

Global Defense & National Security Systems, Inc.
Form DEFA14A
November 09, 2015

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934**

Filed by the Registrant x
Filed by a Party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement
 o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 o Definitive Proxy Statement
 x Definitive Additional Materials
 o Soliciting Material Pursuant to Section 240.14a-12

**GLOBAL DEFENSE & NATIONAL SECURITY
SYSTEMS, INC.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.
 o Fee computed on table below per Exchange Act Rules 14a-6(i) (1) and 0-11.
(1) Title of each class of securities to which transaction applies:
(2) Aggregate number of securities to which transaction applies:

(3) Per share price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**GLOBAL DEFENSE & NATIONAL SECURITY
SYSTEMS, INC.
SPECIAL MEETING IN LIEU OF THE 2015 ANNUAL
MEETING OF STOCKHOLDERS
November 9, 2015**

Explanatory Note

The following information set forth in this supplement (the **Supplement**) relates to disclosure contained in the definitive proxy statement (the **Proxy Statement**) of Global Defense & National Security Systems, Inc. (**GDEF**), filed with the Securities and Exchange Commission on October 22, 2015. The Proxy Statement was furnished to our stockholders in connection with the solicitation of proxies by our Board of Directors for the 2015 Annual Meeting of Stockholders and any adjournment or postponement thereof, to be held at 2000 Pennsylvania Avenue, N.W., Suite 6000, Washington, D.C. 20006, on November 5, 2015, at 11:00 a.m. Eastern Time (the **Special Meeting**). The meeting has been adjourned to November 12, 2015 at the same time and location. All capitalized terms used in the Supplement and not otherwise defined herein have the meaning ascribed to them in the Proxy Statement. The Supplement is being filed with the Securities and Exchange Commission (the **Commission**) on November 9, 2015.

The purpose of this Supplement is to:

1. Revise the description of the expected accounting treatment of the Business Combination and make related revisions to the pro forma financial statements;
2. Disclose information regarding the appointment of Charles Cosgrove as Chief Financial Officer of STG; and
3. Update the description of the anticipated credit facility in connection with the amended and restated term sheet entered into by GDEF and MC Admin Co LLC.

Except as described in this Supplement, the information provided in the Proxy Statement continues to apply and should be considered in voting your shares. To the extent that information in this Supplement differs from or updates information contained in the Proxy Statement, the information in this Supplement is more current.

THIS PROXY STATEMENT CONTAINS IMPORTANT ADDITIONAL INFORMATION AND THE SUPPLEMENT SHOULD BE READ IN CONJUNCTION WITH THE PROXY STATEMENT.

Supplemental Information

Pro Forma Financial Statements

The following replaces the disclosure under Selected Unaudited Pro Forma Condensed Combined Financial Information of the Combined Company beginning on page 2 of the Proxy Statement.

SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION OF THE COMBINED COMPANY

The selected unaudited pro forma condensed combined financial information has been derived from, and should be read in conjunction with, the unaudited pro forma condensed combined financial information included elsewhere in the proxy statement filed by GDEF on October 22, 2015.

The unaudited pro forma condensed combined statements of operations information for the six months ended June 30, 2015 and the year ended December 31, 2014 give pro forma effect to the Business Combination and the related proposed financing transactions as if they had occurred on January 1, 2014. The unaudited pro forma condensed combined balance sheet as of June 30, 2015 assumes that the Business Combination and the related proposed financing transactions were completed on June 30, 2015.

The unaudited pro forma condensed combined balance sheet information as of June 30, 2015 was derived from STG's unaudited consolidated balance sheet as of June 30, 2015 and GDEF's unaudited balance sheet as of June 30, 2015. The unaudited pro forma condensed combined statement of operations information for the six months ended June 30, 2015 and the year ended December 31, 2014 was derived from STG's unaudited consolidated statement of operations for the six months ended June 30, 2015, STG's audited consolidated statement of operations for the year ended December 31, 2014, GDEF's unaudited statement of operations for the six months ended June 30, 2015 and GDEF's audited statement of operations for the year ended December 31, 2014.

The pro forma adjustments are based on the information currently available. The assumptions and estimates underlying the pro forma adjustments are described in the section entitled *Unaudited Pro Forma Condensed Financial Information*. The unaudited pro forma condensed combined statement of operations is not necessarily indicative of what the actual results of operations would have been had the Business Combination taken place on the date indicated, nor is it indicative of the future consolidated results of operations of the post-combination company. The selected unaudited pro forma condensed combined financial information below should be read in conjunction with the sections entitled *Unaudited Pro Forma Condensed Combined Financial Information*, *Management's Discussion and Analysis of Financial Condition and Results of Operations of STG* and the historical consolidated financial statements and notes thereto of GDEF and STG.

The minimum redemption, 45.3% redemption and maximum redemption scenarios are presented in the following pro forma information as follows:

Assuming Minimum Redemption: In general, shares of GDEF Common Stock sold in a private placement will also

SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION OF THE COMBIN

count toward satisfying the Control Requirement set forth in the Business Combination Agreement, along with any Public Shares held by the purchaser(s) in such private placement. This scenario assumes (1) 7.3% of Public Shares (205,601) are redeemed and (2) we reissue these shares in a private placement of 205,601 shares to one or more investors that is not less than 10% of the Public Shares already owned by each such investor. Under the Business Combination Agreement, without the consent of the Stockholder Representative, the size of any such private placement may not exceed the number of Public Shares subject to redemption.

Assuming 45.3% Redemption: This presentation assumes that (1) the Sponsor purchases 341,961 shares pursuant to the Backstop Purchase, and (2) GDEF stockholders exercise their redemption rights with respect to 1,275,298 public shares, which is the minimum number of shares redeemable (without a private placement of common stock) to satisfy one of the conditions to STG's obligation to close, which requires that the transaction qualifies for the tax treatment described in the Business Combination Agreement. The transaction will qualify for this tax treatment if it meets the Control Requirement (as defined in the Business Combination Agreement), which means that the STG

2

Stockholders, the Sponsor and any other person who receives shares of GDEF Common Stock in connection with an equity financing completed in connection with the closing, will collectively own at least 80% of the outstanding shares of GDEF Common Stock immediately following the closing.

Assuming Maximum Redemption: Following approval of the Pre-Business Combination Net Tangible Asset Charter Proposal, our Charter will provide that we cannot consummate a business combination if, after stockholder redemptions, our net tangible assets will be less than \$5,000,001. To meet this requirement, approximately \$11.2 million will be required to remain in the Trust Account following redemptions by the stockholders. At this level of redemptions, the 8,578,199 new shares of GDEF Common Stock to be issued to the STG Stockholders and the maximum 445,161 shares held by the Sponsor to be contributed by the Sponsor to GDEF and to be issued to STG in connection with the Business Combination comprise approximately 65.4% of the total shares outstanding and Sponsor holds approximately 19.7% of the total shares outstanding, and the remaining shares are held by the public. This scenario assumes that (1) the Sponsor purchases 227,956 shares pursuant to the Backstop Purchase and (2) the GDEF Public Stockholders will exercise the maximum redemption rights subject to potential redemption so that GDEF's net tangible assets are \$5,000,001.

	Pro Forma Combined Assuming Minimum Redemption (US dollars in thousands)	Pro Forma Combined Assuming 45.3% Redemption	Pro Forma Combined Assuming Maximum Redemption
Selected Unaudited Pro Forma Condensed Combined Statement of Operations Six Months Ended June 30, 2015 (in thousands, except share and per share information)			
Contract revenue	\$99,057	\$99,057	\$99,057
Gross profit	\$31,554	\$31,554	\$31,554
Operating loss	\$(5,147)	\$(5,147)	\$(5,147)
Net loss	\$(5,545)	\$(5,545)	\$(5,545)
Net income per share basic	\$(0.33)	\$(0.37)	\$(0.40)
Net income per share diluted	\$(0.33)	\$(0.37)	\$(0.40)
Weighted-average shares outstanding basic	16,773,205	14,959,362	13,787,959
Weighted-average shares outstanding diluted	16,773,205	14,959,362	13,787,959
Selected Unaudited Pro Forma Condensed Combined Statement of Operations Year Ended December 31, 2014 (in thousands, except share and per share information)			
Contract revenue	\$209,727	\$209,727	\$209,727
Gross profit	\$67,802	\$67,802	\$67,802
Operating loss	\$(11,140)	\$(11,140)	\$(11,140)
Net loss	\$(11,583)	\$(11,583)	\$(11,583)
Net income per share basic	\$(0.69)	\$(0.77)	\$(0.84)
Net income per share diluted	\$(0.69)	\$(0.77)	\$(0.84)
Weighted-average shares outstanding basic	16,773,205	14,959,362	13,787,959
Weighted-average shares outstanding diluted	16,773,205	14,959,362	13,787,959
Selected Unaudited Pro Forma Condensed Combined Balance Sheet Data At June 30, 2015			
Cash and cash equivalents	\$22,485	\$12,564	\$6,156
Long-term debt, net of current portion	\$79,500	\$79,500	\$79,500
Net current Assets	\$31,469	\$21,547	\$15,139

Edgar Filing: Global Defense & National Security Systems, Inc. - Form DEFA14A

Total assets	\$247,119	\$237,198	\$230,790
Total liabilities	\$129,142	\$129,142	\$129,142
Total stockholders' equity	\$117,977	\$108,056	\$101,648

3

The following replaces the disclosure under Unaudited Pro Forma Condensed Combined Financial Statements beginning on page 4 of the Proxy Statement:

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma condensed combined financial statements give effect to the Business Combination and the proposed related financing transactions. This transaction which was signed on June 8, 2015 will be accounted for using the acquisition method of accounting under the provisions of Accounting Standards Codification (ASC) 805, Business Combinations , (ASC 805). The pro forma adjustments are based on the information currently available and the assumptions and estimates underlying the pro forma adjustments are described in the accompanying notes. Actual results may differ materially from the assumptions within the accompanying unaudited pro forma condensed combined financial information.

The unaudited pro forma condensed combined balance sheet of GDEF and STG as of June 30, 2015 assumes the Business Combination had occurred on that date. Such pro forma information is based upon the unaudited historical balance sheet of GDEF and unaudited historical consolidated balance sheet of STG as of June 30, 2015.

The unaudited pro forma condensed combined statements of operations for the six months ended June 30, 2015 and for the year ended December 31, 2014 assumes the Business Combination had occurred on January 1, 2014. The unaudited pro forma condensed combined statement of operations for the six months ended June 30, 2015 is based upon the historical unaudited statement of operations of GDEF and the historical unaudited consolidated statement of income of STG for the six months ended June 30, 2015. The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2014 is based on the historical audited statement of operations of GDEF and the historical audited consolidated statement of income of STG for the year ended December 31, 2014.

The unaudited pro forma condensed combined financial statements are based on estimates and assumptions set forth in the notes to these financial statements, which have been made solely for purposes of developing this pro forma information. The unaudited pro forma consolidated financial statements are not necessarily an indication of the results that would have been achieved had such transactions been consummated as of the dates indicated or that may be achieved in the future. Furthermore, these pro forma condensed combined financial statements do not reflect changes which may occur as a result of post-Business Combination activities and other matters.

These unaudited pro forma condensed combined financial statements should be read in conjunction with the historical financial statements and related notes of STG and GDEF, which is included in the proxy statement filed by GDEF on October 22, 2015.

The unaudited pro forma condensed combined financial information has been prepared to illustrate the effect of the Business Combination and has been prepared for informational purposes only. The historical consolidated financial statements have been adjusted in the unaudited pro forma condensed combined financial information to give effect to pro forma events that are (1) directly attributable to the Business Combination, (2) factually supportable and (3) with respect to the statement of operations, expected to have a continuing impact on the results of the post-combination company.

The unaudited pro forma condensed combined financial statements have been prepared using three different scenarios:

Assuming Minimum Redemption: In general, shares of GDEF Common Stock sold in a private placement will also count toward satisfying the Control Requirement set forth in the Business Combination Agreement, along with any Public Shares held by the purchaser(s) in such private placement. This scenario assumes (1) 7.3% of Public Shares (205,601) are redeemed and (2) we reissue these shares in a private placement of 205,601 shares to one or more investors that is not less than 10% of the Public Shares held by each such investor. Under the Business Combination Agreement, without the consent of the Stockholder Representative, the size of any such private placement may not exceed the number of Public Shares subject to redemption.

4

Assuming 45.3% Redemption: The 8,578,199 new shares of GDEF Common Stock to be issued to the STG Stockholders and the maximum 445,161 shares held by the Sponsor to be contributed by the Sponsor to GDEF and to be issued to STG in connection with the Business Combination comprise approximately 60.3% of the total shares outstanding. Sponsor holds approximately 19.7% of the total shares outstanding, and the remaining shares are held by the public. This scenario assumes that (1) the Public Stockholders will exercise their redemption rights with respect to 45.3% of the GDEF Common Stock subject to potential redemption and (2) the Sponsor purchases 341,961 shares pursuant to the Backstop Purchase.

Assuming Maximum Redemption: Following approval of the Pre-Business Combination Charter Proposal, our Charter will provide that we cannot consummate a business combination if, after stockholder redemptions, our net tangible assets will be less than \$5,000,001. To meet this requirement, approximately \$11.2 million will be required to remain in the Trust Account following redemptions by the stockholders. At this level of redemptions, the 8,578,199 new shares of GDEF Common Stock to be issued to the STG Stockholders and the maximum 445,161 shares held by the Sponsor to be contributed by the Sponsor to GDEF and to be issued to STG in connection with the Business Combination comprise approximately 65.4% of the total shares outstanding and Sponsor holds approximately 19.7% of the total shares outstanding, and the remaining shares are held by the public. This scenario assumes that (1) the Sponsor purchases 227,956 shares pursuant to the Backstop Purchase and (2) the GDEF Public Stockholders will exercise the maximum redemption rights subject to potential redemption so that GDEF's net tangible assets are \$5,000,001.

We have not presented a scenario which assumes that none of the GDEF stockholders will exercise their redemption rights, because one of the conditions to STG's obligation to close is that the transaction qualifies for the tax treatment described in the Business Combination Agreement. The transaction will qualify for this tax treatment if it meets the Control Requirement (as defined in the Business Combination Agreement), which means that the STG Stockholders, the Sponsor and any other person who receives shares of GDEF Common Stock in connection with an equity financing completed in connection with the closing, will collectively own at least 80% of the outstanding shares of GDEF Common Stock immediately following the closing. This condition will be satisfied if redemption rights are exercised for at least 45.3% of the Public Shares, which is presented in the 45.3% redemption assumption. If less than 45.3% of the Public Shares are redeemed, we still may be able to close the Business Combination if the Stockholders Representative exercises his right to convert a portion of the cash consideration into GDEF Common Stock or if we are able to raise sufficient funds in a private placement of common stock. We have also presented a scenario assuming the sale of GDEF Common Stock in a private placement that would satisfy the Control Requirement. This scenario assumes (1) 7.3% of Public Shares (205,601) are redeemed and (2) we reissue these shares in a private placement of 205,601 shares to one or more investors that is not less than 10% of the Public Shares held by each such investor. Under the Business Combination Agreement, without the consent of the Stockholder Representative, the size of any such private placement may not exceed the number of Public Shares subject to redemption.

The following table summarizes the consideration, sources and uses for the Business Combination, and ownership interests for each of the Minimum Redemption, the 45.3% Redemption and Maximum Redemption alternatives:

	Assuming Minimum Redemption (US dollars in thousands)	Assuming 45.3% Redemption	Assuming Maximum Redemption		
Cash consideration	\$75,000	\$75,000	\$75,000		
Stock consideration ⁽¹⁾	95,918	95,918	95,918		
	170,918	170,918	170,918		
Public stockholder	2,056,009	1,539,507	1,050,751		
Public stockholder Private Placement	205,601				
Public stockholder Other Public Shares	553,195				
Stock dividend	2,133,594	1,452,365	991,275		
Other Public dividend	521,882				
Shares held by STG stockholders	9,023,360	9,023,360	9,023,360		
Shares held by GDEF stockholders	2,279,564	2,279,564	2,279,564		
GDEF Backstop		341,961	227,956		
GDEF Stock Dividend		322,605	215,053		
	16,773,205	14,959,362	13,787,959		
% Non-public shares	67.4	% 80.0	% 85.2	%	%
Ownership interest of STG stockholders	53.8	% 60.3	% 65.4	%	%
Ownership interest of GDEF stockholders	13.6	% 19.7	% 19.7	%	%
Ownership interest of public stockholders	32.6	% 20.0	% 14.8	%	%
Sources and Uses of Cash					
Sources					
Proceeds from debt financing	\$80,000	\$80,000	\$80,000		
Share consideration to STG	95,918	95,918	95,918		
Cash proceeds available in Trust account	29,921	29,921	29,921		
Cash proceeds available from Sponsor Stock Purchase		3,635	2,423		
Cash Proceeds available from private placement	2,186				
GDEF and STG cash balance at June 30, 2015	1,711	1,711	1,711		
	209,737	211,186	209,974		
Uses					
Cash consideration to STG	75,000	75,000	75,000		
Share consideration to STG	95,918	95,918	95,918		
Redemption of shares from trust account	2,186	13,556	18,752		
Deferred underwriters fees	1,898	1,898	1,898		
Capitalization fees	2,613	2,613	2,613		
Debt closing fee	2,375	2,375	2,375		
Transaction costs	650	650	650		
Repayment of GDEF debt	4,895	4,895	4,895		
Accounts payable and accruals GDEF	1,717	1,717	1,717		
Cash to Balance Sheet	22,485	12,564	6,156		
	209,737	211,186	209,974		

(1)

Does not include 445,161 shares of GDEF Common Stock that GDEF will issue to the STG Stockholders that are held by Sponsor that will be contributed by the Sponsor to GDEF immediately prior to the transactions contemplated by the Business Combination Agreement (subject to reduction to the extent the Sponsor forfeits any of these shares to GDEF). Assumes the Stockholders Representative dose not exercise his conversion right to a portion of the Cash Consideration to GDEF Common Stock.

6

Assuming Minimum Redemption

Unaudited Pro Forma Condensed Combined Balance Sheet

As of June 30, 2015

(in thousands)

	GDEF Historical	STG Historical	Pro Forma Adjustments for Redemption, Merger, Recapitalization and Expected Debt Financing	Notes	Pro Forma Adjustments for Assuming Minimum Redemption	Notes	Pro Forma Combined Assuming Minimum Redemption
ASSETS							
Current Assets							
Cash and cash equivalents	\$ 519	\$ 1,192	\$ 22,960	2a, 2b, 2f, 2g, 2i, 2m, 2l, 2n	(2,186)	2b	22,485
Contract receivables, net		32,371					32,371
Investments held in Rabbi Trust		4,619	(4,619)	2j			
Prepaid expenses and other current assets	48	951					999
Total current assets	567	39,133	18,341		(2,186)		55,856
Property and equipment, net		1,501					1,501
Goodwill		4,699	136,693	2a, 2e, 2h, 2o, 2q, 2r			141,342
Intangible assets, net		2,604	40,746	2p, 2q			43,350
Cash and investments held in Trust Account	72,835		(72,835)	2b			
Other assets		83	4,988	2f			5,071
Total long-term assets	72,835	8,887	109,542				191,264
TOTAL ASSETS	\$ 73,403	\$ 48,020	\$ 127,883		\$ (2,186)		\$ 247,119
LIABILITIES AND STOCKHOLDERS EQUITY							
Current Liabilities							
	\$	\$ 959					\$ 959

Edgar Filing: Global Defense & National Security Systems, Inc. - Form DEFA14A

Outstanding checks in excess of bank balance					
Line-of-credit		1,543			1,543
Long-term debt, current portion			500	2f	500
Convertible promissory note to affiliate	2,607		(2,607)	) 2l	
Accounts payable and accrued expenses	1,717	10,424	(1,717)	) 2l	10,424
Accrued payroll and related liabilities		10,060			10,060
Billings in excess of revenue recognized		901			901
Due to affiliate	356		(356)	) 2l	
Deferred rent		115	(115)	) 2o	
Total current liabilities	4,681	24,002	(4,296)	)	24,387

7

Assuming Minimum Redemption

Unaudited Pro Forma Condensed Combined Balance Sheet (continued) As of June 30, 2015 (in thousands)

	GDEF Historical	STG Historical	Pro Forma Adjustments for Redemption, Merger, Recapitalization and Expected Debt Financing	Notes	Pro Forma Adjustments for Assuming Minimum Redemption	Notes	Pro Forma Combined Assuming Minimum Redemption
Long-term debt, net of current portion			79,500	2f			79,500
Deferred compensation plan		4,619	(4,619)	2j			
Deferred underwriter fees	1,898		(1,898)	2i			
Deferred income taxes			25,255	2h			25,255
Deferred rent		369	(369)	2o			
Total long-term liabilities	1,898	4,988	97,870				104,755
TOTAL LIABILITIES	6,578	28,990	93,574				129,142
Redeemable securities	61,825		(61,825)	2k			
STOCKHOLDERS EQUITY							
Common stock			1	2c, 2m, 2n 2a, 2c, 2d, 2e,			1
Additional paid-in capital	10,005	12,891	103,745	2h, 2k, 2l, 2m, 2n 2d, 2e, 2g	(2,186)	2b, 2k	124,456
Retained earnings	(5,006)	6,139	(7,613)				(6,480)
TOTAL STOCKHOLDERS EQUITY	5,000	19,030	96,133		(2,186)		117,977

TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$73,403	\$48,020	\$127,882	\$ (2,186)	\$247,119
---	----------	----------	-----------	-------------	-----------

8

Assuming Minimum Redemption

Unaudited Pro Forma Condensed Combined Statement of Operations For the Six Months Ended June 30, 2015 (in thousands, except share and per share information)

	GDEF Historical	STG Historical	Pro Forma Adjustments for Redemption, Merger, Recapitalization and Expected Debt Financing	Notes	Pro Forma Adjustments for Notes Assuming Minimum Redemption	Pro Forma Combined Assuming Minimum Redemption
Contract revenue	\$	\$99,057				\$99,057
Direct expenses		67,503				67,503
Gross profit		31,554				31,554
Operating Expenses						
Indirect and selling expenses	2,799	29,215	4,686	3c, 3d		36,701
Impairment of goodwill						
Impairment of other intangible assets						
Total Operating Expenses	2,799	29,215	4,686			36,701
Operating income (loss)	(2,799)	2,339	(4,686)			(5,147)
Other income (expense)						
Other (expense) income, net	1	139				140
Interest expense		(18)	(4,088)	3a		(4,106)
Total other Income (expense)	1	121	(4,088)			(3,965)
Income (loss) before income taxes	(2,798)	2,460	(8,774)			(9,112)
Tax provision (benefit)			(3,566)	3b		(3,566)
Net income (loss)	\$(2,798)	\$2,460	\$(5,208)		\$	\$(5,545)
Net income (loss) per share available to common stockholders						
Basic and diluted	\$(0.80)	\$2,214				\$(0.33)
Weighted average number of common shares outstanding						
Basic and diluted	3,517,859	1,111	13,254,235	4a		16,773,205

NOTE basic and diluted is equivalent since there is a combined loss. The only common stock equivalents are the convertible related party notes which are non-interest bearing and are convertible into GDEF Common Stock at the greater of the 30-day average trading price or \$10 per share. The assumed conversion price was the average daily trading price for December 1, 2014 through December 31, 2014 (the applicable 30-day period prior to January 1, 2015) of \$10.27.

Assuming Minimum Redemption

**Unaudited Pro Forma Condensed Combined
Statement of Operations**

For the Year Ended December 31, 2014

**(in thousands, except share and per share
information)**

	GDEF Historical	STG Historical	Pro Forma Adjustments for Redemption, Merger, Recapitalization and Expected Debt Financing	Notes	Pro Forma Adjusted for Assuming Minimum Redemption	Pro Forma Condensed Statement of Operations Assuming Minimum Redemption
Contract revenue	\$	\$209,727			\$209,727	\$209,727
Direct expenses		141,925			141,925	141,925
Gross profit		67,802			67,802	67,802
Operating Expenses						
Indirect and selling expenses	2,145	61,286	8,583	3c, 3d	72,014	72,014
Impairment of goodwill		5,117			5,117	5,117
Impairment of other intangible assets		1,811			1,811	1,811
Total Operating Expenses	2,145	68,214	8,583		78,942	78,942
Operating income (loss)	(2,145)	(412)	(8,583)		(11,140)	(11,140)
Other income (expense)						
Other (expense) income, net	23	313			336	336
Interest expense		(70)	(8,130)	3a	(8,200)	(8,200)
Total other Income (expense)	23	243	(8,130)		(7,864)	(7,864)
Income (loss) before income taxes	(2,122)	(169)	(16,713)		(19,004)	(19,004)
Tax provision (benefit)			(7,421)	3b	(7,421)	(7,421)
Net income (loss)	\$(2,122)	\$(169)	\$(9,292)		\$ (11,583)	\$ (11,583)
Net income (loss) per share available to common stockholders						
Basic and diluted	\$(0.62)	\$(152.12)			\$(0.69)	\$(0.69)
Weighted average number of common shares outstanding						
Basic and diluted	3,399,156	1,111	13,372,938	4a	16,773,205	16,773,205

NOTE basic and diluted is equivalent since there is a combined loss. The only common stock equivalents are the convertible related party notes which are non-interest bearing and are convertible into GDEF Common Stock at the

greater of the 30-day average trading price or \$10 per share. The assumed conversion price was the average daily trading price for December 1, 2014 through December 31, 2014 (the applicable 30-day period prior to January 1, 2015) of \$10.05.

Assuming 45.3% Redemption

Unaudited Pro Forma Condensed Combined Balance Sheet

As of June 30, 2015

(in thousands)

	GDEF Historical	STG Historical	Pro Forma Adjustments for Redemption, Merger, Recapitalization and Expected Debt Financing	Notes	Pro Forma Adjustments Assuming 45.3% Redemption	Notes	Pro Forma Combined Assuming 45.3% Redemption
ASSETS							
Current Assets							
Cash and cash equivalents	\$519	\$1,192	\$24,409	2a, 2b, 2f, 2g, 2i, 2m, 2l, 2n	(13,556)	2b, 2k	\$12,564
Contract receivables, net		32,371					32,371
Investments held in Rabbi Trust		4,619	(4,619)	2j			
Prepaid expenses and other current assets	48	951					999
Total current assets	567	39,133	19,790		(13,556)		45,934
Property and equipment, net		1,501					1,501
Goodwill		4,699	136,643	2a, 2e, 2h, 2o, 2p, 2q, 2r			141,342
Intangible assets, net		2,604	40,746	2p, 2q			43,350
Cash and investments held in Trust Account	72,835		(72,835)	2b			
Other assets		83	4,988	2f			5,071
Total long-term assets	72,835	8,887	109,542				191,264
TOTAL ASSETS	\$73,403	\$48,020	\$129,332		\$(13,556)		\$237,198
LIABILITIES AND STOCKHOLDERS EQUITY							
Current Liabilities							

Edgar Filing: Global Defense & National Security Systems, Inc. - Form DEFA14A

Outstanding checks in excess of bank balance	\$	\$959			\$959
Line-of-credit		1,543			1,543
Long-term debt, current portion			500	2f	500
Convertible promissory note to affiliate	2,607		(2,607)	) 2l	
Accounts payable and accrued expenses	1,717	10,424	(1,717)	) 2l	10,424
Accrued payroll and related liabilities		10,060			10,060
Billings in excess of revenue recognized		901			901
Due to affiliate	356		(356)	) 2l	
Deferred rent		115	(115)	) 2o	
Total current liabilities	4,681	24,002	(4,296)	)	24,387

11

Assuming 45.3% Redemption

Unaudited Pro Forma Condensed Combined Balance Sheet (continued) As of June 30, 2015 (in thousands)

	GDEF Historical	STG Historical	Pro Forma Adjustments for Redemption, Merger, Recapitalization and Expected Debt Financing	Notes	Pro Forma Adjustments Assuming 45.3% Redemption	Notes	Pro Forma Combined Assuming 45.3% Redemption
Long-term debt, net of current portion			79,500	2f			79,500
Deferred compensation plan		4,619	(4,619)	2j			
Deferred underwriter fees	1,898		(1,898)	2i			
Deferred income taxes			25,255	2h			25,255
Deferred rent		369	(369)	2o			
Total long-term liabilities	1,898	4,988	97,871				104,756
TOTAL LIABILITIES	6,578	28,990	93,575				129,143
Redeemable securities	61,825		(61,825)	2k			
STOCKHOLDERS EQUITY							
Common stock			1	2c, 2m, 2n			1
Additional paid-in capital	10,005	12,891	105,194	2e, 2h, 2k, 2l, 2m, 2n	(13,556)	2b, 2k	114,534
Retained earnings	(5,006)	6,139	(7,613)	2d, 2e, 2g			(6,480)
TOTAL STOCKHOLDERS EQUITY	5,000	19,030	97,583		(13,556)		108,056
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$73,403	\$48,020	\$129,332		\$(13,556)		\$237,199

Assuming 45.3% Redemption

Unaudited Pro Forma Condensed Combined Statement of Operations For the Six Months Ended June 30, 2015 (in thousands, except share and per share information)

	GDEF Historical	STG Historical	Pro Forma Adjustments for Redemption, Merger, Recapitalization and Expected Debt Financing	Notes	Pro Forma Adjustments Assuming 45.3% Redemption	Notes	Pro Forma Combined Assuming 45.3% Redemption
Contract revenue	\$	\$ 99,057					\$ 99,057
Direct expenses		\$ 67,503					67,503
Gross profit		31,554					31,554
Operating Expenses							