Chart Acquisition Corp.
Form 10-Q
August 11, 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 June 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	**45-2853218**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer

	Identification Number)
c/o The Chart Group, LP	
555 Fifth Avenue, 19th 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 (Do not check if a smaller reporting company)	Smaller reporting company

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Date 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 August 11, 2014, there were 9,750,000 shares of Company’s common stock issued and outstanding.

CHART ACQUISITION CORP.

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PART 1 – FINANCIAL INFORMATION

ITEM 1. INTERIM FINANCIAL STATEMENTS

CHART ACQUISITION CORP.

(a development stage company)

CONDENSED BALANCE SHEETS

	June 30, 2014 (unaudited)	December 31, 2013
ASSETS		
Current Assets:		
Cash	$147,726	$118,706
Due from Sponsor	409	409
Prepaid Expenses	5,000	87,252
Total Current Assets	153,135	206,367
Non-current Assets:		
Cash and Investments Held in Trust Account	75,007,364	75,048,721
Total Assets	$75,160,499	$75,255,088
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable and Accrued Expenses	$1,040,979	$194,115
Due to Affiliate	1,442	1,442
Note Payable, Sponsor	246,667	-
Notes Payable, Affiliate of Sponsor	153,333	-
Total Current Liabilities	1,442,421	195,557
Deferred Underwriting Fee	2,343,750	2,343,750
Warrant Liability	5,118,750	5,906,250
Total Liabilities	8,904,921	8,445,557
Common stock subject to possible redemption; 6,125,558 and 6,180,953 shares at $10.00 per share at June 30, 2014 and December 31, 2013, respectively	61,255,577	61,809,530
Stockholders' Equity:		

Preferred Stock, $.0001 par value; 1,000,000 shares authorized, no shares issued and outstanding	-	-
Common Stock, $.0001 par value; 29,000,000 shares authorized; 3,624,442 and 3,569,047 shares issued and outstanding at June 30, 2014 and December 31, 2013, respectively (excluding 6,125,558 and 6,180,953 shares subject to possible redemption, respectively)	363	357
Additional Paid-in Capital	6,639,009	6,085,062
Deficit Accumulated During Development Stage	(1,639,371)	(1,085,418)
Total Stockholders' Equity	5,000,001	5,000,001
Total Liabilities and Stockholders' Equity	$75,160,499	$75,255,088

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

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CHART ACQUISITION CORP.

(a development stage company)

CONDENSED STATEMENTS OF OPERATIONS

(unaudited)

	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	July 22, 2011 (date of inception) to June 30, 2014
Revenue	$-	$-	$-	$-	$-
Formation and Operating Costs	-	-	-	-	3,996
General and Administrative Expenses	1,352,969	345,344	900,353	190,693	2,483,112
Loss from Operations	(1,352,969)	(345,344)	(900,353)	(190,693)	(2,487,108)
Other Income (expense):					
Interest Income	11,516	27,807	5,398	12,891	60,237
Change in Fair Value of Warrant Liability	787,500	1,811,250	315,000	(236,250)	787,500
Net Income (Loss) Attributable to Common Stockholders	$(553,953)	$1,493,713	$(579,955)	$(414,052)	$(1,639,371)
Weighted Average Number of Common Shares Outstanding, basic and diluted	3,569,353	3,297,317	3,567,084	3,276,062	2,826,834
Basic and Diluted Net Income (Loss) per Share Attributable to Common Stockholders	$(0.16)	$0.45	$(0.16)	$(0.13)	$(0.58)

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

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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 June 30, 2014

(unaudited)

	Common Stock		Additional	Deficit Accumulated During	Total
	Shares	Amount $.0001 Par	Paid-in Capital	Developmental Stage	Stockholders' Equity
Sale of common stock issued to Sponsor on August 9, 2011 at $.011594 per share	2,156,250	$ 216	$ 24,784	$ -	$ 25,000
Net loss attributable to common stockholders'	-	-	-	(527)	(527)
Balances, December 31, 2011	2,156,250	216	24,784	(527)	24,473
Sale of 7,500,000 units on December 19, 2012, net of underwriters' discount and offering expenses (including 6,289,495 subject to possible redemption)	7,500,000	750	70,025,449	-	70,026,199
Reclassification of shares subject to possible redemption at redemption value on December 19, 2012	(6,289,495)	(629)	(62,894,319)	-	(62,894,948)
Warrant liability recorded on December 19, 2012	-	-	(5,906,250)	-	(5,906,250)
Sale of 375,000 units to Sponsor on December 19, 2012	375,000	37	3,749,963	-	3,750,000
Change in shares subject to possible redemption to 6,283,617 shares at December 31, 2012	5,878	1	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
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
Change in shares subject to possible redemption to 6,125,558 shares at June 30, 2014	55,395	6	553,947	-	553,953
Net loss attributable to common stockholders	-	-	-	(553,953)	(553,953)
Balances, June 30, 2014	3,624,442	$ 363	$6,639,009	$ (1,639,371)	$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)

	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013	July 22, 2011 (date of inception) to June 30, 2014
Cash Flows from Operating Activities			
Net Income (Loss)	$(553,953)	$1,493,713	$(1,639,371)
Adjustment to reconcile net income to net cash used in operating activities:			
Change in Fair Value of Warrant Liability	(787,500)	(1,811,250)	(787,500)
Change in operating assets and liabilities:			
Prepaid Expenses	82,252	(181,741)	(5,000)
Accounts Payable and Accrued Expenses	846,864	(5,273)	1,040,979
Due to Affiliate	-	-	1,442
Due from Sponsor	-	-	(409)
Net Cash Used In Operating Activities	(412,337)	(504,551)	(1,389,859)
Cash Flows from Investing Activities			
Proceeds Deposited in Trust Account	-	-	(75,000,000)
Interest on Trust Account	(11,504)	(27,807)	(60,225)
Interest withdrawn from Trust Account	52,861	-	52,861
Net Cash Provided by (Used in) Investing Activities	41,357	(27,807)	(75,007,364)
Cash Flows from Financing Activities			
Proceeds from Sale of Common Stock to Sponsor	-	-	25,000
Proceeds from Public Offering	-	-	75,000,000
Proceeds from Issuance of Units to Sponsor	-	-	3,750,000
Proceeds from Note Payable, Affiliate of Sponsor	153,333	-	183,333
Principal Payments on Note Payable, Affiliate of Sponsor	-	-	(30,000)
Proceeds from Note Payable, Sponsor	246,667	-	421,667
Principal Payments on Note Payable, Sponsor	-	-	(175,000)
Payment of Offering Costs	-	-	(2,630,051)
Net Cash Provided by Financing Activities	400,000	-	76,544,949
Net Increase (Decrease) in Cash	29,020	(532,358)	147,726
Cash at Beginning of the Period	118,706	1,147,464	-
Cash at Ending of the Period	$147,726	$615,106	$147,726
Supplemental Disclosure for Non-Cash Financing Activities			

Adjustment for warrant liability in connection with the Public Offering	$-	$-	$3,150,000
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 June 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 June 30, 2014, the Company had not commenced any operations. All activity through June 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.

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

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

The Company's Board of Directors has approved an amendment to the Company's Amended and Restated Certificate of Incorporation, which would extend the date by which the Company must complete a business combination from September 13, 2014 to March 13, 2015, and a corresponding amendment to the trust account established in connection with the Company's initial public offering (the "Extension Proposal"). The Extension Proposal is subject to approval by the Company's stockholders. The Company is in the process of seeking stockholder approval of the Extension Proposal at a special meeting expected to be held on September 5, 2014.

Initial Business Combination

For the purposes of consummating an initial business combination, the Company is not limited to a particular industry or geographic region, although its management team intends to focus on operating businesses in the following sectors: the provision and/or outsourcing of government services. The management team anticipates structuring a business combination to acquire 100% of the equity interests or assets of the target business or businesses. It may also, however, structure a business combination to acquire less than 100% of such interests or assets of the target business but will not acquire less than a controlling interest.

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

CHART ACQUISITION CORP.

(a development stage company)

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

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

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

Initial Business Combination (continued)

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

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

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

Liquidation and Going Concern

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

The Company's Board of Directors has approved an amendment to the Company's Amended and Restated Certificate of Incorporation, which would extend the date by which the Company must complete a business combination from September 13, 2014 to March 13, 2015, and a corresponding amendment to the trust account established in connection with the Company's initial public offering (the "Extension Proposal"). The Extension Proposal is subject to approval by the Company's stockholders. The Company is in the process of seeking stockholder approval of the Extension Proposal at a special meeting expected to be held on September 5, 2014.

As of June 30, 2014, we had a cash and cash equivalent balance of $147,726, held outside of our trust account after issuance of $400,000 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 do not have sufficient funds available to conduct the normal operations of the business or to consummate our initial business combination. The Company intends to seek additional working capital from our Sponsor, Cowen Overseas and Joseph Wright for these purposes.

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

While preparing its financial statements for 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. 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 have been 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 has evaluated these errors and, based on an analysis of quantitative and qualitative factors, has 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.

CHART ACQUISITION CORP.

(a development stage company)

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the Period from July 22, 2011 (date of inception) to June 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 June 30, 2014, the Company has not commenced any operations nor generated revenue to date. All activity through June 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.

Income Tax

Deferred income taxes are provided for the differences between the bases of assets and liabilities for financial reporting and income tax purposes. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized. At June 30, 2014 and December 31, 2013, the Company has a net deferred tax asset of approximately $571,000 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.

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

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CHART ACQUISITION CORP.

(a development stage company)

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (continued)

Income Tax (continued)

De-recognition of a tax benefit previously recognized results in the Company recording a tax liability that reduces ending retained earnings. Based on its analysis, the Company has determined that it has not incurred any liability for unrecognized tax benefits as of June 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. Generally, the Company is subject to income tax examinations by major taxing authorities since inception.

The Company recognizes interest and penalties related to unrecognized tax benefits in interest expense and other expenses, respectively. No interest expense or penalties have been recognized as of June 30, 2014.

Fair Value of Financial Instruments

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

Recent Accounting Pronouncements

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.

Concentration of Credit Risk

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

Redeemable Common Stock

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

Ordinary liquidation events, which involve the redemption and liquidation of all of the entity's equity instruments, are excluded from the provisions of ASC Topic 480. Although the Company does not specify a maximum redemption threshold, its charter provides that in no event will they redeem its public shares in an amount that would cause its net tangible assets (stockholders' equity) to be less than $5,000,001.

CHART ACQUISITION CORP.

(a development stage company)

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES— (continued)

Redeemable Common Stock— (continued)

The Company recognizes changes in redemption value immediately as they occur and will adjust the carrying value of the security to equal the redemption value at the end of each reporting period. Increases or decreases in the carrying amount of redeemable common stock shall be affected by charges against the par value of common stock and retained earnings, or in the absence of retained earnings, by charges against additional paid-in capital in accordance with ASC Topic 480-10-S99. Accordingly, at June 30, 2014 and December 31, 2013, public shares of 6,125,558 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 June 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.

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.

CHART ACQUISITION CORP.

(a development stage company)

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

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

5. RELATED PARTY TRANSACTIONS — (continued)

Private Placements— (continued)

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.

Note Payable to Sponsor

The Company issued a $246,667 unsecured non-interest bearing promissory note to the 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 is 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 a business combination. The notes are convertible at the Sponsor’s election upon the consummation of the 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. Funds in the trust account will not be used to repay these notes.

Notes Payable to Affiliates

The Company issued a $140,000 unsecured non-interest bearing promissory note to Cowen Overseas, an affiliate of the Sponsor on February 4, 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 date of the consummation of a business combination. The notes are convertible at Cowen Overseas’ election upon the consummation of the 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. Funds in the trust account will not be used to repay these notes.

The Company issued a $13,333 unsecured non-interest bearing promissory note to Joseph Wright, an affiliate of the Sponsor on February 7, 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 date of the consummation of a business combination. The notes are convertible at Mr. Wright’s election upon the consummation of the 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. Funds in the trust account will not be used to repay these notes.

Due to Affiliate

As of June 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

June 30, 2014 and December 31, 2013, the total amount owed to the Chart Group L.P. is $1,442.

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(a development stage company)

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

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

5. RELATED PARTY TRANSACTIONS — (continued)

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 six months ended June 30, 2014 and 2013 the Company incurred $60,000, pursuant to this service agreement. At June 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. Management used the quoted price for the valuation of the warrants to determine the warrant liability to be $5,118,750 and $5,906,250 as of June 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 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.

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(a development stage company)

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

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

8. INVESTMENT HELD IN TRUST ACCOUNT— (continued)

As of June 30, 2014, investment securities in the Company's Trust Account consist of $75,007,148 in United States Treasury Bills and another $216 is held as cash. As of December 31, 2013, investment securities in the Company's 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 June 30, 2014 and December 31, 2013 are as follows:

	Carrying Value at June 30, 2014	**Gross Unrealized Holding Gain (Loss)**	**Fair Value at June 30, 2014**
Held-to-maturity:			
U.S. Treasury Securities	$75,007,148	$ (2,398)	$75,004,750

	Carrying Value at December 31, 2013	**Gross Unrealized Holding Gain (Loss)**	**Fair Value at December 31, 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.

The following table presents information about the Company's assets and liabilities that are measured at fair value on a recurring basis as of June 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	**June 30, 2014**	**Quoted Prices In Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Other Unobservable Inputs (Level 3)**
Assets:				
U.S. Treasury Securities held in Trust Account	$75,004,750	$75,004,750	—	—
Liabilities:				
Warrant Liability	$5,118,750	—	$5,118,750	—

Description	**December 31, 2013**	**Quoted Prices In Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Other Unobservable Inputs (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.

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the Period from July 22, 2011 (date of inception) to June 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 June 30, 2014 and December 31, 2013, there were 3,624,442 and 3,569,047 shares of common stock outstanding, respectively (excluding 6,125,558 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 June 30, 2014 and December 31, 2013, the Company has not issued any shares of preferred stock.

11. SUBSEQUENT EVENT

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.

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.

The Company’s Board of Directors has approved an amendment to the Company’s Amended and Restated Certificate of Incorporation, which would extend the date by which the Company must complete a business combination from September 13, 2014 to March 13, 2015, and a corresponding amendment to the trust account established in connection with the Company’s initial public offering (the “Extension Proposal”). The Extension Proposal is subject to approval by the Company’s stockholders. The Company is in the process of seeking stockholder approval of the Extension Proposal at a special meeting expected to be held on September 5, 2014.

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.

The Company’s Board of Directors has approved an amendment to the Company’s Amended and Restated Certificate of Incorporation, which would extend the date by which the Company must complete a business combination from September 13, 2014 to March 13, 2015, and a corresponding amendment to the trust account established in connection with the Company’s initial public offering (the “Extension Proposal”). The Extension Proposal is subject to approval by the Company’s stockholders. The Company is in the process of seeking stockholder approval of the Extension Proposal at a special meeting expected to be held on September 5, 2014.

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.

Results of Operations

For the period from July 22, 2011 (inception) through June 30, 2014 we had a net loss of $1,639,371 including a net loss of $553,953 for the period from January 1, 2014 to June 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 June 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 June 30, 2014, approximately $75 million was held in the trust account and we had cash outside of trust of approximately $150,000 (from the proceeds of certain notes) and approximately $1,041,000 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 June 30, 2014, the Company has withdrawn $52,861 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. We believe that we do not have sufficient funds available to conduct the normal operations of the business or to consummate our initial business combination. The Company intends to seek additional working capital from our Sponsor, Cowen Overseas and Joseph Wright for these purposes.

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. As of June 30, 2014, investment securities in our trust account consisted of $75,007,364 in U.S. government Treasury bills with a maturity of 180 days or less. Out of the proceeds of our offering which remained available outside of the trust account, we obtained officers and directors insurance covering a 18 month period from December 7, 2012 through June 7, 2014 for a cost of $260,000, with a prepaid balance at June 30, 2014 of $0. In June 2014, the Company renewed its officers and directors insurance covering a 3 month period from June 8, 2014 through September 7, 2014 for a cost of $43,700. The invoice was paid in July 2014.

As of June 30, 2014, we had a cash and cash equivalent balance of $147,726, held outside of our trust account after issuance of $400,000 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 do not have sufficient funds available to conduct the normal operations of the business or to consummate our initial business combination. The Company intends to seek additional working capital from our Sponsor, Cowen Overseas and Joseph Wright for these purposes.

For the period from July 22, 2011 (date of inception) to June 30, 2014, we used cash of $1,389,859 in operating activities, which was largely attributable to a loss from operations of approximately $2,426,871 (exclusive of a non-cash gain from the change in fair value of the warrant liability). During the first six months of 2014, we used cash of $412,337 in operating activities, which was largely attributable to a loss from operations of approximately $1,341,453 (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.

We believe we will need to raise additional funds in order to meet the expenditures required for operating our business or consummating our initial business combination. The Company intends to seek additional working capital from our Sponsor, Cowen Overseas and Joseph Wright for these purposes.

Off-Balance Sheet Arrangements

None.

Contractual obligations

We 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 is 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 we consummate a business combination. The notes are convertible at the Sponsor's election upon the consummation of the 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. Funds in the trust account will not be used to repay these notes.

Additionally, we issued a $140,000 unsecured non-interest bearing promissory note to Cowen Overseas, an affiliate of the Sponsor on February 4, 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 date of the consummation of a business combination. The notes are convertible at Cowen Overseas' election upon the consummation of the 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. Funds in the trust account will not be used to repay these notes.

Furthermore, we issued a $13,333 unsecured non-interest bearing promissory note to Joseph Wright, an affiliate of the Sponsor on February 7, 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 date of the consummation of a business combination. The notes are convertible at Mr. Wright's election upon the consummation of the 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. Funds in the trust account will not be used to repay these notes.

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.

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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 7,500,000 common shares sold as part of the units in the public offering contain a redemption feature which allows for the redemption of common shares under the Company's liquidation or tender offer/stockholder approval provisions. In accordance with ASC Topic 480 "Distinguishing Liabilities from Equity", redemption provisions not solely within the control of the Company require the security to be classified outside of permanent equity. Ordinary liquidation events, which involve the redemption and liquidation of all of the entity's equity instruments, are excluded from the provisions of ASC Topic 480. Although the Company does not specify a maximum redemption threshold, its charter provides that in no event will they redeem its public shares in an amount that would cause its net tangible assets (stockholders' equity) to be less than $5,000,001.

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 June 30, 2014, 6,125,558 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 June 30, 2014).

Income Tax

Deferred income taxes are provided for the differences between the bases of assets and liabilities for financial reporting and income tax purposes. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized. At June 30, 2014, the Company has a deferred tax asset of approximately $571,000 related to net operating loss carry forwards which begin to expire in 2032, and change in fair value of warrant liability. Accordingly, Management has determined that a full valuation allowance of the deferred tax asset is appropriate at this time.

The Company is required to determine whether its tax positions are more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit recognized is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authority. De-recognition of a tax benefit previously recognized results in the Company recording a tax liability that reduces ending retained earnings. Based on its analysis, the Company has determined that it has not incurred any liability for unrecognized tax benefits as of June 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 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 June 30, 2014. The Company is subject to income tax examinations by major taxing authorities since inception.

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 June 30, 2014 and had not yet commenced any operations or generated any revenues. All activity through June 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

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").

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In addition, the consummation of the Acquisition is subject to the completion of the Warrant Offerors' offer to purchase up to 3,750,000 warrants (subject to reduction as discussed below for warrants tendered in the Warrant Extension Tender Offer as defined below)) to purchase common stock of the Company at a purchase price of $0.60 per warrant (the "Warrant Tender Offer"). The Warrant Offerors have deposited an aggregate of $2,250,000 with Continental Stock Transfer & Trust Company into a segregated escrow account pursuant to the terms of an escrow agreement (the "Escrow Agreement"), which funds will be used for the purchase of the Company warrants validly tendered in the Warrant Tender Offer and the Warrant Extension Tender Offer.

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.

The consummation of the Acquisition is also contingent upon approval of the stockholders of the Company, to take place at a special meeting, of a proposal (the "Extension Proposal") to (i) amend the Company's Amended and Restated Certificate of Incorporation to extend the date before which the Company must complete a business combination from September 13, 2014 (the "Current Termination Date") to March 13, 2015 (the "Extended Termination Date") (the "Extension Amendment") and (ii) amend the trust account established in connection with the Company's initial public offering to reflect the Extended Termination Date and allow holders of its public shares to redeem their public shares in

connection with the Extension Amendment for a pro rata portion of the funds available in the trust account (the "Trust Amendment"). If the Extension Amendment and the Trust Amendment are approved (and not abandoned) the Warrant Offerors will offer to purchase up to 7,500,000 public warrants at $0.30 per warrant in a tender offer to close on or about the Current Termination Date (the "Warrant Extension Tender Offer").

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.

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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.

Exhibit Number	Description
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 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).
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.

** XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

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: August 11, 2014 /s/ Joseph Wright
Joseph Wright

Chief Executive Officer

(Principal executive officer)

Dated: August 11, 2014 /s/ Michael LaBarbera
Michael LaBarbera

Chief Financial Officer

(Principal financial and accounting officer)