

Fortress America Acquisition CORP
Form 10QSB/A
November 16, 2006

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

FORM 10-QSB/A

(Mark One)

Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2006

Transition report under Section 13 or 15(d) of the Exchange Act

For the transition period from _____ to _____

Commission File Number 000-51426

Fortress America Acquisition Corporation

(Exact Name of Small Business Issuer as Specified in Its Charter)

Delaware

(State or other Jurisdiction of
Incorporation or Organization)

20-2027651

(I.R.S. Employer Identification No.)

4100 North Fairfax Drive, Suite 1150

Arlington, Virginia 22203-1664

(Address of Principal Executive Office)

(703) 528-7073

(Issuer's Telephone Number, Including Area Code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of August 1, 2006, 9,550,000 shares of common stock, par value \$.0001 per share, were issued and outstanding.

Transitional Small Business Disclosure Format (check one): Yes No

Explanatory Note

This Quarterly Report on Form 10-QSB/A is being filed as Amendment Number 1 to our Quarterly Report on Form 10-QSB which was originally filed with the Securities and Exchange Commission on August 14, 2006. We are filing this Form 10-QSB/A to restate our financial statements for the quarter ended June 30, 2006 to reflect additional net income related to the classification of and accounting for certain expenditures for legal services as formation and operating costs. After further review, Fortress America Acquisition Corporation (the “Company”) has determined that these expenditures should have been classified as deferred acquisition costs related to the proposed acquisition of VTC, L.L.C. and Vortech, LLC. Except as otherwise stated, all financial information contained in this Quarterly Report on Form 10-QSB/A gives effect to this restatement. For information concerning the background of the restatements, the specific adjustments made, and management’s discussion and analysis of our results of operations for 2006 giving effect to the restated information, see “Restatement” at Item 2, “Management’s Discussion and Analysis or Plan of Operation”, and Note 1 to our Financial Statements.

This Form 10-QSB/A amends and restates only certain information in the following sections as a result of the restatements described above:

Part I — Item 1. Financial Statements

Part I — Item 2. Management’s Discussion and Analysis or Plan of Operation

Part II — Item 6. Exhibits

In addition, we are also including currently dated Sarbanes Oxley Act Section 302 and Section 906 certifications of the Chief Executive Officer and Principal Executive and Financial and Accounting Officer that are attached to this Form 10-QSB/A as Exhibits 31 and 32.

For the convenience of the reader, this Form 10-QSB/A sets forth the entire Form 10-QSB which was prepared and relates to the Company as of June 30, 2006. However, this Form 10-QSB/A amends and restates only the Items described above to reflect the effects of the restatement and no attempt has been made to modify or update other disclosures presented in our June 30, 2006 Form 10-QSB. Accordingly, except for the foregoing amended information, this Form 10-QSB/A continues to speak as of August 14, 2006 (the original filing date of the June 30, 2006 Form 10-QSB), and does not reflect events occurring after the filing of our June 30, 2006 Form 10-QSB and does not modify or update those disclosures affected by subsequent events. Forward looking statements made in the 2006 Form 10-QSB have not been revised to reflect events, results or developments that have become known to us after the date of the original filing (other than the restatements described above), and such forward looking statements should be read in their historical context.

| PART I. FINANCIAL INFORMATION | Page |
|---|-------------|
| Item 1 - Financial Statements | |
| Condensed Balance Sheet | 4 |
| Condensed Statements of Operations | 5 |
| Condensed Statements of Stockholders' Equity | 6 |
| Condensed Statements of Cash Flows | 7 |
| Notes to Financial Statements | 8 |
| Item 2 - Management's Discussion and Analysis or Plan of Operation | 13 |
| Item 3 - Controls and Procedures | 15 |
| PART II. OTHER INFORMATION | 16 |
| Item 6 - Exhibits | 16 |
| Signatures | 17 |

Fortress America Acquisition Corporation
(a corporation in the development stage)
Condensed Balance Sheet

| | June 30, 2006 | December 31, |
|---|----------------------|----------------------|
| | (unaudited) | 2005 |
| | (Restated) | |
| Assets | | |
| Current assets: | | |
| Cash | \$ 217,732 | \$ 992,547 |
| Investments held in Trust Fund | 43,557,243 | 42,603,801 |
| Prepaid expenses | 11,250 | 50,165 |
| Total current assets | 43,786,225 | 43,646,513 |
| Deferred acquisition costs | 152,167 | - |
| Deferred tax asset | 288,078 | 132,000 |
| Total assets | \$ 44,226,470 | \$ 43,778,513 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 43,084 | \$ 105,308 |
| Income taxes payable | 212,606 | 206,194 |
| Deferred interest on investments | 318,497 | 127,904 |
| Total current liabilities | 574,187 | 439,406 |
| Common stock, subject to possible conversion, 1,559,220 shares at conversion value | 8,388,604 | 8,388,604 |
| Commitment | | |
| Stockholders' equity | | |
| Preferred stock, \$.0001 par value, Authorized 1,000,000 shares; none issued | - | - |
| Common stock, \$.0001 par value | | |
| Authorized 50,000,000 shares | | |
| Issued and outstanding 9,550,000 shares (which includes 1,559,220 subject to possible conversion) | 955 | 955 |
| Additional paid-in capital | 34,819,062 | 34,819,062 |
| Income accumulated during the development stage | 443,662 | 130,486 |
| Total stockholders' equity | 35,263,679 | 34,950,503 |
| Total liabilities and stockholders' equity | \$ 44,226,470 | \$ 43,778,513 |

See Notes to Unaudited Condensed Financial Statements.

Fortress America Acquisition Corporation
(a corporation in the development stage)

Condensed Statement of Operations
(unaudited)

| | For the Three Months Ended June 30, 2006 (Restated) | For the Six Months Ended June 30, 2006 (Restated) | For the Three Months Ended June 30, 2005 | For the Six Months Ended June 30, 2005 | For the Period December 20, 2004 (inception) to June 30, 2006 (Restated) |
|---|--|--|---|---|---|
| Income: | | | | | |
| Net interest income | \$ 410,904 | \$ 772,465 | \$ - | \$ - | \$ 1,297,895 |
| Total income | 410,904 | 772,465 | - | - | 1,297,895 |
| Expenses: | | | | | |
| Formation and operating costs | 121,753 | 297,955 | 1,080 | 1,646 | 618,705 |
| Net income (loss) for the period before income taxes | 289,151 | 474,510 | (1,080) | (1,646) | 679,190 |
| State and federal income taxes | 98,312 | 161,334 | - | - | 235,528 |
| Net income (loss) for the period | \$ 190,839 | \$ 313,176 | \$ (1,080) | \$ (1,646) | \$ 443,662 |
| Weighted average number of shares outstanding - basic and diluted | 9,550,000 | 9,550,000 | 1,750,000 | 1,562,155 | 6,474,955 |
| Net income (loss) per share - basic and diluted | \$.02 | \$.03 | \$ (.00) | \$ (.00) | .07 |

See Notes to Unaudited Condensed Financial Statements.

Fortress America Acquisition Corporation
(a corporation in the development stage)
Condensed Statement of Stockholders' Equity
(Restated as to 2006)

For the period from December 20, 2004 (inception) to June 30, 2006

| | Common Stock Shares | Common Stock Amount | Additional paid-in capital | Income (Deficit) Accumulated During the Development Stage | Total |
|--|------------------------|------------------------|----------------------------------|--|---------------|
| Common shares issued December 20, 2004 at \$.02 per share | 1,250,000 | \$ 125 | \$ 24,875 | \$ | 25,000 |
| Net Loss | | | | \$ (1,056) | (1,056) |
| Balance at December 31, 2004 | 1,250,000 | 125 | 24,875 | (1,056) | 23,944 |
| Redemption of common stock | (1,250,000) | (125) | (24,875) | | (25,000) |
| Common shares issued March 9, 2005 at \$0.01429 per share | 1,750,000 | 175 | 24,825 | | 25,000 |
| Common shares issued July 20, 2005, net of underwriters' discount and offering expenses (includes 1,399,300 shares subject to possible conversion) | 7,000,000 | 700 | 38,687,329 | | 38,688,029 |
| Common shares issued August 24, 2005, net of underwriters' discount and offering expenses (includes 159,920 shares subject to possible conversion) | 800,000 | 80 | 4,495,412 | | 4,495,492 |
| Proceeds subject to possible conversion of 1,559,220 shares | | | (8,388,604) | | (8,388,604) |
| Proceeds from issuance of option | | | 100 | | 100 |
| Net Income | | | | 131,542 | 131,542 |
| Balance at December 31, 2005 | 9,550,000 | 955 | 34,819,062 | 130,486 | 34,950,503 |
| Unaudited: | | | | | |
| Net income | | | | 313,176 | 313,176 |
| Balance at June 30, 2006 | 9,550,000 | \$ 955 | \$ 34,819,062 | \$ 443,662 | \$ 35,263,679 |

See Notes to Unaudited Condensed Financial Statements

Fortress America Acquisition Corporation
(a corporation in the development stage)
Condensed Statement of Cash Flows
(unaudited)

| | For the Six Months Ended June 30, 2006 (Restated) | For the Six Months Ended June 30, 2005 | For the period December 20, 2004 (inception) to June 30, 2006 (Restated) |
|--|--|---|---|
| Cash flow from operating activities | | | |
| Net income (loss) | \$ 313,176 | \$ (1,646) | \$ 443,662 |
| Adjustments to reconcile net income (loss) to net cash used in operating activities: | | | |
| Deferred income taxes | (156,078) | - | (288,078) |
| Interest income on treasury bills | (953,442) | - | (1,593,243) |
| Decrease (Increase) in prepaid expenses | 38,915 | - | (11,250) |
| (Decrease) Increase in accounts payable and accrued expenses | (62,224) | - | 43,084 |
| Increase in income taxes payable | 6,412 | - | 212,606 |
| Increase in deferred interest | 190,593 | - | 318,497 |
| Net cash used in operating activities | (622,648) | (1,646) | (874,722) |
| Cash flows from investing activities | | | |
| Payment of deferred acquisition costs | (152,167) | - | (152,167) |
| Investments placed in Trust Fund | - | - | (41,964,000) |
| Net cash used in investing activities | (152,167) | - | (42,116,167) |
| Cash flows from financing activities | | | |
| Gross proceeds of public offering, including over-allotment option exercise | - | - | 46,800,000 |
| Proceeds of issuance of option | - | - | 100 |
| Proceeds from notes payable, stockholders | - | 57,500 | 70,000 |
| Payment of notes payable, stockholders | - | - | (70,000) |
| Proceeds from sale of shares of common stock | - | 25,000 | 50,000 |
| Redemption of common stock | - | (25,000) | (25,000) |
| Payment of costs of public offering, including over-allotment option exercise | - | - | (3,616,479) |
| Payment of deferred offering costs | - | (80,204) | - |
| Advances from stockholder | - | 1,517 | - |
| Net cash (used in) provided by financing activities | - | (21,187) | 43,208,621 |
| Net (decrease) increase in cash | (774,815) | (22,833) | 217,732 |
| Cash at beginning of the period | 992,547 | 25,000 | - |
| Cash at the end of the period | \$ 217,732 | \$ 2,167 | \$ 217,732 |

See Notes to Unaudited Condensed Financial Statements.

Fortress America Acquisition Corporation
(a corporation in the development stage)
Notes to Unaudited Condensed Financial Statements

**1. Organization and Proposed
Business Operations**

Fortress America Acquisition Corporation (the "Company") was incorporated in Delaware on December 20, 2004 as a blank check company, the objective of which is to acquire one or more operating businesses in the homeland security industry. The Company has elected December 31 as its fiscal year-end.

The financial statements at June 30, 2006 and for the periods from inception to June 30, 2006 and the three and six month periods ended June 30, 2006 are unaudited. In the opinion of management, all adjustments (consisting of normal adjustments) have been made that are necessary to present fairly the financial position of the Company as of June 30, 2006, the results of its operations for the three and six month periods ended June 30, 2006 and 2005 and for the period from December 20, 2004 (inception) through June 30, 2006, and its cash flows for the six month period ended June 30, 2006 and for the period from December 20, 2004 (inception) through June 30, 2006. Operating results for the interim period presented are not necessarily indicative of the results to be expected for a full year. The condensed balance sheet at December 31, 2005 has been derived from the audited financial statements.

The Company was formed on December 20, 2004 and consummated an initial public offering ("IPO") on July 20, 2005. In addition, on August 24, 2005 the underwriters for the IPO exercised their over-allotment option (the "Over-Allotment Option Exercise" and, together with the IPO, the "Offering"). The Offering generated total net proceeds of \$43,183,521. The Company's management has broad discretion with respect to the specific application of the net proceeds of the Offering, although substantially all the net proceeds of the Offering are intended to be generally applied toward consummating a business combination with (or acquisition of) one or more operating businesses in the homeland security industry ("Business Combination"). Furthermore, there is no assurance that the Company will be able to successfully effect a Business Combination. Upon the closing of the Offering, approximately \$41,964,000 of the net proceeds was deposited in a trust fund account ("Trust Fund") and has been invested in Treasury Bills until the earlier of (i) the consummation of its first Business Combination; or (ii) the liquidation of the Company. The Treasury Bills have been accounted for as trading securities and are recorded at their market value of approximately \$43,557,243 at June 30, 2006. The excess of market value over cost, exclusive of the deferred interest described further below, is included in interest income in the accompanying statement of operations. The proceeds not deposited into the Trust Fund may be used to pay for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses. The Company, after signing a definitive agreement for the acquisition of a target business, will submit such transaction for stockholder approval. All of the Company stockholders prior to the Offering, including all of the officers and directors of the Company ("Initial Stockholders"), have agreed to vote their 1,750,000 founding shares of common stock in accordance with the vote of the majority in interest

of all other stockholders of the Company (“Public Stockholders”) with respect to any Business Combination. After consummation of the Company’s first Business Combination, all of these voting safeguards will no longer be applicable.

Fortress America Acquisition Corporation
(a corporation in the development stage) (continued)
Notes to Unaudited Financial Statements

In the event (i) the Business Combination is not approved by a majority of the shares of common stock held by the Public Stockholders or (ii) 20% or more of the shares of common stock held by the Public Stockholders vote against the Business Combination and exercise their conversion rights described below, the Business Combination will not be consummated.

With respect to the first Business Combination which is approved and consummated, any Public Stockholder who voted against the Business Combination may demand that the Company convert his or her shares into cash. The per share conversion price will equal the amount in the Trust Fund, calculated as of two business days prior to the proposed Business Combination, divided by the number of shares of common stock held by Public Stockholders at the consummation of the Offering. Accordingly, Public Stockholders holding approximately 19.99% of the aggregate number of shares owned by all Public Stockholders may seek conversion of their shares in the event of a Business Combination. Such Public Stockholders are entitled to receive their per share interest in the Trust Fund computed without regard to the shares held by the Initial Stockholders. Accordingly, a portion of the net proceeds of the Offering (19.99% of the amount originally held in the Trust Fund) has been classified as common stock subject to possible conversion in the accompanying balance sheets and 19.99% of the related interest earned has been recorded as deferred interest.

The Company's Amended and Restated Certificate of Incorporation provides for the mandatory liquidation of the Company in the event that the Company does not consummate a Business Combination within 12 months from the date of the consummation of the Offering, or 18 months from the consummation of the Offering if certain extension criteria have been satisfied. There is no assurance that the Company will be able to successfully effect a Business Combination during this period. This factor raises substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements are prepared assuming the Company will continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. In the event of liquidation, it is likely that the per share value of the residual assets remaining available for distribution (including Trust Fund assets) will be less than the initial public offering price per share in the Offering.

Restatement

The previously issued unaudited June 30, 2006 financial statements classified and accounted for certain expenditures for legal services as formation and operating costs. After further review, the Company has determined that these expenditures should have been classified as deferred acquisition costs related to the proposed acquisition of VTC, L.L.C. and Vortech, LLC. The financial statements as of June 30, 2006 have been restated to correct this error. The changes to the June 30, 2006 financial statements were

as follows:

9

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| | June 30, 2006 | |
|------------------------------------|------------------------|---------------|
| | As Previously Reported | As Restated |
| Assets | \$ 44,175,540 | \$ 44,226,470 |
| Liabilities | \$ 574,187 | \$ 574,187 |
| Common stock subject to conversion | \$ 8,388,604 | \$ 8,388,604 |
| Stockholders' equity | \$ 35,212,749 | \$ 35,263,679 |

| | Three Months Ended June 30, 2006 | | Six Months Ended June 30, 2006 | | Period from December 20, 2004 (inception) to June 30, 2006 | |
|---|-------------------------------------|--------------|-----------------------------------|--------------|--|--------------|
| | As Previously Reported | As Restated | As Previously Reported | As Restated | As Previously Reported | As Restated |
| Formation and operating costs | \$ (198,920) | \$ (121,753) | \$ (375,122) | \$ (297,955) | \$ (695,872) | \$ (618,705) |
| Net income for the period before income taxes | \$ 211,984 | \$ 289,151 | \$ 397,343 | \$ 474,510 | \$ 602,023 | \$ 679,190 |
| State and federal income taxes | \$ (72,075) | \$ (98,312) | \$ (135,097) | \$ (161,334) | \$ (209,291) | \$ (235,528) |
| Net income for the period | \$ 139,909 | \$ 190,839 | \$ 262,246 | \$ 313,176 | \$ 392,732 | \$ 443,662 |
| Weighted average shares | | | | | | |
| Basic | 9,550,000 | 9,550,000 | 9,550,000 | 9,550,000 | 6,474,955 | 6,474,955 |
| Earnings (loss) per share | | | | | | |
| Basic | \$ 0.01 | \$ 0.02 | \$ 0.03 | \$ 0.03 | \$ 0.06 | \$ 0.07 |

Fortress America Acquisition Corporation
(a corporation in the development stage) (continued)
Notes to Unaudited Financial Statements

Recently Issued Accounting Standards

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 (revised 2004) (“SFAS 123(R)”), “Share Based Payment”. SFAS 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. The Company is required to adopt SFAS 123(R) effective January 1, 2006. The Company does not believe that the adoption of SFAS No. 123(R) will have a significant impact on its financial condition or results of operations .

In June 2006, the FASB issued Interpretation No. 48, “Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109” (“FIN 48”). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company’s financial statements in accordance with SFAS No. 109, “Accounting for Income Taxes.” FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is currently reviewing this new standard to determine the effects, if any, on its results of operations or financial position.

Management does not believe that any other recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on the accompanying financial statements.

2. Commitment

Commencing January 1, 2005, the Company occupied office space from, and had certain office and secretarial services made available to it by, an unaffiliated third party. Rent expense under this agreement for each of the periods from December 20, 2004 (inception) to June 30, 2006 and from January 1, 2006 to June 30, 2006 amounted to \$1,362 and \$0, respectively. The rental agreement expired June 30, 2005.

Commencing on the consummation of the Offering, the Company occupies office space provided by an affiliate of an Initial Stockholder. Such affiliate has agreed that, until the acquisition or a target business by the Company, it will make such office space, as well as certain office and secretarial services, available to the Company, as may be required by the Company from time to time. The Company has agreed to pay such affiliate \$7,500 per month for such services. Rent expense under this agreement for each of the periods from December 20, 2004 (inception) to June 30, 2006 and from January 1, 2006 to June 30, 2006 amounted to \$82,500 and \$45,000, respectively.

3. Proposed Acquisition

On June 5, 2006, the Company entered into a Membership Interest Purchase Agreement (the “Purchase Agreement”) with VTC, L.L.C. (“VTC”), Vortech, LLC (together with VTC, the “Acquisition Companies”), Thomas P. Rosato (“Rosato”) and Gerard J. Gallagher (together with Rosato, the “Members”), pursuant to which the Company will acquire (the “Acquisition”) all of the issued and outstanding membership units of the Acquisition Companies from the Members.

On June 26, 2006, the Company and the other parties to the Purchase Agreement entered into an Amended and Restated Membership Interest Purchase Agreement, pursuant to which the cash portion of the initial purchase consideration was reduced from \$19.0 million to \$11.0 million, the portion the initial purchase consideration consisting of convertible promissory notes was increased from \$8.0 million to \$10.0 million and the portion of the initial purchase consideration consisting of the Company's common stock was increased from approximately \$11.5 million to approximately \$17.5 million (subject, in both cases, to a dollar for dollar reduction for assumed debt up to a maximum of \$161,000). As a result of the increase in value of the initial purchase consideration consisting of the Company's common stock, the maximum number of shares of the Company's common stock issuable at closing has increased from 2,107,385 to 3,205,128. The aggregate initial purchase consideration, before adjustments for assumption of debt and working capital adjustments, remained unchanged at \$38.5 million. Through June 30, 2006, the Company incurred \$152,167 of costs in connection with the acquisition of the Acquisition Companies which have been recorded as deferred acquisition costs on the accompanying June 30, 2006 balance sheet.

4. Common Stock

On December 20, 2004, the Company issued 1,250,000 shares of common stock. On March 8, 2005, the Company authorized the redemption of the 1,250,000 shares of common stock at the original subscription price. On March 9, 2005, the Company issued 1,750,000 shares of common stock to the original stockholders along with new stockholders (in the aggregate, these stockholders are the "Initial Stockholders" defined in note 1, above).

On July 20, 2005, the Company issued 7,000,000 shares of Common Stock in connection with the IPO. On August 24, 2005, the Company issued 800,000 share of Common Stock pursuant to the Over-Allotment Option Exercise.

5. Preferred Stock

The Company is authorized to issue 1,000,000 shares of preferred stock with such designations, voting and other rights and preferences as may be determined from time to time by the Board of Directors.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

This Quarterly Report on Form 10-QSB and the documents incorporated by reference into the Quarterly Report on Form 10-QSB include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements can be identified by the use of forward-looking terminology, including the words "believes," "estimates," "anticipates," "expects," "intends," "may," "will" or "should," or, in each case, their negative or other variations or comparable terminology. Such statements include, but are not limited to, any statements relating to our ability to consummate any acquisition or other business combination and any other statements that are not historical facts. These statements are based on management's current expectations, but actual results may differ materially due to various factors, including, but not limited to:

- our dependence on key personnel, some of whom may or may not join us following a business combination;
- our personnel allocating their time to other businesses and potentially having conflicts of interest with our business;
- our potentially being unable to timely complete a business combination;
- the ownership of our securities being concentrated;
- risks associated with the homeland security industry; and
- those other risks and uncertainties detailed in the Company's filings with the Securities and Exchange Commission.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and developments in the industry in which we operate, may differ materially from those made in or suggested by the forward-looking statements contained in this Quarterly Report on Form 10-QSB. In addition, even if our results of operations, financial condition and liquidity, and developments in the industry in which we operate, are consistent with the forward-looking statements contained in this Quarterly Report on Form 10-QSB, those results or developments may not be indicative of results or developments in subsequent periods.

Introduction

The following discussion should be read in conjunction with our financial statements and related notes thereto contained in this report.

We were formed on December 20, 2004, to serve as a vehicle to acquire an operating business in the homeland security industry through a merger, capital stock exchange, asset acquisition or other similar business combination. We intend to utilize cash derived from the proceeds of our recently completed public offering, our capital stock, debt or a combination of cash, capital stock and debt, in effecting a business combination.

Restatement

The previously issued unaudited June 30, 2006 financial statements classified and accounted for certain expenditures for legal services as formation and operating costs. After further review, the Company has determined that these expenditures should have been classified as deferred acquisition costs related to the proposed acquisition of VTC, L.L.C. and Vortech, LLC. The financial statements as of June 30, 2006 have been restated to correct this error. The changes to the June 30, 2006 financial statements were as follows:

June 30, 2006

As Restated

As Previously
Reported

| | | |
|------------------------------------|---------------|---------------|
| Assets | \$ 44,175,540 | \$ 44,226,470 |
| Liabilities | \$ 574,187 | \$ 574,187 |
| Common stock subject to conversion | \$ 8,388,604 | \$ 8,388,604 |
| Stockholders' equity | \$ 35,212,749 | \$ 35,263,679 |

| | Three Months Ended June 30, 2006 | | Six Months Ended June 30, 2006 | | Period from December 20, 2004 (inception) to June 30, 2006 | |
|---|-------------------------------------|--------------|-----------------------------------|--------------|--|--------------|
| | As | | As | | As | |
| | Previously Reported | As Restated | Previously Reported | As Restated | Previously Reported | As Restated |
| Formation and operating costs | \$ (198,920) | \$ (121,753) | \$ (375,122) | \$ (297,955) | \$ (695,872) | \$ (618,705) |
| Net income for the period before income taxes | \$ 211,984 | \$ 289,151 | \$ 397,343 | \$ 474,510 | \$ 602,023 | \$ 679,190 |
| State and federal income taxes | \$ (72,075) | \$ (98,312) | \$ (135,097) | \$ (161,334) | \$ (209,291) | \$ (235,528) |
| Net income for the period | \$ 139,909 | \$ 190,839 | \$ 262,246 | \$ 313,176 | \$ 392,732 | \$ 443,662 |
| Weighted average shares | | | | | | |
| Basic | 9,550,000 | 9,550,000 | 9,550,000 | 9,550,000 | 6,474,955 | 6,474,955 |
| Earnings (loss) per share | | | | | | |
| Basic | \$ 0.01 | \$ 0.02 | \$ 0.03 | \$ 0.03 | \$ 0.06 | \$ 0.07 |

Three month period ended June 30, 2006 compared to three month period ended June 30, 2005

For the three months ended June 30, 2006, we had total income of \$410,904, consisting of net interest income on investments held in trust and on cash balances maintained. We had no income for the three month period ended June 30, 2005.

Total expenses for the three month period ended June 30, 2006 were \$220,065, consisting of \$121,753 in operating expenses and \$98,312 in income tax expense. We had a net gain of \$190,839 for this period. For the three month period ended June 30, 2005, total expenses were \$1,080, consisting of formation expenses. We had a net loss of \$1,080 for this period.

Six month period ended June 30, 2006 compared to six month period ended June 30, 2005

For the six months ended June 30, 2006, we had total income of \$772,465, consisting of net interest income on investments held in trust and on cash balances maintained. We had no income for the six month period ended June 30, 2005.

Total expenses for the six month period ended June 30, 2006 were \$459,289, consisting of \$297,955 in operating expenses and \$161,334 in income tax expense. We had a net gain of \$313,176 for this period. For the six month period ended June 30, 2005, total expenses were \$1,646, consisting of formation expenses. We had a net loss of \$1,646 for this period.

Period from December 20, 2004 (inception) through June 30, 2006

For the period from December 20, 2004 (inception) through June 30, 2006, we had total income of \$1,297,895, consisting of net interest income on investments held in trust and on cash balances maintained. Total expenses for this period were \$854,233, consisting of \$618,705 in formation and operating expenses and \$235,528 in income tax expense. We had a net gain of \$443,662 for the period.

General

We consummated our IPO on July 20, 2005. Gross proceeds from our IPO were \$42,000,000. On August 24, 2005, we sold an additional 800,000 units pursuant to the underwriters' over-allotment option, raising additional gross proceeds of \$4,800,000. After deducting the underwriting discounts and commissions and the offering expenses, the total net proceeds to us from the offering were approximately \$43,183,521, of which \$41,964,000 was deposited into the trust fund. The remaining proceeds (\$1,219,521) were made available to be used by us to provide for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses.

We will use substantially all of the net proceeds of the Offering to acquire a target business in the homeland security industry, including identifying and evaluating prospective acquisition candidates, selecting the target business, and structuring, negotiating and consummating the business combination. To the extent that our capital stock is used in whole or in part as consideration to effect a business combination, the proceeds held in the trust fund as well as any other net proceeds not expended will be used to finance the operations of the target business. We believe we will have sufficient available funds outside of the trust fund to operate through January 20, 2007, assuming that a business combination is not consummated during that time. Over this period, we anticipate approximately \$75,000 of expenses for the due diligence and investigation of a target business, \$350,000 of expenses for legal, accounting and other expenses attendant to the due diligence investigations, structuring and negotiating of a business combination, \$135,000 for the administrative fee payable to Global Defense Corporation, \$100,000 of expenses in legal and accounting fees relating to our SEC reporting obligations and \$567,000 for general working capital that will be used for miscellaneous expenses and reserves, including approximately \$67,500 for director and officer liability insurance premiums.

ITEM 3. CONTROLS AND PROCEDURES.

We carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer, of the effectiveness of our disclosure controls and procedures as of June 30, 2006. Based on that evaluation, our chief executive officer concluded that our disclosure controls and procedures are effective as of the

end of the period covered by this report to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. During the most recently completed fiscal quarter, there has been no significant change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II.

OTHER INFORMATION

ITEM 6: EXHIBITS

- (a) Exhibits:
- 3.1 Amended and restated certificate of incorporation (incorporated by reference to Exhibit 3.2 to Amendment No. 3 to Registrant's Registration Statement on Form S-1 (File No. 333-123504) filed with the SEC on July 5, 2005).
 - 3.2 By-laws (incorporated by reference to Exhibit 3.2 to Amendment No. 3 to Registrant's Registration Statement on Form S-1 (File No. 333-123504) filed with the SEC on March 23, 2005).
 - 4.1 Specimen Unit Certificate (incorporated by reference to Exhibit 4.1 of the Company's Registration Statement No. 333-123504, effective July 13, 2005).
 - 4.2 Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.2 of the Company's Registration Statement No. 333-123504, effective July 13, 2005).
 - 4.3 Specimen Warrant Certificate (incorporated by reference to Exhibit 4.3 of the Company's Registration Statement No. 333-123504, effective July 13, 2005).
 - 4.4 Warrant Agreement between Continental Stock Transfer & Trust Company and the Company.
 - 31 Section 302 Certification by Principal Executive and Financial Officer
 - 32 Section 906 Certification by Principal Executive and Financial Officer

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.

**FORTRESS AMERICA ACQUISITION
CORPORATION**

Dated: November 16, 2006

/s/ Harvey L. Weiss
Harvey Weiss
Chief Executive Officer

EXHIBIT INDEX

| Exhibit Number | Description of Document |
|-----------------------|--|
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