

Silver Eagle Acquisition Corp.  
Form 10-Q  
May 15, 2014

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

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

**For the quarterly period ended March 31, 2014**

**or**

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

**Commission File Number: 001-36025**

**SILVER EAGLE ACQUISITION CORP.**

(Exact name of registrant as specified in its charter)

**Delaware**

**80-0914174**

(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

**1450 2nd Street, Suite 247, Santa Monica, California 90401**

(310) 276-1219

Edgar Filing: Silver Eagle Acquisition Corp. - Form 10-Q

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

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 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

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 the 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   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of May 14, 2014, the registrant had 40,625,000 shares of its common stock, par value \$0.0001 per share, outstanding.

**SILVER EAGLE ACQUISITION CORP.**

**TABLE OF CONTENTS**

<u>PART I. FINANCIAL INFORMATION</u>	
<u>ITEM 1. FINANCIAL STATEMENTS</u>	1
<u>Condensed Interim Balance Sheets</u>	1
<u>Condensed Interim Statements of Operations</u>	2
<u>Condensed Interim Statement of Stockholders' Equity</u>	3
<u>Condensed Interim Statements of Cash Flows</u>	4
<u>Notes to Condensed Interim Financial Statements</u>	5
<u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	14
<u>Cautionary Note Regarding Forward-Looking Statements</u>	14
<u>Overview</u>	15
<u>Results of Operations</u>	15
<u>Liquidity and Capital Resources</u>	15
<u>Critical Accounting Policies</u>	16
<u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	18
<u>ITEM 4. CONTROLS AND PROCEDURES</u>	18
<u>PART II. OTHER INFORMATION</u>	18
<u>ITEM 1. LEGAL PROCEEDINGS</u>	18
<u>ITEM 1A. RISK FACTORS</u>	18
<u>ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	19
<u>ITEM 3. DEFAULTS UPON SENIOR SECURITIES</u>	20
<u>ITEM 4. MINE SAFETY DISCLOSURES</u>	20
<u>ITEM 5. OTHER INFORMATION</u>	20
<u>ITEM 6. EXHIBITS</u>	20

**PART I — FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****SILVER EAGLE ACQUISITION CORP.****(A Corporation in the Development Stage)****Condensed Interim Balance Sheets****(unaudited)**

	March 31, 2014 (unaudited)	December 31, 2013
Assets:		
Current assets:		
Cash and cash equivalents	\$ 537,829	\$ 805,924
Cash equivalents held in Trust Account	325,021,738	325,013,723
Total Assets	\$ 325,559,567	\$ 325,819,647
Liabilities and Stockholders' Equity:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 110,210	\$ 79,110
Franchise tax accrual	120,000	75,000
Accrued offering costs	107,920	107,920
Total current liabilities	338,130	262,030
Deferred underwriting commission	12,125,000	12,125,000
Total liabilities	12,463,130	12,387,030
Common stock subject to possible redemption; 30,809,643 and 30,843,261 (at redemption value of \$10.00) at March 31, 2014 and December 31, 2013, respectively	308,096,430	308,432,610
Stockholders' equity:		
Preferred stock, \$0.0001 par value; 1,000,000 shares authorized; none issued and outstanding	—	—
Common stock, \$0.0001 par value; 400,000,000 shares authorized; 9,815,357 and 9,781,739 shares issued and outstanding at March 31, 2014 and December 31, 2013, respectively (excluding shares subject to redemption)(1)	981	978
Additional paid-in capital	4,999,026	4,999,029

Edgar Filing: Silver Eagle Acquisition Corp. - Form 10-Q

Total stockholders' equity, net	5,000,007	5,000,007
Total liabilities and stockholders' equity	\$325,559,567	\$325,819,647

(1) Share amounts have been retroactively restated to reflect the contribution to the Company of 2,812,500 shares by the Company's Founders on June 18, 2013 and the stock dividend of 1,437,500 shares declared by the Company on July 22, 2013 (see Note 5).

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

**SILVER EAGLE ACQUISITION CORP.**

**(A Corporation in the Development Stage)**

**Condensed Interim Statements of Operations**

**(unaudited)**

	Three Months Ended March 31, 2014	Period from April 11, 2013 (inception) through March 31, 2014
Revenue	\$ —	\$ —
Formation and operating costs	344,202	917,087
Loss from operations	(344,202 )	(917,087 )
Interest income	8,015	21,738
Loss before provision for income taxes	(336,187 )	(895,349 )
Provision for income taxes	—	—
Net loss applicable to common stockholders	\$ (336,187 )	\$ (895,349 )
Weighted average number of shares of common stock outstanding, basic and diluted (excluding shares subject to possible redemption) (1)	9,782,187	9,249,452
Net loss per share of common stock, basic and diluted	\$ (0.03 )	\$ (0.10 )

(1) Share amounts have been retroactively restated to reflect the contribution to the Company of 2,812,500 shares by the Company's initial stockholders on June 18, 2013 and the stock dividend of 1,437,500 shares declared by the Company on July 22, 2013 (see Note 5).

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

**SILVER EAGLE ACQUISITION CORP.****(A Corporation in the Development Stage)****Condensed Interim Statement of Stockholders' Equity****(unaudited)****For the period from April 11, 2013 (date of inception) to March 31, 2014**

	<b>Common Shares</b>	<b>Amount</b>	<b>Additional Paid-in Capital</b>	<b>Deficit Accumulated During the Development Stage</b>	<b>Total Stockholders' Equity</b>
Sales of common stock to Sponsor and Dennis A. Miller on April 11, 2013 at \$0.0025 per share(1)	8,625,000	\$ 863	\$24,137	\$ -	\$25,000
Sales of common stock through public offering on July 30, 2013 at \$10.00 per unit	32,500,000	3,250	324,996,750		325,000,000
Underwriters' fees and offering expenses			(18,533,221 )		(18,533,221 )
Proceeds from private placement of 15,000,000 warrants			7,500,000		7,500,000
Forfeiture of common stock by Sponsor on September 20, 2013	(500,000 )	(50 )	50		-
Proceeds subject to possible redemption of 30,843,261 shares at December 31, 2013	(30,843,261 )	(3,085 )	(308,988,687 )	559,162	(308,432,610)
Net loss for the period from April 11, 2013 (date of inception) to December 31, 2013				(559,162 )	(559,162 )
Balances, at December 31, 2013	9,781,739	\$ 978	\$4,999,029	\$ -	\$5,000,007
Change in shares subject to possible redemption (unaudited)	33,618	3	(3 )	336,187	336,187
Net loss for the thee month period ended March 31, 2014 (unaudited)				(336,187 )	(336,187 )

Edgar Filing: Silver Eagle Acquisition Corp. - Form 10-Q

Balances, at March 31, 2014 (unaudited)	9,815,357	\$ 981	\$4,999,026	\$ -	\$5,000,007
---	-----------	--------	-------------	------	-------------

(1) Share amounts have been retroactively restated to reflect the contribution to the Company of 2,812,500 shares by the Company's initial stockholders on June 18, 2013 and the stock dividend of 1,437,500 shares declared by the Company on July 22, 2013 (see Note 5).

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



**SILVER EAGLE ACQUISITION CORP.****(A Corporation in the Development Stage)****Condensed Interim Statements of Cash Flows****(unaudited)**

	Three Months Ended March 31, 2014	Period from April 11, 2013 (inception) to March 31, 2014
Cash Flows From Operating Activities:		
Net loss	\$(336,187 )	\$(895,349 )
Changes in operating assets and liabilities:		
Accrued operating expenses and accounts payable	76,107	230,216
Net cash used in operating activities	(260,080 )	(665,133 )
Cash Flows from Investing Activities:		
Principal deposited in Trust Account	-	(325,000,000 )
Interest reinvested into Trust Account	(8,015 )	(21,738 )
Net cash used in investing activities	(8,015 )	(325,021,738 )
Cash Flows from Financing Activities:		
Proceeds from sale of common stock to initial stockholders	-	25,000
Proceeds from unsecured promissory note payable to Sponsor, net	-	157,873
Net proceeds from Public Offering, after payment of upfront underwriting fee	-	319,250,000
Net proceeds from private placement	-	7,500,000
Repayment of Sponsor note	-	(157,873 )
Payment of offering costs	-	(550,300 )
Net cash provided by financing activities	-	326,224,700
Increase in cash	(268,095 )	537,829
Cash at beginning of period	805,924	-
Cash at end of period	\$ 537,829	\$ 537,829
Supplemental Disclosure of Non-Cash Financing Activities:		
Accrued offering costs	\$	\$ 107,920
Deferred underwriter fee	\$	\$ 12,125,000

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

**SILVER EAGLE ACQUISITION CORP.**

**(A Corporation in the Development Stage)**

**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**(Unaudited)**

**Note 1. Interim Financial Information**

The accompanying unaudited interim financial statements of Silver Eagle Acquisition Corp. (a corporation in the development stage) (the “Company”) should be read in conjunction with the audited financial statements and notes thereto included in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on March 27, 2014. The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and in accordance with the instructions to Form 10-Q and Article 8 and Article 10 of Regulation S-X. Since they are interim statements, the accompanying financial statements do not include all of the information and notes required by GAAP for a complete financial statement presentation. In the opinion of management, the interim financial statements reflect all adjustments (consisting of normal, recurring adjustments) that are necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented. Interim results are not necessarily indicative of results for a full year. Certain prior period balances have been reclassified in the current period.

**Note 2. Organization and Business Operations**

**Incorporation**

The Company was incorporated in Delaware on April 11, 2013.

**Sponsor**

The Company’s sponsor is Global Eagle Acquisition LLC, a Delaware limited liability company (the “Sponsor”). Members of the Sponsor include Harry E. Sloan, the Company’s Chairman and Chief Executive Officer, Jeff Sagansky, the Company’s President and James A. Graf, the Company’s Vice President, Chief Financial Officer,

Treasurer and Secretary.

**Fiscal Year End**

The Company has selected December 31 as its fiscal year end.

**Business Purpose**

The Company was formed for the purpose of acquiring, through a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or other similar business combination, one or more operating businesses or assets that the Company has not yet identified (“Business Combination”). The Company has neither engaged in any operations nor generated significant revenue to date. The Company is considered to be in the development stage as defined in FASB Accounting Standard Codification, or ASC 915, “Development Stage Entities,” and is subject to the risks associated with activities of development stage companies.

The Company’s management has broad discretion with respect to the Business Combination. However, there is no assurance that the Company will be able to successfully complete a Business Combination.

**Financing**

On July 30, 2013, the Company consummated an initial public offering (the “Public Offering”) and a concurrent private placement. Approximately \$325,000,000 of the proceeds of the Public Offering and private placement was placed in the Trust Account (defined below). The Sponsor intends to finance a Business Combination in part with proceeds from the Public Offering and the private placement that are held in the Trust Account. See Notes 4 and 5 below.

**Trust Account**

The trust account (the “Trust Account”) can be invested in permitted United States “government securities” within the meaning of Section 2(a)(16) of the Investment Company Act of 1940, as amended (the “Investment Company Act”), having a maturity of 180 days or less or in money market funds meeting certain conditions under Rule 2a-7 promulgated under the Investment Company Act which invest only in direct U.S. government treasury obligations.

The Company’s amended and restated certificate of incorporation provides that, other than the withdrawal of interest to pay income taxes, if any, and a one-time release of amounts necessary to pay Delaware franchise taxes for 2013 on a timely basis, none of the funds held in trust will be released until the earlier of: (i) the completion of the Business Combination; or (ii) the redemption of 100% of the shares of common stock included in the Units sold in the Public Offering if the Company is unable to complete a Business Combination within 21 months from the closing of the Public Offering, or 24 months from the closing of the Public Offering if the Company has executed a letter of intent, agreement in principle or definitive agreement for a Business Combination within 21 months from the closing of this offering but has not completed the Business Combination within such 21-month period (subject to the requirements of law).

**Business Combination**

A Business Combination is subject to the following size, focus and stockholder approval provisions:

**Size/Control** — The Company’s Business Combination must occur with one or more target businesses that together have a fair market value of at least 80% of the assets held in the Trust Account (excluding the deferred underwriting commissions and taxes payable on the income earned on the Trust Account) at the time of the agreement to enter into the Business Combination. The Company will not complete a Business Combination unless it acquires a controlling interest in a target company or is otherwise not required to register as an investment company under the Investment Company Act of 1940, as amended.

**Focus**— The Company’s efforts in identifying prospective target businesses will initially be focused on businesses in the media and entertainment industries but the Company may pursue opportunities in other business sectors.

**Tender Offer/Stockholder Approval** — The Company, after signing a definitive agreement for a Business Combination, will either (i) seek stockholder approval of the Business Combination at a meeting called for such purpose in connection with which stockholders may seek to redeem their shares, regardless of whether they vote for or against

the Business Combination, for cash equal to their pro rata share of the aggregate amount then on deposit in the Trust Account, including interest but less franchise and income taxes payable, or (ii) provide stockholders with the opportunity to sell their shares to the Company by means of a tender offer (and thereby avoid the need for a stockholder vote) 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 franchise and income taxes payable. The decision as to whether the Company will seek stockholder approval of the Business Combination or will allow stockholders to sell their shares in a tender offer will be made by the Company, solely in its 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 the Company to seek stockholder approval. If the Company seeks stockholder approval, it will complete its Business Combination only if a majority of the outstanding shares of common stock voted are voted in favor of the Business Combination. However, in no event will the Company redeem its public shares in an amount that would cause its net tangible assets to be less than \$5,000,001. In such case, the Company would not proceed with the redemption of its public shares and the related Business Combination, and instead may search for an alternate Business Combination.

Regardless of whether the Company holds a stockholder vote or a tender offer in connection with a Business Combination, a public stockholder 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 franchise and income taxes payable. As a result, such shares of common stock are recorded at conversion/tender value and classified as temporary equity upon the completion of the Public Offering, in accordance with Financial Accounting Standards Board, or FASB, ASC Topic 480, "Distinguishing Liabilities from Equity."

### **Liquidation**

If the Company does not complete a Business Combination within 21 months from the closing of the Public Offering, or 24 months from the closing of the Public Offering if the Company has executed a letter of intent, agreement in principle or definitive agreement for a Business Combination within 21 months from the closing of the Public Offering but has not completed the Business Combination within such 21-month period, the Company 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 100% of the common stock sold as part of the units in the Public Offering, at a per-share price, payable in cash, equal to the aggregate amount then on deposit in the Trust Account, including interest but net of franchise and income taxes payable (less up to \$100,000 of such net interest which may be distributed to the Company to pay 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), and (iii) as promptly as reasonably possible following such redemption, subject to the approval of the Company's remaining stockholders and the Company's board of directors, dissolve and liquidate, subject in each case to the Company's obligations under Delaware law to provide for claims of creditors and the requirements of other applicable law.

In the event of liquidation, it is likely that the per share value of the residual assets remaining available for distribution (including Trust Account assets) will be less than the initial public offering price per share in the Public Offering (assuming no value is attributed to the warrants contained in the units sold in the Public Offering discussed in Note 4).

### **Emerging Growth Company**

Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies, but any such election to opt out is irrevocable. We have elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, we, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of our financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

### **Note 3. Significant Accounting Policies**

**Basis of Presentation**

The accompanying financial statements of the Company are presented in U.S. dollars in conformity with GAAP and pursuant to the rules and regulations of the SEC.

**Development Stage Company**

The Company complies with the reporting requirements of ASC 915, "Development Stage Entities." At March 31, 2014, the Company had not commenced any operations nor generated revenue to date. All activity through the date the financial statements were issued relates to the Company's formation and the Public Offering. Following the Public Offering, the Company will not generate any operating revenues until after completion of a Business Combination, at the earliest. The Company may generate non-operating income in the form of interest income on the assets held in the Trust Account after the Public Offering.

### **Net Loss Per Share**

Basic net loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Diluted net loss per share is computed by dividing net loss per share by the weighted average number of shares of common stock outstanding, plus, to the extent dilutive, the incremental number of shares of common stock to settle warrants held by the Sponsor (see Note 5), as calculated using the treasury stock method. At March 31, 2014, the Company had outstanding warrants to purchase 23,750,000 shares of common stock. For all periods presented, the weighted average of these shares was excluded from the calculation of diluted loss per share of common stock because their inclusion would have been anti-dilutive. As a result, dilutive loss per share of common stock is equal to basic loss per share of common stock.

### **Use of Estimates**

The preparation of financial statements in conformity with GAAP 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.

### **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.

### **Income Taxes**

The Company complies with the accounting and reporting requirements of Financial Accounting Standards Board Accounting Standard Codification, or FASB ASC, 740, "Income Taxes," which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in future taxable or deductible amounts, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.



There were no unrecognized tax benefits as of March 31, 2014 and December 31, 2013. FASB ASC 740 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The Company recognizes accrued interest and penalties related to unrecognized tax benefits as income tax expense. No amounts were accrued for the payment of interest and penalties at March 31, 2014 and December 31, 2013. The Company is currently not aware of any issues under review that could result in significant payments, accruals or material deviation from its position. The Company has been subject to income tax examinations by major taxing authorities since inception.

### Offering Costs

The Company complies with the requirements of the SEC Staff Accounting Bulletin Topic 5A, "Expenses of Offering." Offering costs consist principally of professional and registration fees incurred through the balance sheet date that are related to the Public Offering and that were charged to stockholders' equity upon the completion of the Public Offering. Accordingly, at March 31, 2014, offering costs totaling approximately \$550,300 (in addition to \$5,750,000 in upfront and \$12,125,000 in deferred underwriters fees) have been charged to stockholders' equity.

### **Fair Value of Financial Instruments**

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

### **Recent Accounting Pronouncements**

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

## **Note 4. Public Offering**

### **Public Units**

The Public Offering initially called for the Company to offer for sale 40,000,000 units at a price of \$10.00 per unit. Thereafter, the Company determined to reduce the size of the Public Offering to 25,000,000 units and then subsequently to increase the size of the offering to 30,000,000 units at a price of \$10.00 per unit. Each unit consists of one share of the Company's common stock, \$0.0001 par value, and one warrant to purchase one-half of one share of common stock of the Company (the "Public Warrants").

On July 30, 2013, the Company sold 32,500,000 units at a price of \$10.00 per unit in the Public Offering (which included 2,500,000 units to cover the partial exercise of the underwriters' over-allotment option). Under the terms of a warrant agreement relating to the Public Warrants (the "Warrant Agreement"), the Company has agreed to use its best efforts to file a new registration statement under the Securities Act of 1933, as amended (the "Securities Act"), covering the exercise of the Public Warrants following the completion of the Company's Business Combination.

### **Public Warrant Terms and Conditions**

**Exercise Conditions**— Each Public Warrant entitles the holder to purchase one-half of one share of common stock at a price of \$5.75. No fractional shares will be issued upon exercise of the warrants. If, upon exercise of the warrants, a

holder would be entitled to receive a fractional interest in a share, the Company will, upon exercise, round down to the nearest whole number the number of shares of common stock to be issued to the warrant holder. Each Public Warrant will become exercisable on the later of 30 days after the completion of the Company's Business Combination or 12 months from the closing of the Proposed Offering. However, if the Company does not complete a Business Combination on or prior to the expiration of the 21-month (or 24-month) period allotted to complete the Business Combination, the Public Warrants will expire at the end of such period. If the Company is unable to deliver registered shares of common stock to the holder upon exercise of Warrants issued in connection with the 32,500,000 Public Units during the exercise period, there will be no net cash settlement of these Public Warrants and the Public Warrants will expire worthless, unless they may be exercised on a cashless basis in the circumstances described in the Warrant Agreement.

**Registration Risk**— In accordance with the Warrant Agreement, the Company will be required to use its best efforts to maintain the effectiveness of a registration statement relating to common stock which would be issued upon exercise of the Public Warrants. The Company will not be obligated to deliver any shares of common stock pursuant to the exercise of a warrant and will have no obligation to settle such warrant exercise unless a registration statement under the Securities Act with respect to the shares of common stock underlying the warrants is then effective and a prospectus relating thereto is current. No warrant will be exercisable and the Company will not be obligated to issue shares of common stock upon exercise of a warrant unless common stock issuable upon such warrant exercise has been registered, qualified or deemed to be exempt under the securities laws of the state of residence of the registered holder of the warrants. Additionally, in the event that a registration is not effective at the time of exercise, the holders of such Public Warrants shall not be entitled to exercise such Public 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 or cash settle the Public Warrants. Consequently, the Public Warrants may expire unexercised, unredeemed and worthless, and an investor in the Public Offering may effectively pay the full unit price solely for the shares of common stock included in the Public Units.

**Accounting**— Because the Company is not required to net cash settle the Public Warrants, the Public Warrants will be recorded at fair value and classified within stockholders' equity as "Additional paid-in capital" upon their issuance in accordance with FASB ASC 815-40.

**Underwriting Agreement**— The Company paid an upfront underwriting discount of \$0.20 per unit up to a maximum of \$5,750,000 (effectively \$0.177 per unit sold) in the aggregate to the underwriters at the closing of the Public Offering, with an additional fee (the "Deferred Discount") equal to the difference between (a) the product of the number of shares of common stock sold as part of the units and \$0.55 and (b) the upfront underwriting discount paid at the closing of \$5,750,000, or a total Deferred Discount of \$12,125,000 (effectively \$0.373 per unit sold). The Deferred Discount will become payable to the underwriters from the amounts held in the Trust Account solely in the event the Company completes a Business Combination. The underwriters are not entitled to any interest accrued on the Deferred Discount.

## **Note 5. Related Party Transactions**

**Founder Shares** — On April 16, 2013, the Sponsor and Dennis A. Miller purchased 10,000,000 shares of common stock (the "Founder Shares") for \$25,000, or \$0.0025 per share. On June 18, 2013, in connection with the reduction in the size of the Public Offering discussed in Note 4, the Sponsor and Mr. Miller contributed, on a pro rata basis, an aggregate of 2,812,500 shares of the Company's common stock to the Company at no cost for cancellation, resulting in the Sponsor and Mr. Miller owning an aggregate of 7,187,500 shares of the Company's common stock. On July 10, 2013, the Sponsor and Mr. Miller transferred 35,000 Founder Shares on a pro rata basis to each of James M. McNamara and Ernest Del, each of whom paid a purchase price of \$175 for their respective shares (at the same per-share purchase price initially paid by the Sponsor and Mr. Miller) and agreed to serve on the Company's board of directors upon the closing of the Public Offering. On July 22, 2013, in connection with the increase of the size of the Public Offering discussed above, the Company effected a stock dividend of 0.2 shares for each outstanding share of common stock, resulting in the Company's initial stockholders holding an aggregate of 8,625,000 shares of the Company's common stock. Each of the Company's independent directors thereafter transferred at no cost 6,650 shares to the Sponsor and 350 shares to Mr. Miller.

The Founder Shares are identical to the common stock included in the Units sold in the Public Offering except that the Founder Shares are subject to certain transfer restrictions. The initial stockholders have agreed not to transfer, assign or sell any of their Founder Shares until the earlier of (A) one year after the completion of the Company's Business Combination, or earlier if, subsequent to the Company's Business Combination, the last sales price of the Company's common stock (i) equals or exceeds \$12.50 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 after the Company's Business Combination, in which case fifty percent (50%) of the Founder Shares will be transferable, assignable or salable or (ii) equals or exceeds \$15.00 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 after the Company's Business Combination in which case the remaining fifty percent (50%) of the Founder Shares will be transferable, assignable or salable or (B) the date on which the Company completes a liquidation, merger, stock exchange or other similar transaction after the Business

Combination that results in all of the Company's stockholders having the right to exchange their shares of common stock for cash, securities or other property (the "Lock Up Period").

***Forfeiture*** — As a result of the underwriters' partial exercise of their over-allotment option for the Public Offering, the initial stockholders forfeited an aggregate of 500,000 Founder Shares on July 30, 2013, which the Company has cancelled. After giving effect to the forfeitures, the Initial Stockholders owned 8,125,000 shares, or 20% of the Company's issued and outstanding shares.

In addition, a portion of the founder shares in an amount equal to 25% of the Founders Shares, or 5% of the Company's issued and outstanding shares after the Public Offering and the partial exercise of the underwriters' over-allotment option (the "Founder Earnout Shares"), will be subject to forfeiture by the Company's initial stockholders. The number of Founder Earnout Shares is 2,031,250. The Founder Earnout Shares are subject to forfeiture as follows:

Half of the Founder Earnout Shares will be subject to forfeiture by the Company's initial stockholders on the fifth anniversary of the completion of the Company's Business Combination unless following the Business Combination the last sales price of the Company's common stock equals or exceeds \$12.50 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 or the Company completes a liquidation, merger, stock exchange or other similar transaction that results in all of the Company's stockholders having the right to exchange their shares of common stock for consideration in cash, securities or other property which equals or exceeds \$12.50 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like); and

Half of the Founder Earnout Shares will be subject to forfeiture by the Company's initial stockholders on the fifth anniversary of the completion of the Company's initial business combination unless following the Company's initial business combination the last sales price of the Company's common stock equals or exceeds \$15.00 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 or the Company completes a liquid