds are not otherwise designated for more specific purposes, other than as discussed below. If we engage in a Business Combination with a target business using our securities and/or debt financing as the consideration to fund the combination, proceeds from our IPO and the concurrent private placement of the Private Placement Shares will then be used to undertake additional acquisitions or to fund the operations of the target business on a post-combination basis. We may engage in a Business Combination with a company that does not require significant additional capital but is seeking a public trading market for its shares, and which wants to merge with an existing public company to avoid the uncertainties associated with undertaking its own public offering. These uncertainties include time delays, compliance and governance issues, significant expense, a possible loss of voting control, and the risk that market conditions will not be favorable for an initial public offering at the time the offering is ready to be sold. We may seek to effect a Business Combination with more than one target business, although our limited resources may serve as a practical limitation on our ability to do so.

Prior to completion of a Business Combination, we will seek to have all third parties (including any vendors or other entities) and any prospective target businesses enter into valid and enforceable agreements with us waiving any right, title, interest or claim of any kind they may have in or to any monies held in the Trust Account. As a result, the claims that could be made against us will be limited, thereby lessening the likelihood that any claim would result in any liability extending to the Trust Account. We therefore believe that any necessary provision for creditors will be reduced and should not have a significant impact on our ability to distribute the funds in the Trust Account to our public stockholders upon the redemption of 100% of our outstanding Public Shares in the event we do not complete our initial Business Combination within 21 months from the date of the Company's prospectus (October 24, 2013). Nevertheless, there is no guarantee that vendors, service providers and prospective target businesses will execute such agreements. In the event that a potential contracted party was to refuse to execute such a waiver, we will execute an agreement with that entity only if our management first determines that we would be unable to obtain, on a reasonable basis, substantially similar services or opportunities from another entity willing to execute such a waiver.

There is also no guarantee that, even if they execute such agreements with us, they will not seek recourse against the Trust Account. Our Sponsor has agreed that it will be liable to pay debts and obligations to target businesses or vendors or other entities that are owed money by us for services rendered or contracted for or products sold to us, but only if, and to the extent that, the claims would otherwise reduce the Trust Account to below $10.55 per Public Share. Our Sponsor has entered into an indemnity agreement with Global Integrated Security (USA) Inc., a member of Global Strategies Group, pursuant to which Global Integrated Security (USA) Inc. has agreed to indemnify our Sponsor so that it can fund its obligations under the Sponsor indemnity. However, our Sponsor may not be able to satisfy its indemnification obligations if it is required to so. Additionally, the indemnification agreement entered into by our Sponsor specifically provides for two exceptions: it will have no liability (1) as to any claimed amounts owed to a target business or vendor or other entity who has executed an agreement with us waiving any right, title, interest or claim of any kind they may have in or to any monies held in the Trust Account, or (2) as to any claims under our indemnity with the underwriters of the IPO against certain liabilities, including liabilities under the Securities Act. Subject to the requirement that a target business or businesses have a collective fair market value of at least 80% of the balance in the Trust Account at the time of the execution of a definitive agreement for such Business Combination (excluding deferred underwriting fees of $1.9 million and taxes payable on the income earned on the Trust Account), we have virtually unrestricted flexibility in identifying and selecting one or more prospective target businesses. The fair market value of the target will be determined by the Company's board of directors based upon one or more standards generally accepted by the financial community (such as actual and potential sales, earnings, cash flow and/or book value). Although we will assess the risks inherent in a particular target business, we cannot assure you that our assessment will result in identifying all risks that a target business may encounter. Furthermore, some of those risks may be outside of our control, meaning that we can do nothing to control or reduce the chances that those risks will adversely impact a target business.

Sources of Target Businesses

Over the course of their careers, our management team and board of directors have developed an international network of contacts and working relationships with principals, as well as intermediaries, who constitute an important source for prospective business transactions. The team is comprised of members with a collective experience of over 40 years in operating, advising, acquiring, financing, and selling private and public companies. We believe that this network of contacts and relationships will provide us with an important source of investment opportunities. In addition to any potential business candidates we may identify on our own, we anticipate that other target business candidates will be brought to our attention from various unaffiliated sources, including investment market participants, private equity funds and large business enterprises seeking to divest non-core assets or divisions.

We have reviewed, and continue to review, a number of opportunities to enter into a business combination with an operating business. Accordingly, we are not able to conclusively determine at this time whether we will complete a Business Combination with any of the target companies that we have reviewed or with whose management we have had discussions, or with any other target company, or the likelihood thereof. We believe based on our management's business knowledge and past experience that there will be numerous acquisition candidates. We anticipate that target business candidates will be brought to our attention from various unaffiliated sources, including investment bankers, venture capital funds, private equity funds, leveraged buyout funds, management buyout funds and other members of the financial community. Target businesses may be brought to our attention by such unaffiliated sources as a result of being solicited by us through calls or mailings. These sources may also introduce us to target businesses in which they think we may be interested on an unsolicited basis, since many of these sources will have read our prospectus and know what types of businesses we are targeting. Our Sponsor, our officers or directors and their respective affiliates may also bring to our attention target business candidates that they become aware of through their business contacts as a result of formal or informal inquiries or discussions they may have, as well as attending trade shows or conventions. While we do not presently anticipate engaging the services of professional firms or other individuals that specialize in business acquisitions on any formal basis, we may engage these firms or other individuals in the future, in which event we may pay a finder's fee, consulting fee or other compensation to be determined in an arm's length negotiation based on the terms of the transaction. In no event, however, will our Sponsor, our officers or directors or their respective affiliates be paid any finder's fee, consulting fee or other compensation prior to, or for any services they render in order to effectuate, the closing of our initial Business Combination (regardless of the type of transaction that it is) other than the repayment of loans received from our Sponsor, which total $80,105 as of December 31, 2013, and reimbursement of any out-of-pocket expenses. We have no present intention to enter into a Business Combination with a target business that is affiliated with our Sponsor or any of our officers or directors, including (1) an entity in which any of the foregoing or their affiliates are currently officers or directors or (2) an entity in which any of the foregoing or their affiliates are currently invested through an investment vehicle controlled by them (except an entity in which any of the foregoing or their affiliates are currently passive investors and hold in the aggregate 1% or less of the outstanding stock). However, we are not restricted from entering into any such transactions and may do so if (1) such transaction is approved by a majority of our disinterested and independent directors (if we have any at that time) and (2) we obtain an opinion from an independent investment banking firm which is a member of FINRA that the Business Combination is fair to our unaffiliated stockholders from a financial point of view.

Selecting A Target Business And Structuring of Our Initial Business Combination

Subject to the limitation that a target business have a fair market value of at least 80% of the balance in the Trust Account at the time of the execution of a definitive agreement for our initial Business Combination (excluding deferred underwriting fees and taxes payable on the income earned on the Trust Account), as described below in more detail, our management will have virtually unrestricted flexibility in identifying and selecting a prospective target business. Except for the general criteria and guidelines set forth above under the caption "*Business Strategy*," we have not established any specific attributes or criteria (financial or otherwise) for prospective target businesses. Furthermore, we do not have any specific requirements with respect to the value of a prospective target business as

compared to our net assets or the funds held in the Trust Account. In evaluating a prospective target business, our management may consider a variety of factors, including one or more of the following:

- competitive position;
- mission critical capabilities that address a market need;
- growth potential;
- financial condition and results of operation;
- opportunities to create synergies and increase intrinsic value;
- motivation, experience and skill of management and availability of additional personnel;
- brand recognition and potential;
- capital requirements;
- barriers to entry;
- stage of development of the products, processes or services;
- existing distribution and potential for expansion;
- degree of current or potential market acceptance of the products, processes or services;
- proprietary aspects of products and the extent of intellectual property or other protection for products or formulas;
- impact of regulation on the business;
- regulatory environment of the industry;
- costs associated with effecting the Business Combination;
- industry leadership, sustainability of market share and attractiveness of market industries in which a target business participates; and
- macro competitive dynamics in the industry within which the company competes.

These criteria are not intended to be exhaustive. Any evaluation relating to the merits of a particular Business Combination will be based, to the extent relevant, on the above factors as well as other considerations deemed relevant by our management in effecting a Business Combination consistent with our business objective. In evaluating a prospective target business, we will conduct an extensive due diligence review which will encompass, among other things, meetings with incumbent management and inspection of facilities, as well as review of financial and other information which is made available to us. This due diligence review will be conducted either by our management or by unaffiliated third parties we may engage, although we have no current intention to engage any such third parties.

The time required to select and evaluate a target business and to structure and complete the Business Combination, and the costs associated with this process, are not currently ascertainable with any degree of certainty. Any costs incurred with respect to the identification and evaluation of a prospective target business with which a Business Combination is not ultimately completed will result in our incurring losses and will reduce the funds we can use to complete another Business Combination. We will not pay any finders or consulting fees to members of our management team, or any of their respective affiliates, for services rendered to or in connection with a Business Combination.

Fair Market Value Of Target

Pursuant to the NASDAQ listing rules, the target business or businesses that we acquire must collectively have a fair market value equal to at least 80% of the balance of the funds in the Trust Account at the time of the execution of a definitive agreement for our initial Business Combination (excluding deferred underwriting fees and taxes payable on the income earned on the Trust Account), although we may acquire a target business whose fair market value significantly exceeds 80% of the Trust Account balance. We currently anticipate structuring a Business Combination to acquire 100% of the equity interests or assets of the target business or businesses. We may, however, structure a Business Combination where we merge directly with the target business or where we acquire less than 100% of such interests or assets of the target business. If we acquire less than 100% of the equity interests or assets of the target business, we will not enter into a Business Combination unless the post-transaction company owns or acquires 50% or more of the outstanding voting securities of the target or otherwise acquires a controlling interest in the target sufficient for it not to be required to register as an investment company under the Investment Company Act of 1940. If we acquire less than 100% of the equity interest in a target business or businesses, the portion of such business that we acquire must have a fair market value equal to at least 80% of the Trust Account balance. In order to close such an acquisition, we may issue a significant amount of our debt or equity securities to the sellers of such businesses and/or seek to raise additional funds through a private offering of debt or equity securities. We have not entered into any such fund raising arrangement. The fair market value of the target will be determined by our board of directors based upon one or more standards generally accepted by the financial community (such as actual and potential sales, earnings, cash flow and/or book value). If our board is not able to independently determine that the target business has a sufficient fair market value, we will obtain an opinion from an unaffiliated, independent investment banking firm, or another independent entity that commonly renders valuation opinions on the type of target business we are seeking to acquire, with respect to the satisfaction of such criteria. We will not be required to obtain an opinion from an independent investment banking firm, or another independent entity that commonly renders valuation opinions on the type of target business we are seeking to acquire, as to the fair market value if our board of directors independently determines that the target business complies with the 80% threshold.

Lack Of Business Diversification

We may seek to effect a Business Combination with more than one target business, and there is no required minimum valuation standard for any target at the time of such acquisition. We expect to complete only a single Business Combination, although this process may entail the simultaneous acquisitions of several operating businesses. Therefore, at least initially, the prospects for our success may be entirely dependent upon the future performance of a single business operation. By consummating our initial Business Combination with only a single entity, our lack of diversification may:

- subject us to negative economic, competitive and regulatory developments, any or all of which may have a substantial adverse impact upon the particular industry in which we may operate subsequent to our initial Business Combination; and
- result in our dependency upon the performance of a single operating business or the development or market acceptance of a single or limited number of products, processes or services.

If we determine to simultaneously acquire several businesses and such businesses are owned by different sellers, we will need for each such seller to agree that our purchase of its business is contingent on the simultaneous closings of the other acquisitions, which may make it more difficult for us, and delay our ability, to complete the Business Combination. With multiple acquisitions, we could also face additional risks, including additional burdens and costs with respect to possible multiple negotiations and due diligence investigations (if there are multiple sellers) and the additional risks associated with the subsequent assimilation of the operations and services or products of the acquired companies in a single operating business.

Limited Ability to Evaluate the Target Business' Management

Although we intend to scrutinize the management team of a prospective target business when evaluating the desirability of effecting our initial Business Combination, our assessment of the target business' management team may not prove to be correct. In addition, the future management team may not have the necessary skills, qualifications or abilities to manage a public company. Furthermore, the future role of our officers and directors, if any, in the target business following our initial Business Combination remains to be determined. While it is possible that some of our key personnel will remain associated in senior management or advisory positions with us following our initial Business Combination, it is unlikely that they will devote their full time efforts to our affairs subsequent to our initial Business Combination. Moreover, they would only be able to remain with the company after the closing of our initial Business Combination if they are able to negotiate employment or consulting agreements in connection with the Business Combination. Such negotiations would take place simultaneously with the negotiation of the Business Combination and could provide for them to receive compensation in the form of cash payments and/or our securities for services they would render to the company after the closing of the Business Combination. While the personal and financial interests of our key personnel as individuals may influence their motivation in identifying and selecting a target business, their ability to remain with the company after the closing of our initial Business Combination will not be the determining factor in our decision as to whether or not we will proceed with any potential Business Combination. Additionally, our officers and directors may not have significant experience or knowledge relating to the operations of the particular target business.

Following our initial Business Combination, we may seek to recruit additional managers to supplement the incumbent management of the target business. We may not have the ability to recruit additional managers, or that any such additional managers we do recruit will have the requisite skills, knowledge or experience necessary to enhance the incumbent management.

Stockholders May Not Have the Ability to Approve Business Combination

In connection with any proposed Business Combination, we will either (1) seek stockholder approval of our initial Business Combination at a meeting called for such purpose at which stockholders may seek to convert their shares, regardless of whether they vote for or against the proposed Business Combination, into their pro rata share of the aggregate amount then on deposit in the Trust Account (net of taxes payable), or (2) provide our stockholders with the opportunity to sell their shares to us by means of a tender offer (and thereby avoid the need for a stockholder vote) for an amount equal to their pro rata share of the aggregate amount then on deposit in the Trust Account (net of taxes payable), in each case subject to the limitations described herein. If we determine to engage in a tender offer, such tender offer will be structured so that each stockholder may tender all of his, her or its shares rather than some pro rata portion of his, her or its shares. The decision as to whether we will seek stockholder approval of a proposed Business Combination or will allow stockholders to sell their shares to us in a tender offer will be made by us, solely in our discretion, and will be based on a variety of factors such as the timing of the transaction and whether the terms of the transaction would otherwise require us to seek stockholder approval. The amount in the Trust Account is initially anticipated to be $10.55 per share.

Unlike other blank check companies which require stockholder votes and conduct proxy solicitations in conjunction with their initial Business Combinations and related conversions of public shares for cash upon closing of such initial Business Combination even when a vote is not required by law, we will have the flexibility to avoid such stockholder vote and allow our stockholders to sell their shares pursuant to Rule 13e-4 and Regulation 14E of the Exchange Act which regulate issuer tender offers. In that case, we would file tender offer documents with the SEC which would contain substantially the same financial and other information about the initial Business Combination as is required under the SEC's proxy rules. We will close our initial Business Combination only if we have net tangible assets of at least $5,000,001 upon such closing and, solely if we seek stockholder approval, a majority of the outstanding shares of Common Stock voted are voted in favor of the Business Combination.

We chose our net tangible asset threshold of $5,000,001 to ensure that we would avoid being subject to Rule 419 promulgated under the Securities Act of 1933, as amended. However, if we seek to close an initial Business Combination with a target business that imposes any type of working capital closing condition or requires us to have a minimum amount of funds available from the Trust Account upon closing of such initial Business Combination, our net tangible asset threshold may limit our ability to close such initial Business Combination (as we may be required to have a lesser number of shares seek to convert or sell their shares to us in a tender offer) and may force us to seek third party financing which may not be available on terms acceptable to us or at all. As a result, we may not be able to close such initial Business Combination and we may not be able to locate another suitable target within the applicable time period, if at all. Public stockholders may therefore have to wait the full 21 months in order to be able to receive a pro rata share of the Trust Account.

Our Sponsor and our officers and directors have agreed (1) to vote any shares owned by them in favor of any proposed Business Combination and (2) not to convert any shares in connection with a stockholder vote to approve a proposed initial Business Combination or sell any shares to us pursuant to any tender offer described above.

Stockholder Approval Procedures if Meeting Held

In connection with any vote for a proposed Business Combination, our Sponsor, as well as all of our officers and directors, have agreed to vote the shares of Common Stock owned by them in favor of such proposed Business Combination. If we hold a meeting to approve a proposed Business Combination and a significant number of stockholders vote, or indicate an intention to vote, against such proposed Business Combination, our officers, directors, Sponsor or their affiliates may purchase shares of Common Stock in the open market or in private transactions in order to influence the vote.

If public stockholders indicate an intention to vote against a proposed Business Combination and/or seek conversion of their shares into cash, we may negotiate arrangements to provide for the purchase of such shares at the closing of the Business Combination using funds held in the Trust Account. The purpose of such arrangements would be to increase the likelihood of satisfaction of the requirements that the holders of a majority of our shares of common stock outstanding vote in favor of a proposed Business Combination and that we have at least $5,000,001 of net tangible assets upon closing of such Business Combination where it appears that such requirements would otherwise not be met. All shares purchased by us or our affiliates pursuant to such arrangements would be voted in favor of the proposed Business Combination. No such arrangements currently exist.

Conversion Rights

If we seek stockholder approval of our initial Business Combination at a meeting called for such purpose, public stockholders may seek to convert their shares, regardless of whether they vote for or against the proposed Business Combination, into their pro rata share of the aggregate amount then on deposit in the Trust Account (net of taxes payable). Alternatively, we may provide our stockholders with the opportunity to sell their shares of our common stock to us through a tender offer (and thereby avoid the need for a stockholder vote) for an amount equal to their pro rata share of the aggregate amount then on deposit in the Trust Account (net of taxes payable).

Notwithstanding the foregoing, in accordance with our amended and restated certificate of incorporation, a public stockholder, together with any affiliate of his or any other person with whom he is acting in concert or as a “group” (as defined in Section 13(d)(3) of the Exchange Act) will be restricted from seeking conversion rights with respect to 20% or more of the Public Shares. Such a public stockholder would still be entitled to vote against a proposed Business Combination with respect to all Public Shares owned by him or his affiliates. We believe this restriction will prevent stockholders from accumulating large blocks of shares before the vote held to approve a proposed Business Combination and attempt to use the conversion right as a means to force us or our management to purchase their shares at a significant premium to the then current market price. By limiting a stockholder’s ability to convert no more than 20% of the Public Shares, we believe we have limited the ability of a small group of stockholders to unreasonably attempt to block a transaction which is favored by our other public stockholders.

Our Sponsor will not have conversion or tender rights with respect to any shares of common stock owned by it, directly or indirectly, whether acquired prior to the IPO or purchased by it in the aftermarket.

We may also require public stockholders, whether they are a record holder or hold their shares in “street name,” to either tender their certificates to our transfer agent at any time through the vote on the Business Combination or to deliver their shares to the transfer agent electronically using Depository Trust Company’s DWAC (Deposit/Withdrawal At Custodian) System, at the holder’s option.

There is a nominal cost associated with the above-referenced delivery process and the act of certificating the shares or delivering them through the DWAC System. The transfer agent will typically charge the tendering broker $45.00 and it would be up to the broker whether or not to pass this cost on to the holder. However, this fee would be incurred regardless of whether or not we require holders to exercise conversion rights. The need to deliver shares is a

requirement of exercising conversion rights regardless of the timing of when such delivery must be effectuated. However, in the event we require stockholders to exercise conversion rights prior to the closing of the proposed Business Combination and the proposed Business Combination is not closed, this may result in an increased cost to stockholders.

The foregoing is different from the procedures used by many blank check companies. Traditionally, in order to perfect conversion rights in connection with a blank check company's Business Combination, the company would distribute proxy materials for the stockholders' vote on an initial Business Combination, and a holder could simply vote against a proposed Business Combination and check a box on the proxy card indicating such holder was seeking to exercise his conversion rights. After the Business Combination was approved, the company would contact such stockholder to arrange for him to deliver his certificate to verify ownership. As a result, the stockholder then had an "option window" after the closing of the Business Combination during which he could monitor the price of the company's stock in the market. If the price rose above the conversion price, he could sell his shares in the open market before actually delivering his shares to the company for cancellation. As a result, the conversion rights, to which stockholders were aware they needed to commit before the stockholder meeting, would become a "continuing" right surviving past the closing of the Business Combination until the holder delivered its certificate. The requirement for physical or electronic delivery prior to the meeting ensures that a holder's election to convert his shares is irrevocable once the Business Combination is approved.

Any request to convert such shares once made, may be withdrawn at any time up to the vote on the proposed Business Combination. Furthermore, if a holder of a public share of common stock delivered his certificate in connection with an election of their conversion and subsequently decides prior to the applicable date not to elect to exercise such rights, he may simply request that the transfer agent return the certificate (physically or electronically).

If the initial Business Combination is not approved or completed for any reason, then our public stockholders who elected to exercise their conversion rights would not be entitled to convert their shares for the applicable pro rata share of the Trust Account. In such case, we will promptly return any shares delivered by public stockholders.

Liquidation If No Business Combination

Our amended and restated certificate of incorporation provides that we will continue in existence only until 21 months from the date of our prospectus (October 24, 2013) in the event that we have not completed our initial Business Combination by such date. If we have not completed our initial Business Combination by such date, we will (1) cease all operations except for the purpose of winding up, (2) as promptly as reasonably possible but not more than ten business days thereafter, redeem 100% of the outstanding public shares, at a per-share price, payable in cash, equal to the aggregate amount then on deposit in the Trust Account, less franchise and income taxes to the extent they may be paid from interest earned on the Trust Account, 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 (3) as promptly as reasonably possible following such redemption, subject to the approval of our remaining stockholders and our board of directors, dissolve and liquidate, subject (in the case of (2) and (3) above) to our obligations under Delaware law to provide for claims of creditors and the requirements of other applicable law.

Under the Delaware General Corporation Law, stockholders may be held liable for claims by third parties against a corporation to the extent of distributions received by them in a dissolution. The pro rata portion of our Trust Account distributed to our public stockholders upon the redemption of 100% of our outstanding public shares in the event we do not complete our initial Business Combination within 21 months from the date of our prospectus (October 24, 2013) may be considered a liquidation distribution under Delaware law. If the corporation complies with certain procedures set forth in Section 280 of the Delaware General Corporation Law intended to ensure that it makes reasonable provision for all claims against it, including a 60-day notice period during which any third-party claims can be brought against the corporation, a 90-day period during which the corporation may reject any claims brought, and an additional 150-day waiting period before any liquidating distributions are made to stockholders, any liability of stockholders with respect to a liquidating distribution is limited to the lesser of such stockholder's pro rata share of the claim or the amount distributed to the stockholder, and any liability of the stockholder would be barred after the third anniversary of the dissolution.

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Furthermore, if the pro rata portion of our Trust Account distributed to our public stockholders upon the redemption of 100% of our public shares in the event we do not complete our initial Business Combination within 21 months from the date of our prospectus (October 24, 2013) is not considered a liquidation distribution under Delaware law and such redemption distribution is deemed to be unlawful, then pursuant to Section 174 of the Delaware General Corporation Law, the statute of limitations for claims of creditors could then be six years after the unlawful redemption distribution, instead of three years, as in the case of a liquidation distribution. If we are unable to complete a Business Combination within the prescribed time frame, we will (1) cease all operations except for the purpose of winding up, (2) as promptly as reasonably possible but not more than ten business days thereafter, redeem 100% of the outstanding public shares, at a per-share price, payable in cash, equal to the aggregate amount then on deposit in the Trust Account, less franchise and income taxes to the extent they may be paid from interest earned on the Trust Account, 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 (3) as promptly as reasonably possible following such redemption, subject to the approval of our remaining stockholders and our board of directors, dissolve and liquidate, subject (in the case of (2) and (3) above) to our obligations under Delaware law to provide for claims of creditors and the requirements of other applicable law. Accordingly, it is our intention to redeem our public shares as soon as reasonably possible following our 21st month and, therefore, we do not intend to comply with those procedures. As such, our stockholders could potentially be liable for any claims to the extent of distributions received by them (but no more) and any liability of our stockholders may extend well beyond the third anniversary of such date.

Because we will not be complying with Section 280 of the Delaware General Corporation Law, Section 281(b) of the Delaware General Corporation Law requires us to adopt a plan, based on facts known to us at such time that will provide for our payment of all existing and pending claims or claims that may be potentially brought against us within the subsequent 10 years. However, because we are a blank check company, rather than an operating company, and our operations will be limited to searching for prospective target businesses to acquire, the only likely claims to arise would be from our vendors (such as lawyers, investment bankers, etc.) or prospective target businesses.

We will seek to have all third parties (including any vendors or other entities we engage) and any prospective target businesses enter into valid and enforceable agreements with us waiving any right, title, interest or claim of any kind they may have in or to any monies held in the Trust Account. As a result, the claims that could be made against us will be limited, thereby lessening the likelihood that any claim would result in any liability extending to the trust. We therefore believe that any necessary provision for creditors will be reduced and should not have a significant impact on our ability to distribute the funds in the Trust Account to our public stockholders upon the redemption of 100% of our outstanding public shares in the event we do not complete our initial Business Combination within 21 months from the date of our prospectus (October 24, 2013). Nevertheless, there is no guarantee that vendors, service providers and prospective target businesses will execute such agreements. In the event that a potential contracted party was to refuse to execute such a waiver, we will execute an agreement with that entity only if our management first determines that we would be unable to obtain, on a reasonable basis, substantially similar services or opportunities from another entity willing to execute such a waiver. Examples of instances where we may engage a third party that refused to execute a waiver would be the engagement of a third party consultant who cannot sign such an agreement due to regulatory restrictions, such as our auditors who are unable to sign due to independence requirements, or whose particular expertise or skills are believed by management to be superior to those of other consultants that would agree to execute a waiver or a situation in which management does not believe it would be able to find a provider of required services willing to provide the waiver.

There is also no guarantee that, even if they execute such agreements with us, they will not seek recourse against the Trust Account. Our Sponsor has agreed that it will be liable to pay debts and obligations to target businesses or vendors or other entities that are owed money by us for services rendered or contracted for or products sold to us, but only if, and to the extent that, the claims would otherwise reduce the Trust Account to below $10.55 per Public Share. The Sponsor has entered into an indemnity agreement with Global Integrated Security (USA) Inc., a member of Global Strategies Group, pursuant to which Global Integrated Security (USA) Inc. has agreed to indemnify the Sponsor so that it can fund its obligations under the Sponsor indemnity. However, our Sponsor may not be able to satisfy its indemnification obligations if it is required to so. Additionally, the indemnification agreement entered into by our Sponsor specifically provides for two exceptions: it will have no liability (1) as to any claimed amounts owed to a target business or vendor or other entity who has executed an agreement with us waiving any right, title, interest or claim of any kind they may have in or to any monies held in the Trust Account, or (2) as to any claims under our indemnity with the underwriters of the IPO against certain liabilities, including liabilities under the Securities Act. As a result, if we liquidate, the per-share distribution from the Trust Account could be less than $10.55 due to claims or potential claims of creditors. We will distribute to all of our public stockholders, in proportion to their respective equity interests, an aggregate sum equal to the amount in the Trust Account, inclusive of any interest, plus any remaining net assets (subject to our obligations under Delaware law to provide for claims of creditors as described below).

We anticipate notifying the trustee of the Trust Account to begin liquidating such assets promptly after such date and anticipate it will take no more than 10 business days to effectuate such distribution. Our Sponsor has waived its rights to participate in any liquidation distribution with respect to the Sponsor’s Shares. We will pay the costs of any subsequent liquidation from our remaining assets outside of the Trust Account. If such funds are insufficient, our Sponsor has agreed to pay the funds necessary to complete such liquidation (currently anticipated to be no more than approximately $15,000) and has agreed not to seek repayment of such expenses.

If we are unable to complete our initial Business Combination and expend all of the net proceeds of the IPO, other than the proceeds deposited in the Trust Account, and without taking into account interest, if any, earned on the Trust Account, the initial per-share redemption price would be $10.55. The per share redemption price includes the deferred commissions that would also be distributable to our public stockholders. The proceeds deposited in the Trust Account could, however, become subject to claims of any creditors that may be in preference to the claims of public stockholders.

Our public stockholders will be entitled to receive funds from the Trust Account only in the event of our failure to complete our initial Business Combination in the required time period or if the stockholders seek to have us convert or purchase their respective shares upon a Business Combination which is actually completed by us. In no other circumstances will a stockholder have any right or interest of any kind to or in the Trust Account.

If we are forced to file a bankruptcy case or an involuntary bankruptcy case is filed against us which is not dismissed, the proceeds held in the Trust Account could be subject to applicable bankruptcy law, and may be included in our bankruptcy estate and subject to the claims of third parties with priority over the claims of our stockholders. To the extent any bankruptcy claims deplete the Trust Account, we may not be able to return to our public stockholders at least $10.55 per share.

If we are forced to file a bankruptcy case or an involuntary bankruptcy case is filed against us which is not dismissed, any distributions received by stockholders could be viewed under applicable debtor/creditor and/or bankruptcy laws as either a “preferential transfer” or a “fraudulent conveyance.” As a result, a bankruptcy court could seek to recover all amounts received by our stockholders. Furthermore, because we intend to distribute the proceeds held in the Trust Account to our public stockholders upon the redemption of 100% of our outstanding public shares in the event we do not complete our initial Business Combination within 21 months from the date of our prospectus (October 24, 2013), this may be viewed or interpreted as giving preference to our public stockholders over any potential creditors with

respect to access to or distributions from our assets. Furthermore, our board may be viewed as having breached their fiduciary duties to our creditors and/or may have acted in bad faith, and thereby exposing itself and our company to claims of punitive damages, by paying public stockholders from the Trust Account prior to addressing the claims of creditors. Claims may be brought against us for these reasons.

Amended and Restated Certificate of Incorporation

Our amended and restated certificate of incorporation contains certain requirements and restrictions that will apply to us until the closing of our initial Business Combination. If we seek to amend any provisions of our amended and restated certificate of incorporation relating to stockholder's rights or pre-Business Combination activity, we will provide dissenting public stockholders with the opportunity to convert their public shares in connection with any such vote. Our Sponsor has agreed to waive any conversion rights with respect to any Sponsor's shares, private placement shares and any public shares it may hold in connection with any vote to amend our amended and restated certificate of incorporation. Specifically, our amended and restated certificate of incorporation provides, among other things, that:

- prior to the closing of our initial Business Combination, we shall either (1) seek stockholder approval of our initial Business Combination at a meeting called for such purpose at which stockholders may seek to convert their shares, regardless of whether they vote for or against the proposed Business Combination, into their pro rata share of the aggregate amount then on deposit in the Trust Account (net of taxes payable), or (2) provide our stockholders with the opportunity to sell their shares to us by means of a tender offer (and thereby avoid the need for a stockholder vote) for an amount equal to their pro rata share of the aggregate amount then on deposit in the Trust Account (net of taxes payable), in each case subject to the limitations described herein;
- we will close our initial Business Combination only if we have net tangible assets of at least $5,000,001 upon such closing and, solely if we seek stockholder approval, a majority of the outstanding shares of common stock voted are voted in favor of the Business Combination;
- only Public Shares acquired in the IPO or subsequently purchased in the open market shall be entitled to receive funds from the Trust Account and only (1) in the event of a liquidation of the Trust Account to any holders of our Public Shares acquired in connection with (a) our dissolution, (b) our redemption of 100% of the outstanding Public Shares acquired in the IPO if we have not completed an initial Business Combination within 21 months from the date of our prospectus (October 24, 2013), or (c) the termination of our existence if we are unable to consummate an initial Business Combination within 21 months from the date of our prospectus (October 24, 2013), pursuant to the terms of the investment management trust agreement governing the Trust Account or (2) in the event a holder of Public Shares acquired in our IPO demands conversion of or tenders such Public Shares, subject to the terms described herein;
- if we enter into an initial Business Combination with a prospective target business that is affiliated with our Sponsor, our directors or officers, including (1) an entity in which any of the foregoing or their affiliates are currently officers or directors or (2) an entity in which any of the foregoing or their affiliates are currently invested through an investment vehicle controlled by them (except for an entity in which any of the foregoing or their affiliates are currently passive investors and hold in the aggregate 1% or less of the outstanding common stock), we must obtain an opinion from an independent investment banking firm that is a member of the Financial Industry Regulatory Authority that such initial Business Combination is fair to us from a financial point of view;
- we cannot enter into an initial Business Combination with another blank check company or a similar company with nominal operations;
- if any amendment is made to our amended and restated certificate of incorporation that would affect the substance or timing of our obligation to redeem, convert or tender 100% of the public shares acquired in the IPO if we have not consummated an initial Business Combination within 21 months from the date of our prospectus (October 24, 2013), the public stockholders shall be provided with the opportunity to redeem, convert or tender such public shares upon the approval of any such amendment, at a per-share price, payable in cash, equal to the aggregate amount then on deposit in the Trust Account, including interest, less franchise and income taxes payable, divided by the number of then outstanding Public Shares;

- if we are unable to close our initial Business Combination within 21 months from the date of our prospectus (October 24,2013), we will, as promptly as possible but not more than ten business days thereafter, redeem 100% of our outstanding public shares for a pro rata portion of the funds held in the Trust Account (less franchise and income taxes to the extent they may be paid from interest earned on the Trust Account), and then seek to dissolve and liquidate;
- upon the consummation of the IPO, $10.55 per share was placed into the Trust Account;
- we may not close any other Business Combination, merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar transaction prior to our initial Business Combination;
- prior to our initial Business Combination, we may not issue (1) any shares of common stock or any securities convertible into common stock (other than working capital loans which are not convertible until after our initial Business Combination), or (2) any securities that participate in any manner in the proceeds of the Trust Account, or that vote as a class with the Public Shares on our initial Business Combination;
- if we permit our stockholders to convert their Public Shares in conjunction with a stockholder vote on an initial Business Combination or provide our stockholders with the opportunity to sell their Public Shares to us by means of a tender offer, a public stockholder, together with any affiliate of his or any other person with whom he is acting in concert or as a "group" (as defined in Section 13(d)(3) of the Exchange Act) will be restricted from seeking conversion rights with respect to 20% or more of the Public Shares; and
- the doctrine of corporate opportunity will not apply with respect to any of our officers or directors, or their respective affiliates in circumstances where the application of such doctrine would conflict with any fiduciary duties or contractual obligations they may have as of the date of our amended and restated certificate of incorporation.

These provisions cannot be amended without the approval of 65% of our outstanding shares of common stock, other than the provision waiving the doctrine of corporate opportunity with respect to any of our officers or directors, or their respective affiliates, which cannot be amended without the approval of a majority of our outstanding shares of common stock. Our Sponsor, its affiliates, and our officers and directors own, in the aggregate, 28.5% of our shares of common stock. In the event we seek stockholder approval in connection with our initial Business Combination, our amended and restated certificate of incorporation provides that we may close our initial Business Combination only if approved by a majority of the shares of common stock voted by our stockholders at a duly held stockholders meeting. Any action required or permitted to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders, and the ability of the stockholders to consent in writing to the taking of any action is hereby specifically denied. Notwithstanding the foregoing, until such time as our Sponsor and any of its Affiliates (as defined in Rule 12b-2 under the Exchange Act) no longer beneficially own at least 15% of the total number of shares of our common stock outstanding, any action required or permitted to be taken at any special meeting of stockholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by or on behalf of the holders of our outstanding common stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a special meeting of stockholders at which all shares our common stock were present and voted and shall be delivered to us by delivery to our registered office in Delaware, our principal place of business, or to our officer or agent having custody of the book in which proceedings of our meetings of stockholders are recorded.

Sponsor Provisions

Our amended and restated certificate of incorporation and bylaws provide our Sponsor and its Sponsor representatives serving on our board of directors with certain rights and continue following the consummation of our initial Business Combination so long as our Sponsor continues to hold a significant ownership stake in us. Specifically, our amended and restated certificate of incorporation and bylaws provide, among other things:

- **Sponsor director representatives.** Until such time as our Sponsor and any of its Affiliates (as defined in Rule 12b-2 under the Exchange Act) no longer beneficially own at least 15% of the our common stock outstanding and except as otherwise required by applicable law, the amended and restated certificate of incorporation or the rules and regulations of any securities exchange or quotation system on which our securities are listed or quoted for trading, our Sponsor with right to designate a number of director nominees to our board of directors (which we refer to as a Sponsor representative) equal to (rounded up to the nearest whole number of Sponsor representatives) the percentage of our outstanding common stock beneficially owned by our Sponsor and any of its Affiliates (as defined in Rule 12b-2 under the Exchange Act). Each such Sponsor representative may sit on any committee(s) of his or her choice on our board of directors , provided that he or she meets the membership requirements specified by the SEC and the securities exchange or quotation system on which our securities are listed or quoted for trading. In addition, vacancies in our board of directors or any committees thereof held by a Sponsor representative may only be filled by a designated nominee of our Sponsor.
- **Calling stockholder meetings.** Until such time as our Sponsor and any of its Affiliates (as defined in Rule 12b-2 under the Exchange Act) no longer beneficially own at least 20% of our common stock outstanding, any special meeting of stockholders may be called by stockholders beneficially owning, in the aggregate, 20% or more of our common stock outstanding. Otherwise, stockholders may not call a meeting of stockholders.
- **Stockholder written consent in lieu of a meeting.** Until such time as our Sponsor and any of its Affiliates (as defined in Rule 12b-2 under the Exchange Act) no longer beneficially own at least 15% of the total number of shares of our common stock outstanding, any action required or permitted to be taken at any annual or special meeting of stockholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. In any other case, a consent in writing by our stockholders would be prohibited.
- **Quorum.** Except as otherwise required by law, our amended and restated certificate of incorporation or the rules and regulations of the NASDAQ, at all meetings of our board of directors or any committee thereof, a quorum shall consist of majority of our board of directors or a majority of the directors constituting such committee, as the case may be, which must include the chairman of our board of directors for so long as he or she is a Sponsor representative and if not, then at least one (1) Sponsor representative serving on our board of directors to the extent there are any Sponsor representatives serving on our board of directors.
- **Amendments.** The foregoing rights attributable to our Sponsor and any Sponsor representative set forth in the amended and restated certificate of incorporation and bylaws may not be amended by our board of directors without the approval of the chairman of our board of directors for so long as he or she is a Sponsor representative, and if not, then at least one (1) Sponsor representative for so long as at least one (1) Sponsor representative serves on our board of directors.

Competition

In identifying, evaluating and selecting a target business, we may encounter intense competition from other entities having a business objective similar to ours. Many of these entities are well established and have extensive experience identifying and effecting Business Combinations directly or through affiliates. Many of these competitors possess greater technical, human and other resources than us and our financial resources will be relatively limited when contrasted with those of many of these competitors. While we believe there may be numerous potential target businesses that we could acquire, our ability to compete in acquiring certain sizable target businesses may be limited by our available financial resources.

The following also may not be viewed favorably by certain target businesses:

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- our obligation to seek stockholder approval of our initial Business Combination or enter into a tender offer may delay the completion of a transaction; and
- our obligation to convert or repurchase shares of common stock held by our public stockholders may reduce the resources available to us for our initial Business Combination.

Any of these factors may place us at a competitive disadvantage in successfully negotiating our initial Business Combination. Our management believes, however, that our status as a public entity and potential access to the United States public equity markets may give us a competitive advantage over privately-held entities having a similar business objective as ours in acquiring a target business with significant growth potential on favorable terms.

If we succeed in effecting our initial Business Combination, there will be, in all likelihood, intense competition from competitors of the target business. Subsequent to our initial Business Combination, we may not have the resources or ability to compete effectively.

Employees

We have four executive officers. These individuals are not obligated to devote any specific number of hours to our matters and intend to devote only as much time as they deem necessary to our affairs. The amount of time they will devote in any time period will vary based on whether a target business has been selected for the Business Combination and the stage of the Business Combination process the company is in. Accordingly, once a suitable target business to acquire has been located, management will spend more time investigating such target business and negotiating and processing the Business Combination (and consequently spend more time on our affairs) than had been spent prior to locating a suitable target business. We presently expect our executive officers to devote such amount of time as they reasonably believe is necessary to our business. We do not intend to have any full time employees prior to the closing of our initial Business Combination.

Periodic Reporting and Financial Information

We have registered our common stock under the Exchange Act and have reporting obligations, including the requirement that we file annual, quarterly and current reports with the SEC. In accordance with the requirements of the Exchange Act, this Annual Report contains financial statements audited and reported on by our independent registered public accountants.

We will provide stockholders with audited financial statements of the prospective target business as part of any proxy solicitation or tender offer materials sent to stockholders to assist them in assessing the target business. These financial statements will need to be prepared in accordance with or reconciled to United States GAAP or IFRS. A particular target business identified by us as a potential acquisition candidate may not have the necessary financial statements. To the extent that this requirement cannot be met, we may not be able to acquire the proposed target business.

A target company may not be in compliance with the provisions of the Sarbanes-Oxley Act regarding adequacy of their internal controls. The development of the internal controls of any such entity to achieve compliance with the Sarbanes-Oxley Act may increase the time and costs necessary to complete any such acquisition.

Item 1A. *Risk Factors*

We are a smaller reporting company as defined in Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this Item. However, factors that could cause our actual results to differ materially from those in this Annual Report include any of the risks described in our prospectus as filed with the SEC on October 25, 2013. 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.

Item 1B. *Unresolved Staff Comments*

Not applicable.

Item 2. *Properties*

We currently maintain our principal executive offices at 11921 Freedom Drive, Suite 550, Two Fountain Square, Reston, Virginia 20190. The cost for this space is included in the $10,000 per-month fee our Sponsor charges us for general and administrative services pursuant to a letter agreement between us and our Sponsor. We believe, based on fees for similar services in the Washington, D.C. or New York metropolitan areas, that the fee charged by our Sponsor is at least as favorable as we could have obtained from an unaffiliated person. We consider our current office space, combined with the other office space otherwise available to our executive officers, adequate for our current operations.

Item 3. *Legal Proceedings*

We are not currently subject to any material legal proceedings, nor, to our knowledge, is any material legal proceeding threatened against us or any of our officers and directors in their corporate capacity.

Item 4. *Mine Safety Disclosures*

Not applicable.

PART II

Item 5. ***Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities***

Price Range of Common Stock

Since October 24, 2013, our common stock, par value $0.0001 per share, trades on the NASDAQ under the symbol "GDEF". The following table set forth, for the calendar quarter indicated, the high and low sale prices for the Company's common stock as reported on the NASDAQ.

Quarter ended	High	Low
December 31, 2013	$ 11.39	$ 10.00

(1) Represents the high and low sale prices for our shares of common stock from October 24, 2013, the date that our common stock first became tradable.

Dividends

We have not paid any cash dividends on our common stock to date and do not intend to pay cash dividends prior to the completion of our initial Business Combination. The payment of cash dividends in the future will be dependent upon our revenues and earnings, if any, capital requirements and general financial condition subsequent to completion of our initial Business Combination. The payment of any dividends subsequent to our initial Business Combination will be within the discretion of our board of directors at such time. It is the present intention of our board of directors to retain all earnings, if any, for use in our business operations and, accordingly, our board of directors does not anticipate declaring any dividends in the foreseeable future. Further, if we incur any indebtedness in connection with our initial Business Combination, our ability to declare dividends may be limited by restrictive covenants we may agree to in connection therewith.

Performance Graph

The following graph compares the cumulative total return for our common stock from October 24, 2013, the date our common stock first became tradable, through December 31, 2013 with the comparable cumulative return of two indices, the S&P 500 Index and the Dow Jones Industrial Average Index. The graph assumes $100 invested on October 24, 2013 in our common stock and $100 invested at that same time in each of the two listed indices.

Global Defense & National Security Systems, Inc. vs S&P 500 & DJIA

Recent Sales of Unregistered Securities; Use of Proceeds from Registered Offering

Unregistered Sales

On July 19, 2013, our Sponsor purchased the Sponsor's Shares (2,003,225 shares of the Company's common stock) for $25,000, or approximately $.0125 per share. Of the total Sponsor's Shares, 50% of such shares will be released from escrow six months after the closing of the Business Combination. The remaining 50% of the Sponsor's Shares will be released from escrow one year after the closing of the Business Combination. Prior to the conclusion of such escrow periods, the Sponsor's Shares will not be transferred, assigned, sold or released from escrow, subject to certain limited exceptions, including transfers (1) to our officers, directors and employees, to the Sponsor's affiliates or its members upon its liquidation, (2) to relatives and trusts for estate planning purposes, (3) by virtue of the laws of descent and distribution upon death, (4) pursuant to a qualified domestic relations order, (5) by certain pledges to secure obligations incurred in connection with purchases of our securities or (6) by private sales made in connection with the closing of a Business Combination at prices no greater than the price at which the shares were originally purchased, in each case where the transferee agrees to the terms of the escrow agreement and mandatory redemption, as the case may be. The sale of the Sponsor's Shares was made pursuant to the exemption from registration contained in Section 4(2) of the Securities Act.

On October 29, 2013, the Company also consummated, simultaneously with the IPO, the private sale of 721,500 Private Placement Shares to our Sponsor at a price of $10.00 per share (for an aggregate purchase price of $7,215,000). The Private Placement Shares will not be transferable, assignable or salable until 30 days after the completion of the Business Combination, subject to certain limited exceptions, including (i) to any member of our Sponsor ("Sponsor Member"), (ii) by gift to a member of the Sponsor Member's immediate family for estate planning purposes or to a trust, the beneficiary of which is our Sponsor or a member of the Sponsor Member's immediate family, (iii) if the Sponsor Member is not a natural person, by gift to a member of the immediate family of such Sponsor Member's controlling person for estate planning purposes or to a trust, the beneficiary of which is our Sponsor's controlling person or a member of the immediate family of such Sponsor Member's controlling person, (iv) by virtue of the laws of descent and distribution upon death of the Sponsor Member, or (v) pursuant to a qualified domestic relations order; *in each case where the* transferee agrees to the terms of the private placement agreement governing such Private Placement Shares and the letter agreement signed by our Sponsor transferring such Private Placement Shares and such other documents as we may reasonably require. Until 30 days after the completion of the Business Combination, our Sponsor shall not pledge or grant a security interest in its Private Placement Shares or grant a security interest in our Sponsor's rights under the private placement agreement governing such Private Placement Shares. The sale of the Private Placement Shares was made pursuant to the exemption from registration contained in Section 4(2) of the Securities Act.

Use of Proceeds

The Company consummated the IPO on October 29, 2013 and received net proceeds of approximately $73,545,000 which includes $7,215,000 received from the private placement of 721,500 shares to our Sponsor and $9,495,000 as a result of the underwriters' exercise of the over allotment option.

The Company's management has broad discretion with respect to the specific application of the net proceeds of its IPO, although substantially all of the net proceeds of the IPO are intended to be generally applied toward consummating a Business Combination. Furthermore, there is no assurance that the Company will be able to successfully effect a Business Combination.

Net proceeds of $72,795,000 from the IPO and simultaneous private placements of the Private Placement Shares are being held in the Trust Account. An amount initially equal to 105.5% of the gross proceeds of the IPO is being held in the Trust Account and invested in U.S. "government securities," within the meaning of Section 2(a)(16) of the Investment Company Act of 1940 (the "1940 Act") with a maturity of 180 days or less or in any open ended investment company that holds itself out as a money market fund selected by the Company meeting the conditions of paragraphs (c)(2), (c)(3) and (c)(4) of Rule 2a-7 of the 1940 Act, as determined by the Company, until the earlier of: (i) the consummation of a Business Combination or (ii) the distribution of the Trust Account as described below.

In addition, interest income on the funds held in the Trust Account may be released to the Company to pay its franchise and income tax obligations.

Our Sponsor, officers and directors have agreed that the Company will have only 21 months from the date of the Company's prospectus (October 24, 2013) to consummate our initial Business Combination. If we are unable to consummate our initial Business Combination within 21 months, we will (i) cease all operations except for the purposes of winding up of our affairs; (ii) distribute the aggregate amount then on deposit in the Trust Account, including a portion of the interest earned thereon which was not previously used for payment of franchise and income taxes, pro rata to our public stockholders by way of redemption of our Public Shares (which redemption would completely extinguish such holders' rights as stockholders, including the right to receive further liquidation distributions, if any); and (iii) as promptly as possible following such redemption, dissolve and liquidate the balance of our net assets to our remaining stockholders, as part of our plan of dissolution and liquidation.

As of December 31, 2013, after giving effect to our IPO and our operations subsequent thereto, approximately $72,180,956 was held in the Trust Account and we had approximately $827,541 of unrestricted cash available to us for our activities in connection with identifying and conducting due diligence of a suitable Business Combination, and for general corporate matters.

Item 6. *Selected Financial Data*

The following table summarizes the relevant financial data for our business and should be read in conjunction with our financial statements, and the notes and schedules related thereto, which are included in this Annual Report on Form 10-K.

Income Statement Data

	For the Period July 3, 2013 (Inception) through December 31, 2013
Loss from operations	$ (101,089)
Interest income	15,956
Loss before provision for taxes	(85,133)
Provision for income taxes	-
Net loss attributable to common stockholders	$ (85,133)
Weighted average number of shares of common stock outstanding basic and diluted	1,133,181
Net loss per common share basic and diluted	$ (0.10)

Balance Sheet Data

	December 31, 2013
Cash and cash equivalents	$ 827,541
Prepaid expenses	128,771
Cash and investments held in Trust Account	72,810,956
Total assets	$ 73,767,268
Total liabilities	$ 2,022,542
Common stock subject to redemption	66,744,725
Total stockholders' equity	5,000,001
Total liabilities and stockholders' equity	$ 73,767,268

As of December 31, 2013 the total assets amount includes approximately $72,810,956 being held in the Trust Account, $70,913,456 of which is available to us for the purposes of consummating a Business Combination within the time period described in this Annual Report, with $1,897,500 in deferred underwriting fees payable upon consummation of a Business Combination and the remaining $827,541 being available to us for general working capital purposes. If a Business Combination is not so consummated, we will be dissolved and the proceeds held in the Trust Account will be distributed solely to our public stockholders.

If we seek stockholder approval of any Business Combination, we will offer holders of our Public Shares the right to have his, her or its Public Shares converted to cash (subject to the limitations described elsewhere in this Annual Report) regardless of whether such stockholder votes for or against such proposed Business Combination. We will close our initial Business Combination only if we have net tangible assets of at least $5,000,001 upon such closing and, solely if we seek stockholder approval, a majority of the outstanding shares of common stock voted are voted in favor of the Business Combination. Accordingly, public stockholders owning 6,326,513 shares sold in the IPO may

exercise their conversion rights at an initial per share conversion price of $10.55 (not taking into account taxes that may be due or interest earned on the Trust Account) and we could still close a proposed Business Combination so long as a majority of shares voted at the meeting are voted in favor of the proposed Business Combination. Notwithstanding the foregoing, a public stockholder, together with any affiliate of his or any other person with whom he is acting in concert or as a "group" will be restricted from seeking conversion rights with respect to more than 20% of the Public Shares. Generally, in this context, a stockholder will be deemed to be acting in concert or as a group with another stockholder when such stockholders agree to act together for the purpose of acquiring, voting, holding or disposing of our equity securities.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

FORWARD-LOOKING STATEMENTS

The following discussion should be read in conjunction with our financial statements and the notes thereto included elsewhere in this Form 10-K.

This Form 10-K contains forward-looking statements regarding the plans