

ERA GROUP INC.  
Form S-4/A  
April 23, 2013

As filed with the Securities and Exchange Commission on April 22, 2013  
Registration No. 333- 188050

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

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Amendment No. 1  
Form S-4  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

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ERA GROUP INC.  
(Exact name of registrant as specified in its charter)

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Delaware	4522	72-1455213
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

818 Town & Country Blvd., Suite 200  
Houston, Texas 77024  
(281) 606-4900  
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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See Table of Additional Registrants Below

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Christopher S. Bradshaw, Executive Vice President and Chief Financial Officer  
Era Group Inc.  
818 Town & Country Blvd., Suite 200  
Houston, Texas 77024  
Telephone: (281) 606-4900  
(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Copies to:  
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One Chase Manhattan Plaza  
New York, New York 10005  
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Approximate date of commencement of proposed exchange offer: As soon as practicable after this Registration Statement is declared effective.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, please check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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.

Large accelerated filer      Accelerated filer      Non-accelerated filer      Smaller reporting company  
 (Do not check if smaller reporting company)

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

**CALCULATION OF REGISTRATION FEE**

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price per Note	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(2)
7.750% Senior Notes due 2022	\$200,000,000	100%	\$200,000,000	\$21,036
Guarantees of the 7.750% Senior Notes due 2022(3)	N/A	N/A	N/A	(4)

(1) Estimated solely for the purpose of calculating the registration fee under Rule 457(f) of the Securities Act of 1933, as amended (the “Securities Act”).

Calculated pursuant to Rule 457(f) under the Securities Act. In accordance with Rule 457(p) of the Securities Act, the full amount of the filing fee of \$27,280 in connection with this Registration Statement is offset by the remaining \$6,244 of the \$17,415 filing fee previously paid by Era Group Inc. in connection with its prior

(2) Registration Statement on Form S-1 (File No. 333-175942) initially filed on August 2, 2011 and later withdrawn on October 11, 2012 and not used to pay the filing fee for other Registration Statements of the Registrant. This amount was paid in connection with the initial filing of this registration statement.

(3) The entities listed on the Table of Additional Registrants below have guaranteed the notes being registered hereby.

(4) No separate consideration will be received for the guarantees, and therefore, pursuant to Rule 457(n) under the Securities Act, no additional registration fee is due for the guarantees.

The Registrants hereby amend this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrants shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

## TABLE OF ADDITIONAL REGISTRANTS

Exact Name of Registrant as Specified in Its Charter*	State or Other Jurisdiction of Incorporation or Organization	Primary Standard Industrial Classification Code Number	I.R.S. Employer Identification Number
Aeróleo Internacional, LLC	Delaware	4522	87-0786589
Era Aeróleo LLC	Delaware	4522	45-2538418
Era Australia LLC	Delaware	4522	32-0383155
Era Canada LLC	Delaware	4522	46-2428348
Era DHS LLC	Delaware	4522	27-1210584
Era FBO LLC	Delaware	4522	20-3185074
Era Flightseeing LLC	Delaware	4522	46-2394943
Era Helicopter Services LLC	Delaware	4522	46-2409849
Era Helicopters (Mexico) LLC	Delaware	4522	46-2428348
Era Helicopters, LLC	Delaware	4522	20-2421616
Era Leasing LLC	Delaware	4522	20-4109028
Era Med LLC	Delaware	4522	72-1621754
Seacor Overseas Investment Inc.	Delaware	4522	27-2087398

\* The address for each of the additional registrants is 818 Town & Country Blvd., Suite 200, Houston, Texas, 77024

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The information in this prospectus is not complete and may be changed. We may not complete the exchange offer and issue these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell securities and it is not soliciting an offer to buy these securities in any state where the offer is not permitted.

SUBJECT TO COMPLETION, DATED APRIL 22, 2013

PROSPECTUS

Era Group Inc.

Offer to Exchange up to

\$ 200,000,000 of 7.750% SENIOR NOTES DUE 2022

REGISTERED UNDER THE SECURITIES ACT

FOR

A LIKE PRINCIPAL AMOUNT OF 7.750% SENIOR NOTES DUE 2022

Era Group Inc. is offering, upon the terms and subject to the conditions set forth in this prospectus and the accompanying letter of transmittal, to exchange an aggregate principal amount of up to \$200,000,000 of our 7.750% Senior Notes due 2022 (the "Exchange Notes") and related guarantees, which have been registered under the Securities Act of 1933, as amended (the "Securities Act"), for an equal principal amount of our outstanding 7.750% Senior Notes due 2022 (the "Outstanding Notes," and such transaction, the "exchange offer") and related guarantees that have not been so registered.

We are conducting the exchange offer in order to provide you with an opportunity to exchange your unregistered notes for freely tradable notes that have been registered under the Securities Act. The Exchange Notes will represent the same debt as the Outstanding Notes, and we will issue the Exchange Notes under the same indenture as the Outstanding Notes.

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#### The Exchange Offer

We will exchange all Outstanding Notes that are validly tendered and not validly withdrawn for an equal principal amount of Exchange Notes that are freely tradable.

You may withdraw tenders of Outstanding Notes at any time prior to the expiration of the exchange offer.

The exchange offer expires at 5:00 p.m., New York City time, on \_\_\_\_\_, 2013, unless extended. We do not currently intend to extend the expiration date.

The exchange of Outstanding Notes for Exchange Notes in the exchange offer will not be a taxable event for U.S. federal income tax purposes. See the discussion under "Certain U.S. Federal Income Tax Considerations."

The terms of the Exchange Notes to be issued in the exchange offer are substantially identical to the Outstanding Notes, except that the Exchange Notes will be freely tradable under the Securities Act and will not be entitled to registration rights. The Exchange Notes will not have the right to earn additional interest under circumstances relating to our registration obligations.

Certain of our subsidiaries will guarantee our obligations under the Exchange Notes, including the payment of principal, interest and premium (if any) on the notes. These guarantees of the Exchange Notes will be general unsecured and unsubordinated obligations of the guarantors.

Each holder of Outstanding Notes wishing to accept the exchange offer must deliver its Outstanding Notes to be exchanged, together with the letter of transmittal that accompanies this prospectus and any other required documentation, to the exchange agent identified in this prospectus. Alternatively, you may effect a tender of unregistered notes by book-entry transfer into the exchange agent's account at The Depository Trust Company ("DTC"). All deliveries are at the risk of the holder. You can find detailed instructions concerning delivery in the section called "The Exchange Offer" in this prospectus and in the accompanying letter of transmittal.

We have not applied, and do not intend to apply, to list the Exchange Notes on any national securities exchange or automated quotation system.

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You should carefully consider the risks set forth under "Risk Factors" beginning on page 18 of this prospectus for a discussion of factors you should consider before participating in the exchange offer.

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Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

We are an Emerging Growth Company as defined in the Jumpstart Our Business Startups Act. See page 5.

If you are a broker-dealer that receives exchange notes for your own account, you must acknowledge that you will deliver a prospectus in connection with any resale of the exchange notes. The letter of transmittal accompanying this prospectus states that, by so acknowledging and by delivering a prospectus, you will not be deemed to admit that you are an "underwriter" within the meaning of the Securities Act. You may use this prospectus, as we may amend or supplement it in the future, for your resales of exchange notes. We will use commercially reasonable efforts to have the registration statement, of which this prospectus forms a part, remain effective for a period ending on the earlier of (i) 180 days from the date on which the registration statement containing this prospectus is declared effective and (ii) the date on which broker-dealers are no longer required to deliver a prospectus in connection with market-making or other trading activity. We will also amend or supplement this prospectus during this 180-day period, if requested by one or more participating broker-dealers, in order to expedite or facilitate such resales.

The date of this prospectus is \_\_\_\_\_, 2013.

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## ABOUT THIS PROSPECTUS

You should rely only on the information contained in this prospectus and in any applicable prospectus supplement and the accompanying letter of transmittal. We have not authorized any other person to provide you with different information. The information contained in this prospectus and any applicable prospectus supplement are accurate only as of the date such information is presented. Our business, financial condition, results of operations and prospects may have subsequently changed. You should also read this prospectus together with the additional information described under the heading “Where You Can Find More Information.”

This prospectus may be supplemented from time to time to add, update or change information in this prospectus. Any statement contained in this prospectus will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in such prospectus supplement modifies or supersedes such statement. Any statement so modified will be deemed to constitute a part of this prospectus only as so modified, and any statement so superseded will be deemed not to constitute a part of this prospectus.

The registration statement containing this prospectus, including the exhibits to the registration statement, provides additional information about us and the securities offered under this prospectus. The registration statement, including the exhibits, is available from the Company without charge and can be read on the website of the Securities and Exchange Commission (“SEC”) or at the offices of the SEC mentioned under the heading “Where You Can Find More Information.”

**WHERE YOU CAN FIND MORE INFORMATION**

We have filed with the SEC a registration statement on Form S-4, of which this prospectus forms a part, with respect to the issuance of the Exchange Notes. This prospectus does not contain all of the information contained in the registration statement and the exhibits to the registration statement. Some items are omitted in accordance with the rules and regulations of the SEC. For further information about us and the Exchange Notes, we refer you to the registration statement. You should be aware that the statements made in this prospectus as to the contents of any agreement or other document filed as an exhibit to the registration statement are not complete. Although we believe that we have summarized the material terms of these documents in the prospectus, these statements should be read along with the full and complete text of the related documents.

We are required to file annual, quarterly and special reports, proxy statements and other information with the SEC. Any reports or documents we file with the SEC, including the registration statement, may be inspected and copied at the Public Reference Room of the SEC located at Room 1580, 100 F Street, N.E., Washington D.C. 20549. Copies of these reports or other documents may be obtained at prescribed rates from the Public Reference Room of the SEC located at Room 1580, 100 F Street, N.E., Washington D.C. 20549. For further information about the Public Reference Section, call 1-800-SEC-0330. Such materials may also be accessed electronically by means of the SEC's home page on the Internet ([www.sec.gov](http://www.sec.gov)).

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and other materials and oral statements that the Company releases from time to time to the public contain, or will contain, “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements concerning management’s expectations, strategic objectives, business prospects, anticipated economic performance and financial condition and other similar matters involve significant known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of results to differ materially from any future results, performance or achievements discussed or implied by such forward-looking statements. Certain of these risks, uncertainties and other important factors are discussed in “Risk Factors.” In addition, these statements constitute the Company’s cautionary statements under the Private Securities Litigation Reform Act of 1995. It should be understood that it is not possible to predict or identify all such factors. Consequently, the following should not be considered to be a complete discussion of all potential risks or uncertainties. The words “anticipate,” “estimate,” “expect,” “project,” “intend,” “believe,” “plan,” “target,” “forecast” expressions are intended to identify forward-looking statements. Forward-looking statements speak only as of the date of filing this prospectus. The Company disclaims any obligation or undertaking to provide any updates or revisions to any forward-looking statement to reflect any change in the Company’s expectations or any change in events, conditions or circumstances on which the forward-looking statement is based. It is advisable, however, to consult any further disclosures the Company makes on related subjects in its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the Securities and Exchange Commission.

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## PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and may not contain all of the information that may be important to you. For a more complete understanding of our business and the exchange offer, you should read this summary together with the more detailed information and financial statements appearing elsewhere in this prospectus. You should read this entire prospectus carefully, including the “Risk Factors” and “Cautionary Statement Concerning Forward-Looking Statements” sections. Unless the context indicates otherwise, the terms “we,” “our,” “ours,” “us” and the “Company” refer to Era Group Inc. and its consolidated subsidiaries. “Era Group” refers to Era Group Inc., incorporated in 1999 in Delaware. “Common Stock” refers to the common stock, par value \$0.01 per share, of Era Group. The Company’s fiscal year ended on December 31, 2012.

### Our Company

We are one of the largest helicopter operators in the world and the longest serving helicopter transport operator in the U.S., which is our primary area of operations. In the year ended December 31, 2012, approximately 56% and 15% of our total operating revenues were earned in the U.S. Gulf of Mexico and Alaska, respectively. We also provide helicopters and related services to third-party helicopter operators in other countries. In addition to our U.S. customers, we currently have customers in Brazil, Canada, India, Indonesia, Mexico, Norway, Spain, Sweden, the United Kingdom and Uruguay. Our helicopters are primarily used to transport personnel to, from and between offshore installations, drilling rigs and platforms.

The primary users of our helicopter services are major integrated and independent oil and gas companies, including Anadarko Petroleum Corporation (“Anadarko”), Shell Exploration and Production Company (“Shell”), and Petrobras America Inc. (“Petrobras America”), and the U.S. government. In the years ended December 31, 2012 and 2011, approximately 64% and 54% of our operating revenues, respectively, were derived from helicopter services, including emergency search and rescue services, provided to clients primarily involved in oil and gas activities. In addition to serving the oil and gas industry, we provide helicopters under contract-lease, air medical services, firefighting support and Alaska flightseeing tours, among other activities. Historically, our operations have primarily served the U.S. offshore oil and gas industry. We have initiated efforts to reduce our dependence on that market and take advantage of the mobility and versatility of our helicopters in order to expand into other geographic regions. In recent years, we have developed helicopter contract-leasing opportunities to enter developing international markets. We contract-lease to third parties and foreign affiliates. We typically own a 50% interest in the foreign affiliates and their financial results are not consolidated with our financial results. These third parties and affiliates in turn provide helicopter services to clients in their local markets. Under our contract-lease arrangements, operational responsibility is normally assumed by the lessee, which results in lower investment costs for overseas infrastructure. In certain countries, where we believe it is beneficial to access the local market for offshore helicopter support, such as Brazil, we have entered into joint venture relationships.

In Alaska we operate a fixed based operation (“FBO”) at Ted Stevens Anchorage International Airport, leasing storage space and selling fuel and other services to a diverse group of general aviation companies and large corporations. In addition, we operate light and medium helicopters on the North Slope and around Prudhoe Bay in support of oil and gas exploration, development and production activities and inland in support of firefighting activities. We also operate light helicopters in a flightseeing operation, primarily in support of the cruise line industry providing passengers with glacier and dog-sled tours from Juneau and Denali.

We provide a number of additional services through joint ventures that complement our core chartering and contract-leasing activities. We hold a 50% interest in our Dart Holding Company Ltd. (“Dart”) joint venture, which is a sales and manufacturing organization based in Canada that engineers and manufactures after-market helicopter parts and accessories for sale to helicopter manufacturers and operators and distributes parts and accessories on behalf of other manufacturers. We also hold a 50% interest in Era Training Center LLC (“Era Training”), a joint venture based in Lake Charles, Louisiana, that provides instruction, flight simulator and other training to our employees, pilots working for third parties, other helicopter companies, including our competitors, and government agencies.



## Competitive Strengths

We believe the following are our key competitive strengths:

**Blended operating and contract-leasing business model**—We believe, based on our industry experience and understanding of the business models of our competitors, the combination of operating helicopters and contract-leasing helicopters to other operators is a distinctive business model in the helicopter services industry. We believe our operating business in the U.S. provides a critical competitive benefit when offering helicopters to operators outside the U.S. because our U.S. operations are able to serve as a support center for non-U.S. clients. Our contract-leasing activities, which accounted for approximately 22% and 28% of our revenues in the years ended December 31, 2012 and 2011, respectively, enable us to reach new geographic markets, achieve more stable cash flow, create diverse uses for our helicopters and help maintain higher utilization than would otherwise be feasible. In addition, we can penetrate these markets without the cost associated with setting up a full service, proprietary operation. Unlike financial leasing entities, we can work with clients that need helicopters for relatively short-term contracts. We also offer operational support, training, maintenance and access to our inventory of spare parts. We believe this blended business model allows for a more efficient deployment of our capital resources.

**Our diverse and modern fleet**—We have one of the largest U.S.-based helicopter fleets and one of the largest fleets of helicopters operating on a global basis. We own or lease 12 different models of helicopters, including heavy, medium, light twin engine and light single engine helicopters. As of December 31, 2012, we had placed orders for 11 new helicopters. We believe our size allows us to purchase helicopters and spare parts on attractive terms. Since 2004, we have invested over \$900.0 million to purchase over 120 helicopters and have sold or otherwise divested 80 helicopters, allowing us to upgrade our fleet's capabilities and reduce the average age of our owned fleet to 11 years.

**Asset ownership model**—We generally prefer to own, rather than lease, our helicopters to take advantage of attractive return potential provided by the significant level of value retention maintained by helicopters. As of December 31, 2012, we owned 175 helicopters, either directly or via joint venture, representing 93% of our total fleet. Helicopter components are replaced on a regular basis after a certain number of flight hours, meaning that we are regularly installing new components to maintain our fleet. Helicopters have extended useful lives with various uses across multiple end markets, and generally retain a significant amount of their value over their useful lives. Since 2004, we have sold over 70 helicopters for aggregate sale proceeds that exceeded original acquisition costs by over \$25.0 million and for an aggregate gain of more than \$50.0 million over book value at the time of sale. In contrast, a number of our key competitors lease, rather than own, a significant portion of their helicopters, and we believe our competitors are increasingly utilizing this leasing strategy.

**Long-term customer relationships**—We have strong, longstanding relationships with many of our key oil and gas industry customers and international clients, such as Anadarko, Shell and Petrobras America. We also have a long-term relationship with the Bureau of Safety and Environmental Enforcement ("BSEE"), a division of the U.S. Department of the Interior, which accounted for 9.4% and 7.2% of revenues during the years ended December 31, 2012 and 2011, respectively. Effective February 2012, we entered into a new contract with BSEE with an initial term of five years that is subject to annual renewal. We believe that our level of service, our technologically advanced fleet and our focus on safety have helped us establish and maintain our long-term customer relationships. As a result of these relationships, we believe that we are able to compete effectively for new business from our customers as they grow and expand their helicopter services needs.

**High quality workforce**—We have a highly skilled workforce. Our pilots average over 6,800 hours of flight experience, and a significant number of them are qualified to operate more than one type of helicopter. Our mechanics average over 16 years of experience and receive ongoing training from both helicopter manufacturers and our in-house team of professional instructors.

**Strong, experienced leadership team**—Our senior management team has a broad range of domestic and international experience in the aviation industry. We believe this team has a proven track record of managing assets through market cycles and identifying, acquiring and integrating assets while maintaining efficient operations. Our management team has also been successful in maintaining strong relationships with our customers.



## Our Strategy

Our goal is to be a leading, cost effective global provider of helicopter transport and related services. The following are potential opportunities which we regularly review:

**Expand into new and growing geographic markets**—We believe there are significant opportunities in offshore oil and gas markets outside of the U.S., and we continually seek to access these growth markets. In July 2011, we acquired an interest in Aeróleo Taxi Aereo S/A (“Aeróleo”), a Brazilian company servicing the Brazilian offshore oil and gas industry and to which we contract-lease helicopters and provide support services. We also have working relationships with operators in Africa, Asia and Australia. We believe that several of these markets are underserved by larger multinational helicopter operators and, as a result, provide us with opportunities for growth.

**Further develop contract-leasing opportunities**—We believe contract-leasing helps to provide a source of revenues and cash flow and access to emerging, international oil and gas markets. We believe customers look to us for helicopter contract-leasing because of our modern, efficient fleet, with a selection of helicopter models to meet their needs. We intend to continue to develop and grow our participation in international markets, where the fundamentals for helicopter demand are favorable, particularly to service offshore deepwater installations and new areas of exploration. We believe that the market for contract-leasing will continue to grow as smaller operators in developing areas prefer the limited financial commitments of contracting equipment over purchasing, which has become increasingly difficult for them given the reduction in capital made available from financial institutions to these smaller operators. Under certain circumstances, we may elect to establish our own operations or acquire operating certificates if we believe there is sufficient opportunity in a market to warrant the cost and effort of us offering and overseeing a full-service operation.

**Continue to expand and upgrade our versatile fleet**—We regularly review our asset portfolio by assessing market conditions and changes in our customers’ demand for different helicopter models. We buy, sell and lease out equipment in the ordinary course of our business. As offshore oil and gas drilling and production move to deeper water in most parts of the world, we believe more heavy and medium helicopters may be required in the future. We believe our strong relationships with the original equipment manufacturers (“OEMs”) will help us maintain an asset base suitable for use within our own operations and for contract-leasing to other operators. In addition, we intend to continue to pursue opportunities to realize value from our fleet's versatility by shifting assets between markets when circumstances warrant.

**Continue to selectively diversify sources of earnings and cash flow**—Where attractive opportunities exist, we seek to diversify into related markets. One of our joint ventures, Dart, engineers and manufactures after-market helicopter parts and accessories for sale to helicopter manufacturers and operators and distributes parts and accessories on behalf of other manufacturers. Another joint venture, Era Training, provides instruction, flight simulator and other training to our employees, pilots working for other helicopter operators, including our competitors, and government agencies.

**Pursue joint ventures and strategic acquisitions**—Over the last few years, in addition to expanding and diversifying our fleet, we have grown our business and entered new markets through joint ventures. Since 2004, we have entered into six joint ventures and partnering arrangements, including Aeróleo, Dart, Era Do Brazil LLC, Era Training, Heli-Union Era Australia Pty Ltd. and Lake Palma S.L. (“Lake Palma”). We regularly seek to identify potential joint venture opportunities, as well as pursue strategic acquisitions when available. For instance, in 2007, we acquired the air medical services operations of Keystone Helicopter Corporation, which we successfully integrated into our operations.

## Risks Associated with Our Business

Our business is subject to numerous risks, as discussed more fully in the section entitled “Risk Factors,” which you should read in its entirety. These risks include, but are not limited to, the following:

• The effect of the Spin-off (as defined) on our business relationships, operating results and business generally.

• Demand for many of our services is impacted by the level of activity in the offshore oil and gas exploration, development and production industry.

• Demand for using helicopters is cyclical, not just due to cycles in the oil and gas business but also due to fluctuation in government programs and spending, as well as overall economic conditions.

• We are highly dependent upon the level of activity in the U.S. Gulf of Mexico and Alaska.





• The helicopter industry is subject to intense competition.

• Difficult economic and financial conditions could have a material adverse effect on us.

• Failure to maintain an acceptable safety record may have an adverse impact on our ability to obtain and retain customers.

• Incidents involving the helicopter models we operate may result in suspension of operations of those models, whether we or other companies were involved in the incidents.

We rely on relatively few customers for a significant share of our revenues, some of whom are affiliates of ours, the loss of any of which could adversely affect our business and results of operations. No assurance can be given that we will be able to maintain these and other customer relationships after the Spin-off.

• Consolidation of our customer base could adversely affect demand for our services and reduce our revenues.

• The implementation by our customers of cost-saving measures could reduce the demand for our services.

• Operational risks including, but not limited to, equipment failure and negligence could adversely affect our results of operations and in some instances expose us to liability.

• Weather and seasonality can impact our results of operations.

• We face control and oversight risks associated with our international operations.

• Tax and other legal compliance risks, including anti-corruption statutes, the violation of which may adversely affect our business and operations.

• Risks associated with our debt structure and liquidity.

A shortfall in availability of components and parts required for repair and maintenance of our helicopters could adversely affect us, as would cost increases imposed by suppliers if they cannot be passed on to customers or if our equipment has been committed to contracts without coverage for escalating expenses.

Our operations in the U.S. Gulf of Mexico were adversely impacted by the Deepwater Horizon drilling rig incident and resulting oil spill and may be adversely impacted by new environmental guidelines and regulations adopted in response to that incident.

• Any increase in fuel costs may have a material adverse effect on our business, financial condition or results of operations.

We may not be able to obtain work on acceptable terms covering some of our new helicopters, and some of our new helicopters may replace existing helicopters already under contract, which could adversely affect the utilization of our existing fleet.

• If we do not restrict the amount of foreign ownership of our common stock, we could be prohibited from operating helicopters in the U.S., which would adversely impact our business, our financial condition and results of operations.

• The Outer Continental Shelf Lands Act, as amended, provides the federal government with broad discretion to restrict the leasing of offshore resources for the production of oil and gas.

• Helicopter operations involve risks that may not be covered by our insurance or our insurance may be inadequate to protect us from the liabilities that could arise.

• If our employees were to unionize, our operating costs could increase.

The Spin-off

On January 31, 2013, SEACOR Holdings Inc. (“SEACOR”), our former parent company, completed the spin-off (“Spin-off”) of the Company by means of a dividend to SEACOR’s stockholders of all of our issued and outstanding Common Stock. We filed a Registration Statement on Form 10 with the SEC that was declared effective on January 15, 2013. We are now an independent public company with our Common Stock listed on the New York Stock Exchange under the symbol “ERA.”

On December 18, 2012, we entered into a Series B Preferred Stock Exchange Agreement with SEACOR (the “Series B Exchange Agreement”) pursuant to which SEACOR transferred to us 500,000 shares of Series B preferred stock (\$50.0 million in liquidation value) that it held in partial satisfaction for the benefit that SEACOR (and other SEACOR U.S. federal consolidated group members) received by applying U.S. federal net operating losses generated by us in 2012 against SEACOR group taxable income. We repurchased for cash the remaining 500,000 shares of Series B preferred stock (\$50.0 million in liquidation value) outstanding not transferred to us as described in the preceding sentence for \$50.0 million. We funded the cash repurchase with borrowings under our Revolving Credit Facility. See “Certain Relationships and Related Party Transactions—Agreements between SEACOR and Era Group Relating to the Spin-off—Series B Preferred Stock Exchange Agreement.”

Prior to the Spin-off, we entered into a distribution agreement (the “Distribution Agreement”) and several other agreements with SEACOR that govern our relationship with SEACOR after the completion of the spin-off. Under the terms of an amended and restated transition services agreement (the “Amended and Restated Transition Services Agreement”) we entered into with SEACOR, SEACOR provides us with certain support functions, including payroll processing, information systems support, benefit plan management, cash disbursement support, cash receipt processing and treasury management. Amounts payable for services provided under the Amended and Restated Transition Services Agreement are calculated on a fixed-fee basis. The Amended and Restated Transition Services Agreement may continue in effect for two years, from the date of the Spin-off, subject to certain exceptions. Initially, we expect to pay SEACOR an aggregate annualized fee of \$3.4 million for the services provided under the Amended and Restated Transition Services Agreement. As we transition the functions covered by the Amended and Restated Transition Services Agreement to us over the two year term of the agreement, the amount paid to SEACOR will be reduced by the fee related to that respective support function.

For a description of the Distribution Agreement, the Amended and Restated Transition Services Agreement and other agreements we have entered or intend to enter into with SEACOR in connection with the Spin-off, see “Certain Relationships and Related Party Transactions—Agreements between SEACOR and Era Group Relating to the Spin-off.”

#### Indebtedness

In December 2011, we entered into a senior secured revolving credit facility (the “Revolving Credit Facility”). Prior to entering into the Revolving Credit Facility, we participated in a cash management program with SEACOR and, to the extent necessary, relied on advances from SEACOR. The Revolving Credit Facility matures in December 2016 and borrowings under the Revolving Credit Facility bear interest at a rate per annum equal to, at our election, either a “base rate” or LIBOR, plus in each case, an applicable margin. The facility requires us to comply with certain financial ratios and, as a result, our ability to borrow under the facility is limited by our ability to comply with these ratios.

On December 7, 2012, we completed the offering of \$200.0 million of Outstanding Notes. We used the proceeds from this offering to repay \$190.0 million of borrowings outstanding under our Revolving Credit Facility and we permanently reduced the borrowing capacity under that facility from \$350.0 million to \$200.0 million.

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.”

#### Corporate Information

We are a Delaware corporation. Era Group Inc. was incorporated in the State of Delaware in 1999. Our principal executive office is located at 818 Town & Country Blvd., Suite 200, Houston, TX 77024, and our telephone number is (281) 606-4900. Our website address is [www.eragroupinc.com](http://www.eragroupinc.com). Information contained on, or connected to, our website or SEACOR’s website does not and will not constitute part of this prospectus or the Registration Statement on Form S-4 of which this prospectus is a part.

#### Emerging Growth Company

We are an “Emerging Growth Company,” as defined in the Jumpstart Our Business Startups Act (the “JOBS Act”), and are eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “Emerging Growth Companies.” These include, but are not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, reduced



disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and the requirement to obtain stockholder approval of any golden parachute payments not previously approved.

#### The Exchange Offer

The following is a brief summary of the principal terms of the exchange offer. A more detailed description is contained in the section “The Exchange Offer.” The term “Outstanding Notes” refers to our outstanding 7.750% Senior Notes due 2022 issued on December 7, 2012 in a transaction exempt from registration under the Securities Act. The term “Exchange Notes” refers to our 7.750% Senior Notes due 2022 offered by this prospectus, which have been registered under the Securities Act.

We are offering to exchange up to \$200,000,000 principal amount of Exchange Notes and related guarantees, which have been registered under the Securities Act, for an equal principal amount of Outstanding Notes and related guarantees that have not been so registered. The term “notes” refers to both Outstanding Notes and Exchange Notes.

We issued the Outstanding Notes in a transaction exempt from registration under the Securities Act. The terms of the Exchange Notes are substantially identical to the terms of the Outstanding Notes, except that provisions relating to transfer restrictions, registration rights, and rights to additional interest in addition to the stated interest rate on the Outstanding Notes as liquidated damages under the registration rights agreement (“Additional Interest”) will not apply to the Exchange Notes.

#### The Exchange Offer

The Exchange Notes offered hereby, together with any Outstanding Notes that remain outstanding after the completion of the exchange offer, will be treated as a single class for all purposes under the indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. The Exchange Notes will have a CUSIP number different from that of any Outstanding Notes that remain outstanding after the completion of the exchange offer.

In order to exchange your Outstanding Notes for Exchange Notes, you must properly tender them at or prior to the expiration of the exchange offer.

The exchange offer will expire at 5:00 p.m., New York City time, on \_\_\_\_\_, 2013, unless the exchange offer is extended, in which case the expiration time will be the latest date and time to which the exchange offer is extended. We do not currently intend to extend the expiration date or time. See “The Exchange Offer—Terms of the Exchange Offer; Expiration Time.”

#### Expiration Date and Time



You may tender your Outstanding Notes through book-entry transfer in accordance with The Depository Trust Company's Automated Tender Offer Program, known as ATOP. If you wish to accept the exchange offer, you must either:

- complete, sign, and date the accompanying letter of transmittal, or a facsimile of the letter of transmittal, in accordance with the instructions contained in the letter of transmittal, and mail or otherwise deliver the letter of transmittal, together with your Outstanding Notes, to the exchange agent at the address set forth under "The Exchange Offer—The Exchange Agent"; or

#### Procedures for Tendering Outstanding Notes

- arrange for The Depository Trust Company to transmit to the exchange agent certain required information, including an agent's message forming part of a book-entry transfer in which you agree to be bound by the terms of the letter of transmittal, and transfer the Outstanding Notes being tendered into the exchange agent's account at The Depository Trust Company.

You may tender your Outstanding Notes for the applicable series of Exchange Notes in whole or in part in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess of \$2,000.

See "The Exchange Offer—How to Tender Outstanding Notes for Exchange."

#### Guaranteed Delivery Procedures

If you wish to tender your Outstanding Notes and time will not permit your required documents to reach the exchange agent by the expiration time, or the procedures for book-entry transfer cannot be completed by the expiration time, you may tender your Outstanding Notes according to the guaranteed delivery procedures described in "The Exchange Offer—Guaranteed Delivery Procedures."

#### Special Procedures for Beneficial Owners

If you beneficially own Outstanding Notes registered in the name of a broker, dealer, commercial bank, trust company, or other nominee and you wish to tender your Outstanding Notes in the exchange offer, you should contact the registered holder promptly and instruct it to tender on your behalf. See "The Exchange Offer—How to Tender Outstanding Notes for Exchange."

#### Withdrawal of Tenders

You may withdraw your tender of Outstanding Notes at any time at or prior to the expiration time by delivering a written notice of withdrawal to the exchange agent in



conformity with the procedures discussed under “The Exchange Offer—Withdrawal Rights.”

Acceptance of Outstanding Notes and Delivery of Exchange Notes

If all the conditions to the completion of the exchange offer are satisfied, we will accept any and all Outstanding Notes that are properly tendered in the exchange offer and not withdrawn at or prior to the expiration time. The Exchange Notes issued pursuant to the exchange offer will be delivered promptly upon expiration of the exchange offer, and any tendered Outstanding Notes that are not accepted for exchange will be returned to the tendering holder promptly upon the expiration or termination of the exchange offer. See “The Exchange Offer—Terms of the Exchange Offer; Expiration Time.”

Registration Rights Agreement

We are making the exchange offer pursuant to the registration rights agreement that we entered into on December 7, 2012 with the guarantors and the initial purchasers of the Outstanding Notes (the “registration rights agreement”).

The exchange offer is not conditioned upon the tender of any minimum principal amount of Outstanding Notes. We will not be required to accept for exchange, or to issue Exchange Notes in exchange for, any Outstanding Notes and may terminate or amend the exchange offer if at any time before the expiration of the exchange offer, any of the following conditions exist:

- any action or proceeding is instituted or threatened in any court or by or before any governmental agency challenging the exchange offer or that would reasonably be expected to prohibit or materially impair our ability to proceed with the exchange offer;
- any stop order is threatened or in effect with respect to either (1) the registration statement of which this prospectus forms a part or (2) the qualification of the indenture governing the notes under the Trust Indenture Act of 1939, as amended; or
- any law, rule or regulation is enacted, adopted, proposed, amended or interpreted that would reasonably be expected to prohibit or impair our ability to proceed with the exchange offer or to materially impair the ability of holders generally to receive freely tradable Exchange Notes in the exchange offer.

Conditions to the Exchange Offer

See “The Exchange Offer—Conditions to the Exchange Offer.”



Resale of Exchange Notes

We believe that the Exchange Notes issued in the exchange offer may be offered for resale, resold, or otherwise transferred by you without compliance with the registration and prospectus delivery requirements of the Securities Act, provided that:

- you are not an “affiliate” of ours as defined in Rule 405 of the Securities Act;
- the Exchange Notes you receive pursuant to the exchange offer are being acquired in the ordinary course of your business;
- you have no arrangement or understanding with any person to participate in the distribution of the Exchange Notes issued to you in the exchange offer;
- if you are not a broker-dealer, you are not engaged in, and do not intend to engage in, a distribution of the Exchange Notes issued in the exchange offer; and
- if you are a broker-dealer, you will receive the Exchange Notes for your own account, the Outstanding Notes were acquired by you as a result of market-making or other trading activities, and you will deliver a prospectus when you resell or transfer any Exchange Notes issued in the exchange offer. See “Plan of Distribution” for a description of the prospectus delivery obligations of broker-dealers in the exchange offer.

If you do not meet these requirements, your resale of the Exchange Notes must comply with the registration and prospectus delivery requirements of the Securities Act.

Our belief is based on interpretations by the staff of the SEC, as set forth in no-action letters issued to third parties. The staff of the SEC has not considered this exchange offer in the context of a no-action letter and we cannot assure you that the staff of the SEC would make a similar determination with respect to this exchange offer.

If you are a broker-dealer and you will receive Exchange Notes for your own account in exchange for unregistered notes that were acquired as a result of market-making activities or other trading activities, you will be required to acknowledge that you will deliver a prospectus in connection with any resale of the Exchange Notes. See “Plan of Distribution” for a description of the prospectus delivery obligations of broker-dealers.

See “The Exchange Offer—Consequences of Exchanging Outstanding Notes.”

If you do not exchange your Outstanding Notes in this exchange offer, you will no longer be able to require us to register the Outstanding Notes under the Securities Act, except in limited circumstances provided under the registration rights agreement. See “The Exchange Offer—Consequences of Exchanging Outstanding Notes.”

Consequences of Failure to Exchange

In addition, your Outstanding Notes will continue to be subject to the restrictions on transfer provided in the Outstanding Notes and in the indenture. In general, the Outstanding Notes may not be offered or sold unless offered or sold in a transaction exempt from registration under the Securities Act and applicable state securities laws. If a substantial amount of the Outstanding Notes is exchanged for a like amount of the Exchange Notes, the liquidity and the trading market for your untendered Outstanding Notes could be adversely affected. See “The Exchange Offer—Consequences of Failure to Exchange Outstanding Notes.” We will not be responsible for or indemnify you against any liability you may incur under the Securities Act.

Exchange Agent

The exchange agent for the exchange offer is Wells Fargo Bank, National Association. For additional information, see “The Exchange Offer—Exchange Agent” and the accompanying letter of transmittal.

Certain U.S. Federal Income Tax Considerations

The exchange of outstanding notes in the exchange offer will not be a taxable event for United States federal income tax purposes.

You should consult your own tax advisor as to the tax consequences to you of the exchange offer, as well as tax consequences of the ownership and disposition of the Exchange Notes. For additional information, see “Certain U.S. Federal Income Tax Considerations.”

The Exchange Notes

The summary below describes the principal terms of the Exchange Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The “Description of Exchange Notes” section of this prospectus contains a more detailed description of the terms and conditions of the Exchange Notes.

The Exchange Notes will be identical in all material respects to the Outstanding Notes for which they have been exchanged, except:

- the offer and sale of the Exchange Notes will have been registered under the Securities Act, will not bear any legend restricting their transfer and generally will not be subject to restrictions on transfer,
- the Exchange Notes will bear a different CUSIP number from the Outstanding Notes,
- the Exchange Notes will not be entitled to registration rights, and
- the holders of the Exchange Notes will not have the right to earn additional interest under circumstances relating to our registration obligations.

The Exchange Notes will evidence the same debt as the Outstanding Notes, and both the Outstanding Notes and the Exchange Notes will be governed by the same indenture.

Issuer	Era Group Inc., a Delaware corporation.
Guarantors	All of our wholly-owned existing U.S. subsidiaries that are guarantors under our Revolving Credit Facility.
Notes offered	\$200,000,000 aggregate principal amount of 7.750% senior notes due 2022.
Maturity Date	The Exchange Notes will mature on December 15, 2022.
Interest	The Exchange Notes will bear interest at the rate of 7.750% per annum, payable semi-annually in arrears on June 15 and December 15 of each year beginning June 15, 2013. Interest on the Exchange Notes will initially accrue from the most recent date to which interest has been paid on the Outstanding Notes.
Subsidiary Guarantees	The payment of principal, interest and premium (if any) on the Exchange Notes will be unconditionally guaranteed on a general unsecured and unsubordinated basis by the guarantors. See “Description of Exchange Notes—Guarantees.”
Ranking	<p>The Exchange Notes and subsidiary guarantees will be our and the guarantors’ respective general, unsecured and unsubordinated obligations and will, at all times, rank pari passu in right of payment with all of our and the guarantors’ respective other existing and future unsecured and unsubordinated indebtedness.</p> <p>The Exchange Notes and the subsidiary guarantees will be effectively subordinated to our and the guarantors’ secured indebtedness, including borrowings under our Revolving Credit Facility to the extent of the value of the assets securing such indebtedness. In addition, the Exchange Notes and the subsidiary guarantees will be structurally subordinated to all existing and future indebtedness and other liabilities of our operating subsidiaries that are not guarantors, including all of our subsidiaries organized outside the U.S. For the year ended December 31, 2012, our non-guarantor subsidiaries generated approximately 0.2% of our total revenue. See “Description of Exchange Notes—Ranking.”</p>





Book-Entry System; Delivery and Form and Denomination of the Notes	<p>As of December 31, 2012, we had \$283.1 million of outstanding indebtedness, of which \$33.1 million was secured indebtedness of one of our subsidiaries outstanding under two promissory notes and \$50.0 million was secured borrowings under the Revolving Credit Facility.</p> <p>The Exchange Notes will be issued in the form of global notes without coupons and registered in the name of a nominee of DTC and its direct and indirect participants, including Euroclear and Clearstream. The Exchange Notes will be issued in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.</p>
Optional Redemption	<p>We may redeem the Exchange Notes, in whole or in part, at any time and from time to time on or after December 15, 2017 at the applicable redemption prices set forth in this prospectus, plus accrued and unpaid interest. Prior to December 15, 2017, we may also redeem the Exchange Notes, in whole or in part, at any time and from time to time, at a redemption price based on a “make-whole” premium plus accrued and unpaid interest. In addition, at any time on or prior to December 15, 2015, we may redeem up to 35% of the Exchange Notes at a redemption price equal to 107.750% of their principal amount, plus accrued and unpaid interest, if any, to the date of redemption, using the proceeds from certain equity offerings. See “Description of Exchange Notes—Optional Redemption.”</p>
Covenants	<p>The indenture contains covenants that restrict our and our subsidiaries’ ability to, among other things:</p> <ul style="list-style-type: none"><li>• incur additional indebtedness;</li><li>• pay dividends or make other distributions or repurchase or redeem our capital stock;</li><li>• prepay, redeem or repurchase certain debt;</li><li>• make loans and investments;</li><li>• sell assets;</li><li>• incur liens;</li><li>• enter into transactions with affiliates;</li><li>• enter into agreements restricting our subsidiaries’ ability to pay dividends; and</li><li>• consolidate, merge or sell all or substantially all of their assets.</li></ul> <p>In addition, upon a specified change of control trigger event or a specified asset sale, we may be required to offer to repurchase the Exchange Notes.</p> <p>These covenants are subject to a number of important limitations and exceptions. See “Description of Exchange Notes.”</p>

Events of Default

For a discussion of certain events of default that will permit acceleration of the principal of the Exchange Notes plus accrued and unpaid interest, if any, and any other amounts due with respect to the Exchange Notes, see “Description of Exchange Notes—Events of Default.”

Use of Proceeds	We will not receive any proceeds from the issuance of Exchange Notes in the exchange offer.
Governing Law	The Exchange Notes, the subsidiary guarantees and the indenture will be governed by New York law.
Trustee	Wells Fargo Bank, National Association.
Further Issuances	Subject to the limitations contained in the indenture, we may from time to time, without notice to or consent from the holders of the Exchange Notes, create and issue an unlimited principal amount of additional notes of the same series as the Exchange Notes.
Risk Factors	See “Risk Factors” and the other information included in this prospectus for a discussion of the factors you should carefully consider before deciding to exchange your Outstanding Notes for Exchange Notes.

## Summary Historical Financial Data

The following tables set forth our summary historical consolidated financial data for the periods indicated. We derived the summary historical consolidated financial data presented below as of December 31, 2012 and 2011 and for the years ended December 31, 2012, 2011 and 2010 from our audited consolidated financial statements included elsewhere in this prospectus. We derived the summary historical consolidated financial data presented below as of December 31, 2010 from our audited consolidated financial statements not included in this prospectus. Our historical results are not necessarily indicative of our future operating results.

The following tables also include unaudited pro forma consolidated financial data that gives effect to the Spin-off and the related transactions, based on certain assumptions and adjustments. See “Unaudited Pro Forma Consolidated Financial Data” for a discussion of the assumptions and adjustments used in preparing the unaudited pro forma consolidated financial data.

The unaudited pro forma consolidated financial data presented below consists of unaudited pro forma consolidated balance sheet data as of December 31, 2012 that gives effect to the Spin-off and related transactions as if they had occurred on December 31, 2012, and unaudited pro forma consolidated statement of operations data for the year ended December 31, 2012 that gives effect to the Spin-off and related transactions as if they had occurred on January 1, 2012. The following summary historical and unaudited pro forma consolidated financial data should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Unaudited Pro Forma Consolidated Financial Data” and the historical consolidated financial statements and the related notes appearing elsewhere in this prospectus.

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	For the Years Ended December 31,			
	2010	2011	2012	Pro Forma
<b>Statement of Operations Data:</b>				
Operating Revenues	\$235,366	\$258,148	\$272,921	\$272,921
<b>Costs and Expenses:</b>				
Operating	147,233	162,707	167,195	167,195
Administrative and general	25,798	31,893	34,785	35,220
Depreciation	43,351	42,612	42,502	42,502
Gains on asset dispositions and impairments, net	764	15,172	3,612	3,612
Operating Income	19,748	36,108	32,051	31,616
<b>Other Income (Expense):</b>				
Interest income	109	738	910	910
Interest expense	(94	) (1,376	) (10,648	) (20,438
Interest expense on advances from SEACOR	(21,437	) (23,410	) —	—
SEACOR management fees	(4,550	) (8,799	) (2,000	) —
Derivative gains (losses), net	(118	) (1,326	) (490	) (490
Foreign currency gains (losses), net	(1,511	) 516	720	720
Other, net	50	9	30	30
Income (Loss) Before Tax and Equity in Earnings (Losses)	(7,803	) 2,460	20,573	12,348
Income Tax Expense (Benefit)	(4,301	) 434	7,298	4,336
Equity in Earnings (Losses) of 50% or Less Owned Companies	(137	) 82	(5,528	) (5,528
Net Income (Loss)	\$(3,639	) \$2,108	\$7,747	\$2,484
<b>Balance Sheet Data:</b>				
Cash and Cash Equivalents	\$3,698	\$79,122	\$11,505	\$11,505
Total assets	719,024	933,224	937,564	937,564
Long-term debt, less current portion	35,885	285,098	276,948	276,948
Total equity	163,593	275,147	275,285	419,517
<b>Statement of Cash Flow Data:</b>				
Cash Flow from Operating Activities	\$83,743	\$40,930	\$13,915	13,915
Cash Flow from Investing Activities	(132,549)	(149,089)	(114,765)	(114,765
Cash Flow from Financing Activities	46,963	183,094	32,634	32,634
<b>Other Financial Data:</b>				
EBITDA <sup>(1)</sup>	\$56,833	\$69,202	\$67,285	\$68,850
Adjusted EBITDA <sup>(1)</sup>	\$61,762	\$82,172	\$78,837	\$78,402
Adjusted EBITDAR <sup>(1)</sup>	\$66,021	\$86,507	\$82,861	\$82,426
Ratio of Earnings to Fixed Charges	0.6	1.0	1.4	1.7

(1) Our management uses EBITDA and Adjusted EBITDA to assess the performance and operating results of our business. EBITDA is defined as Earnings before Interest (includes interest income, interest expense and interest expense on advances from SEACOR), Taxes, Depreciation and Amortization. Adjusted EBITDA is defined as EBITDA further adjusted for SEACOR Management Fees and certain other items that occur during the reported period. We include EBITDA and Adjusted EBITDA to provide investors with a supplemental measure of our

operating performance. We also present Adjusted EBITDAR, which is defined as Adjusted EBITDA further adjusted for

rent expense (included as components of operating expense and general and administrative), because we believe that research analysts and investment bankers use this metric to assess our and others in our peer group's performance. Neither EBITDA, Adjusted EBITDA nor Adjusted EBITDAR is a recognized term under generally accepted accounting principles in the U.S. ("GAAP"). Accordingly, they should be used as an indicator of, or an alternative to, net income as a measure of operating performance. In addition, EBITDA, Adjusted EBITDA and Adjusted EBITDAR are not intended to be measures of free cash flow available for management's discretionary use, as they do not consider certain cash requirements, such as debt service requirements. Because the definitions of EBITDA, Adjusted EBITDA and Adjusted EBITDAR (or similar measures) may vary among companies and industries, they may not be comparable to other similarly titled measures used by other companies.

EBITDA, Adjusted EBITDA and Adjusted EBITDAR have limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our results as reported under GAAP. For example, these measures:

- do not reflect our historical cash expenditures, or future requirements, for capital expenditures or contractual commitments;

- do not reflect changes in, or cash requirements for, our working capital needs;

- do not reflect the significant interest expense or the cash requirements necessary to service interest or principal payments on our debt;

- do not reflect our income tax expenses or the cash requirements to pay our taxes; and

although depreciation and amortization charges are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and the foregoing metrics do not reflect any cash requirements for such replacements.

The following table provides a reconciliation of Net Income (Loss), the most directly comparable GAAP measure, to EBITDA, Adjusted EBITDA and Adjusted EBITDAR.

	Year Ended December 31,			Pro Forma
	2010	2011	2012	
	(in thousands)			
Net Income (Loss)	\$(3,639 )	\$2,108	\$7,747	\$2,484
Depreciation	43,351	42,612	42,502	42,502
Interest Income	(109)	(738)	(910)	(910 )
Interest Expense	94	1,376	10,648	20,438
Interest Expense on Advances from SEACOR	21,437	23,410	—	—
Income Tax Expense (Benefit)	(4,301)	434	7,298	4,336
EBITDA	56,833	69,202	67,285	68,850
SEACOR Management Fees	4,550	8,799	2,000	—
Special Items <sup>(1)</sup>	379	4,171	9,552	9,552
Adjusted EBITDA	61,762	82,172	78,837	78,402
Rent	4,259	4,335	4,024	4,024
Adjusted EBITDAR	\$66,021	\$86,507	\$82,861	\$82,426

(1) Special items include the following:

- Severance expense of \$0.7 million, \$4.2 million and \$0.4 million for the years ended December 31, 2012, 2011 and 2010, respectively;

- Expenses incurred in connection with our abandoned initial public offering of \$2.9 million for the year ended December 31, 2012; and

- An impairment charge of \$5.9 million, net of tax, for the year ended December 31, 2012 on our investment in Aeróleo.





## RISK FACTORS

You should carefully consider the risks described below and the other information in this prospectus before deciding to participate in the exchange offer. If any of the risks described below actually occurs, our business, financial result and financial condition could be materially adversely affected. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. This prospectus also contains forward-looking statements that involve risks and uncertainties. See “Cautionary Statement Regarding Forward-Looking Statements.” Our actual results could differ materially and adversely from those anticipated in these forward-looking statements as a result of certain factors, including the risks facing our company described below and elsewhere in this prospectus.

### Risks Related to Our Business and Industry

Demand for many of our services is impacted by the level of activity in the offshore oil and gas exploration, development and production industry.

In the years ended December 31, 2012 and 2011, approximately 64% and 54%, respectively, of our operating revenues were generated by the provision of helicopter services, including search and rescue services, to companies primarily engaged in offshore oil and gas exploration, development and production activities, in the U.S. Gulf of Mexico and Alaska. Demand for our services and our results of operations are significantly impacted by levels of activity in those regions. These levels of activity have historically been volatile. This volatility is likely to continue in future periods. The level of offshore oil and natural gas exploration, development and production activity is not only likely to be volatile, but it is also subject to factors beyond our control, including:

- general economic conditions;
- prevailing oil and natural gas prices and expectations about future prices and price volatility;
- assessments of offshore drilling prospects compared with land-based opportunities;
- the cost of exploring for, producing and delivering oil and natural gas offshore;
- worldwide demand for energy, petroleum products and chemical products;
- availability and rate of discovery of new oil and natural gas reserves in offshore areas;
  - federal, state, local and international political conditions, and policies including cabotage, local content, exploration and development of oil and gas reserves;
- technological advancements affecting exploration, development, energy production and consumption;
- weather conditions;
- environmental regulation;
- regulation of drilling activities and the availability of drilling permits and concessions; and
  - the ability of oil and natural gas companies to generate or otherwise obtain funds for offshore oil and gas exploration, development and production.

We are in a cyclical business.

Our industry has historically been cyclical and is affected by the volatility of oil and gas price levels, fluctuations in government programs and spending and general economic conditions. Changes in commodity prices can have a significant effect on demand for our services, and periods of low activity intensify price competition in the industry and often result in our helicopters being idle for long periods of time. A prolonged significant downturn in oil and natural gas prices, or increased regulation containing onerous compliance requirements, are likely to cause a substantial decline in expenditures for exploration, development and production activity, which would result in a decline in demand and lower rates for our services. Similarly, the government agencies with which we do business could face budget cuts or limit spending, which would also result in a decline in demand and lower rates for our services. These changes could adversely affect our business, financial condition and results of operations.

We are highly dependent upon the level of activity in the U.S. Gulf of Mexico and Alaska, which are mature exploration and production regions.

In the years ended December 31, 2012 and 2011, our operating revenues derived from helicopter services provided to clients primarily involved in oil and gas activities in the U.S. Gulf of Mexico and Alaska, represented approximately 56% and 9%, respectively, and 46% and 9%, respectively, of our total operating revenues. The U.S. Gulf of Mexico and Alaska are mature exploration and production regions that have undergone substantial seismic survey and exploration activity for many years. Because a large number of oil and gas properties in these regions have already been drilled, additional prospects of sufficient size and quality could be more difficult to identify. We believe that the production from these mature oil and gas properties is declining and that the future production may decline to the point that such properties are no longer economically viable to operate, in which case, our services with respect to such properties will no longer be needed. Oil and gas companies may not identify sufficient additional drilling sites to replace those that become depleted. If activity in oil and gas exploration, development and production in either the U.S. Gulf of Mexico or Alaska materially declines, our business, financial condition and results of operations could be materially and adversely affected. We cannot predict the levels of activity in these areas.

Operational risks including, but not limited to, equipment failure and negligence could adversely impact our results of operations and in some instances, expose us to liability. These risks may not be covered by our insurance or our insurance may be inadequate to protect us from the liabilities that could arise.

The operation of helicopters is subject to various risks, including catastrophic disasters, crashes, adverse weather conditions, mechanical failures and collisions, which may result in loss of life, personal injury and/or damage to property and equipment. Our helicopters have been involved in accidents in the past, some of which included loss of life, personal injury and property damage. We, or third parties operating our helicopters, may experience accidents in the future. These risks could endanger the safety of both our own and our customers' personnel, equipment, cargo and other property, as well as the environment. If any of these events were to occur with equipment that we operate or contract-lease to third parties, we could experience loss of revenues, termination of charter contracts, higher insurance rates, and damage to our reputation and customer relationships. In addition, to the extent an accident occurs with a helicopter we operate, we could be held liable for resulting damages. The occurrence of any such incident could have a material adverse effect on our operations and financial condition.

Certain models of helicopters that we operate have also experienced accidents while operated by third parties. If other operators experience accidents with helicopter models that we operate or contract-lease, obligating us to take such helicopters out of service until the cause of the accident is rectified, we would lose revenues and might lose customers. In addition, safety issues experienced by a particular model of helicopter could result in customers refusing to use a particular helicopter model or a regulatory body grounding that particular helicopter model. The value of the helicopter model might also be permanently reduced in the market if the model were to be considered less desirable for future service.

For instance, there have been three recent accidents involving the Eurocopter EC225 helicopter that have resulted in complete losses of the helicopters. One of the helicopters was under contract-lease from us to one of our customers, while the other two were owned and operated by parties unrelated to us. In response to these accidents, major global operators have indefinitely suspended EC225 operations. We are still earning revenues associated with our EC225 helicopters under contract-leases; however, customers have requested reductions in contract-lease payment obligations and we are not collecting hourly revenues, since the helicopters are not flying. To the extent the EC225 helicopter operations remain suspended for a prolonged period of time, our results of operations could be adversely affected.

Our Brazilian joint venture, Aeróleo, also experienced operating difficulties due to an incident with an AW139 operated by a competitor. In July 2011, Aeróleo received notice that it was successful in its bid to place four AW139 helicopters on contract with Petróleo Brasileiro S.A. ("Petrobras Brazil") and in turn entered into contract-leases with us for the helicopters and mobilized them to Brazil. In August 2011, Petrobras Brazil cancelled the award and, as a result, these four AW139 helicopters under contract-lease to Aeróleo were idle from August 2011 until late November 2012.

Due to resulting liquidity issues experienced by Aeróleo, as of December 31, 2012, we had deferred the recognition of \$7.0 million of revenues owed to us by Aeróleo and, together with our partner, contributed \$9.2 million of shareholder debt to Aeróleo to enable it to continue operations. In November 2012, in response to an emergency tender issued by

Petrobras Brazil as a result of the above noted suspension of use of EC225 helicopters, Aeróleo executed contracts with

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Petrobras Brazil and it began utilizing these four AW139 helicopters. Aeróleo contract-leases three EC225 helicopters from us which are in turn on contract with Petrobras Brazil. Following the suspension of the use of the EC225 helicopters in late October 2012, Petrobras Brazil continued to pay the full contracted monthly rate. In early 2013, Petrobras Brazil notified Aeróleo and the other operators in Brazil of its intent to pay each operator only a percentage of the monthly rate going forward, with such percentage based on their historical availability of those contracted EC225 helicopters (approximately 80% for Aeróleo). However, Petrobras Brazil recently notified Aeróleo and the other operators in Brazil that it would pay 100% of the monthly rate through the end of March 2013 and then unilaterally suspend all EC225 contracts during the suspension of the use of the EC225 helicopters, alleging that the helicopter cannot meet the terms of the contract. Two other competitors in Brazil have a total of nine EC225 helicopters on contract with Petrobras Brazil. Should Petrobras Brazil either suspend its contract with Aeróleo, or should Aeróleo have to agree to a reduced monthly payment, it may impede Aeróleo's ability to pay for equipment leased from us and may necessitate an infusion of capital to allow Aeróleo to continue to operate.

Even if an incident with a particular model of helicopter does not result in the grounding of the helicopter model by applicable governmental regulatory and safety agencies or a decision by operators to pull the model from service, we may not be able to use such helicopter model for other reasons such as loss in confidence for the model by our customers, their employees or the unions to which our customer's employees belong.

We carry insurance, including hull and liability, liability and war risk, general liability, workers' compensation, and other insurance customary in the industry in which we operate. Our insurance coverage is subject to deductibles and maximum coverage amounts. Our insurance policies are also subject to compliance with certain conditions, the failure of which could lead to a denial of coverage as to a particular claim or the voiding of a particular insurance policy. The amount of insurance coverage we are able to maintain may be inadequate to cover all potential liabilities or the total amount of insured claims and liabilities. We cannot assure you that our existing insurance coverage can be renewed at commercially reasonable rates nor is it possible to obtain insurance to protect against all of our operations risks and liabilities. Any material liability not covered by insurance or for which third-party indemnification is not available, would have a material adverse effect on our financial condition, results of operations and/or cash flows.

The helicopter industry is subject to intense competition.

The helicopter industry is highly competitive. In the U.S., we face competition for business in the oil and gas industry from three major operators, Bristow Group Inc. ("Bristow"), PHI, Inc. and Rotorcraft Leasing Company, LLC. We also face potential competition from customers that establish their own flight departments and smaller operators that can, with access to capital, expand their fleets and operate more sophisticated and costly equipment. In providing air medical transport services, we face competition from Air Methods Corporation and PHI, Inc., Air Medical Group Holdings and many other operators. In our international markets, we face competition from local operators in countries where foreign regulations may require that contracts be awarded to local companies owned by nationals. We also face competition from operators that are more recognized in some of those markets. In addition, we compete with other providers of medical air transport, search and rescue, firefighting and flightseeing services, as well as leasing companies in various markets.

Chartering of helicopters usually involves an aggressive bidding process or intense negotiations. To qualify for work in most instances, an operator must have an acceptable safety record, demonstrated reliability, and the requisite equipment for the job, as well as sufficient resources to provide coverage when primary equipment comes out of service for maintenance. Companies that can satisfy these criteria and meet these needs are invited to bid for work. Customers typically make their final choice based on the best price available for the helicopter that is needed in the time frame that is mandated by their need. If we were unable to satisfy the criteria to participate in bids, we would be unable to compete effectively and our business, financial condition and results of operations would be materially and adversely affected.

In order to grow our business, we may require additional capital in the future, which may not be available to us. Our business is capital intensive, and to the extent we do not generate sufficient cash from operations, we will need to raise additional funds through public or private debt or equity financings to execute our growth strategy. Adequate sources of capital funding may not be available when needed, or may not be available on favorable terms. In addition, as a result of the Spin-off, we can no longer rely on SEACOR to provide us with capital contributions to the extent

other sources of funding are not available. Further, if we raise additional funds by issuing equity or certain types of

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convertible debt securities, dilution to the holdings of our existing stockholders may result. Further, if we raise additional debt financing, we will incur additional interest expense and the terms of such debt may be at less favorable rates than existing debt and could require the pledge of assets as security or subject us to financial and/or operating covenants that affect our ability to conduct our business. Any capital raising activities would be subject to the restrictions in the tax matters agreement we entered into with SEACOR in connection with the Spin-off (the “Tax Matters Agreement”). See “Certain Relationships and Related Party Transactions—Agreements between SEACOR and Era Group Relating to the Spin-off—Tax Matters Agreement” for additional information. If funding is insufficient at any time in the future, or we are unable to conduct capital raising activities as a result of restrictions in the Tax Matters Agreement, we may be unable to acquire additional helicopters, take advantage of business opportunities or respond to competitive pressures, any of which could harm our business, financial condition and results of operations. Difficult economic and financial conditions could have a material adverse effect on us.

The financial results of our business are both directly and indirectly dependent upon economic conditions throughout the world, which in turn can be impacted by conditions in the global financial markets. These factors are outside our control and changes in circumstances are difficult to predict. Uncertainty about global economic conditions may lead businesses to postpone spending in response to tighter credit and reductions in income or asset values, which may lead many lenders and institutional investors to reduce, and in some cases, cease to provide funding to borrowers. Weak economic activity may lead government customers to cut back on services. Factors such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation), trade barriers, commodity prices, currency exchange rates and controls, and national and international political circumstances (including wars, terrorist acts or security operations) could have a material adverse effect on our business and investments, which could reduce our revenues, profitability and value of our assets. These factors (including the failure of lenders participating in our Revolving Credit Facility to fulfill their commitments and obligations) may also adversely affect our liquidity and our financial condition, and the business, liquidity and financial condition of our customers. Adverse liquidity conditions for our customers could negatively impact their capital investment activity. In addition, periods of poor economic conditions could increase our ongoing exposure to credit risks on our accounts receivable balances. We have procedures that are designed to monitor and limit exposure to credit risk on our receivables; however, there can be no assurance that such procedures will effectively limit our credit risk and avoid losses, and, if not effective, could have a material adverse effect on our business, financial condition and results of operations.

For example, a slowdown in economic activity could reduce worldwide demand for energy and result in an extended period of lower oil and natural gas prices. Demand for our services depends on oil and natural gas industry activity and expenditure levels that are directly affected by trends in oil and natural gas prices. A reduction in oil and natural gas prices could depress the activity levels of oil and gas companies, which in turn would reduce demand for our services. Perceptions of longer-term lower oil and natural gas prices by oil and gas companies can similarly further reduce or defer major expenditures given the long-term nature of many large-scale development projects. Lower levels of activity can result in a corresponding decline in the demand for our services, which could have a material adverse effect on our revenue and profitability. Unstable economic conditions or turmoil in financial markets may also increase the volatility of our stock price.

Failure to maintain an acceptable safety record may have an adverse impact on our ability to obtain and retain customers.

Our customers consider safety and reliability a primary concern in selecting a helicopter service provider. We must maintain a record of safety and reliability that is acceptable to, and in certain instances is contractually required by, our customers. In an effort to maintain an appropriate standard, we incur considerable costs to maintain the quality of (i) our safety program, (ii) our training programs and (iii) our fleet of helicopters. For example, we have implemented a safety program that includes, among many other features, (i) transition and recurrent training using flight training devices, (ii) an FAA approved flight operational quality assurance program and (iii) health and usage monitoring systems, otherwise known as HUMS, which automatically monitor and report on vibrations and other anomalies on key components of certain helicopters in our fleet. We cannot assure you that our safety program or our other efforts will provide an adequate level of safety or an acceptable safety record. If we are unable to maintain an acceptable

safety record, we may not be able to retain existing customers or attract new customers, which could have a material adverse effect on our business, financial condition and results of operations.

We rely on relatively few customers, some of which are our affiliates, for a significant share of our revenues, the loss of any of which could adversely affect our business, financial condition and results of operations.

We derive a significant portion of our revenues from a limited number of oil and gas exploration, development and production companies and government agencies. Specifically, services provided to Anadarko, U.S. government agencies, primarily the BSEE. BSEE, a division of the U.S. Department of the Interior, and Aeróleo, which is highly dependent on Petrobras Brazil, a company which is considering renegotiation or termination of contracts for certain helicopters leased by us to Aeróleo, accounted for 15%, 11% and 6% of our revenues, respectively, for the year ended December 31, 2012. The portion of our revenues attributable to any single customer may change over time, depending on the level of activity by any such customer, our ability to meet the customer's needs and other factors, many of which are beyond our control. In addition, most of our contracts with our oil and gas customers can be canceled on relatively short notice and do not commit our customers to acquire specific amounts of services. The loss of business from any of our significant customers could have a material adverse effect on our business, financial condition, liquidity and results of operations.

Further, to the extent any of our customers experience an extended period of operating difficulty, our revenues and results of operations could be materially adversely affected. Aeróleo, which in addition to being a significant customer is a joint venture of ours in which we hold a 50% economic interest and a 20% voting interest, has recently experienced operating difficulties. In July 2011, Aeróleo received notice that it was successful in its bid to place four AW139 helicopters on a five year contract with Petrobras Brazil, one of Aeróleo's customers. In turn, Aeróleo entered into contract-leases with us for four AW139 helicopters for a term of one year with four annual renewal options, and the helicopters were mobilized to Brazil. In August 2011, Petrobras Brazil canceled the award for Aeróleo's AW139 helicopters in response to an accident Petrobras Brazil experienced with an AW139 helicopter on contract with it from one of our competitors. As a result, our four AW139 helicopters under contract-lease to Aeróleo were idle from August 2011 until late November 2012, at which time Aeróleo executed contracts with Petrobras Brazil and began to utilize the helicopters. Due to resulting liquidity issues experienced by Aeróleo, as of December 31, 2012, we had deferred recognition of \$7.0 million of revenues from Aeróleo and, together with our partner, also contributed \$9.2 million of additional debt capital to Aeróleo to enable it to continue operating. If we need to contribute additional capital to Aeróleo, it could affect our liquidity and to the extent we do not or are unable to make such capital contributions, our results of operations could be affected. Further, to the extent we do not collect receivables owed to us from Aeróleo or earn less revenues from the relationship than anticipated, our results of operations and liquidity could be materially adversely affected.

We derive revenue from non-wholly owned entities. If we develop problems with our non-wholly entities or have disputes with other shareholders of these entities, it could adversely affect our financial condition and results of operations.

We have interests in several non-wholly owned entities as a result of our entering into new markets through joint ventures and aviation regulatory requirements requiring us to operate through non-wholly owned entities with local shareholders. We depend to some extent upon good relations with our local shareholders to ensure profitable operations. In the event shareholder disputes arise, it could negatively impact our revenues and profit sharing from these entities.

Our customers include U.S. government agencies that are dependent on budget appropriations, which may fluctuate and, as a result, limit their ability to use our services.

U.S. government agencies, primarily the BSEE, are among our key customers and accounted for 11% of our revenues for the year ended December 31, 2012. Government agencies receive funding through budget appropriations, which are determined through the political process, and as a result, funding for the agencies with which we do business may fluctuate. Recently, there has been increased Congressional scrutiny of discretionary program spending by the U.S. government in light of concerns over the size of the national debt. In August 2011, Congress reached an agreement to raise the U.S. debt ceiling in order to avoid financial default of the U.S. government. This agreement requires the elimination of more than \$2 trillion in federal spending over the next decade. Although the details of these spending cuts remain unclear, lawmakers have discussed the need to cut or impose caps on discretionary spending in coming years, which could mean budget cuts to federal agencies to which we provide services. If any of these agencies,



particularly BSEE, experience reductions in their budgets or if they change their spending priorities, their ability or

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willingness to spend on helicopter operations may decline, and they may substantially reduce or cease using our services, which could have a material adverse effect on our business, financial condition and results of operations. Consolidation of our customer base could adversely affect demand for our services and reduce our revenues. Many of our customers are major integrated oil and gas companies or independent oil and gas exploration, development and production companies. In recent years, these companies have undergone substantial consolidation, and additional consolidation is possible. Consolidation results in fewer companies to charter or contract for our services, and in the event one of our customers combines with a company that is using the services of one of our competitors, the combined company could decide to use the services of that competitor or another provider. Further, merger activity among both major and independent oil and natural gas companies affects exploration, development and production activity as the consolidated companies often put projects on hold while integrating operations. Consolidation may also result in an exploration and development budget for a combined company that is lower than the total budget of both companies before consolidation. Reductions in budgets could adversely affect demand for our services and our results of operations.

The implementation by our customers of cost-saving measures could reduce the demand for our services. Oil and gas companies are continually seeking to implement measures aimed at cost savings. These measures can include efforts to improve efficiencies and reduce costs by reducing headcount or finding less expensive means for moving personnel offshore. Reducing headcount, changing rotations for personnel working offshore, therefore requiring fewer trips to and from installations, or using marine transport, are some, but not all of the possible initiatives that could result in reduced demand for our helicopter transport services. In addition, customers could establish their own helicopter operations or devise other transportation alternatives. The continued implementation of these kinds of measures could reduce the demand for helicopter services provided by independent operators like us, and could have a material adverse effect on our business, financial condition and results of operations.

Weather and seasonality can impact our results of operations.

A significant portion of our revenue is dependent on actual flight hours. Prolonged periods of adverse weather and storms can adversely impact our operations and flight hours. The fall and winter months generally have more days of adverse weather conditions than the other months of the year, with poor visibility, high winds, and heavy precipitation in some areas. While some of our helicopters are equipped to fly at night, we generally do not do so. Operations servicing offshore oil and gas transport of passengers, and also other non-emergency operations, are generally conducted during daylight hours. During winter months there are fewer daylight hours, particularly in Alaska. Flight hours, and therefore revenues, tend to decline in the winter. In addition, oil and gas exploration activity in Alaska decreases during the winter months due to the harsh weather conditions. Our operations in the U.S. Gulf of Mexico may also be adversely affected by weather. Tropical storm season runs from June through November. Tropical storms and hurricanes limit our ability to operate our helicopters in the proximity of a storm, reduce oil and gas exploration, development and production activity, add expenses to secure equipment and facilities and require us to move assets out of the path of a storm. Despite our efforts to plan for storms and secure our equipment, we may suffer damage to our helicopters or our facilities, thereby reducing our ability to provide our services. In addition, these factors also result in seasonal impacts on our business and results of operations.

Our operations depend on facilities we use throughout the world. These facilities are subject to physical and other risks that could disrupt production.

Our facilities could be damaged or our operations could be disrupted by a natural disaster, labor strike, war, political unrest, terrorist activity or a pandemic. We operate numerous bases in and along the U.S. Gulf of Mexico and we are particularly exposed to risk of loss or damage from hurricanes in that region. In addition, our operations in Alaska (including our FBO business at Ted Stevens Anchorage International Airport) are at risk from earthquake activity. In particular, we have fuel tanks at our FBO facility with approximately 200,000 gallons of fuel storage capacity, all of which could be substantially damaged or compromised due to an earthquake. Although we have obtained property damage insurance, a major catastrophe such as a hurricane, earthquake or other natural disaster at any of our sites, or significant labor strikes, work stoppages, political unrest, war or terrorist activities in any of the areas where we conduct operations, could result in a prolonged interruption or stoppage of our business or material sub-parts of it. Any disruption resulting from these events could cause the loss of sales and customers. Our insurance may not

adequately compensate

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us for any of these events, and, if not so covered, it could have a material adverse effect on our results of operations and financial condition.

A shortfall in availability of raw materials, components, parts and subsystems required for the repair and maintenance of our helicopters could adversely affect us, as would cost increases imposed by suppliers if they cannot be passed on to customers or if our equipment has been committed to contracts without coverage for escalating expenses.

In connection with the required routine repairs and maintenance that we perform or are performed by others on our helicopters, we rely on seven key vendors (Agusta Aerospace Corporation, Sikorsky Aircraft Corporation, American Eurocopter Corp., Bell Helicopter Textron Inc., Pratt and Whitney Canada, Turbomeca USA, Inc. and Honeywell International), for the supply and overhaul of components on our helicopters. Consolidations involving suppliers could further reduce the number of alternative suppliers for us and increase the cost of components. These vendors have historically been the manufacturers of helicopter components and parts, and their factories tend to work at or near full capacity supporting the helicopter production lines for new equipment. This leaves little capacity for the production of parts requirements for maintenance of our helicopters. The tight production schedules, as well as new regulatory requirements, the availability of raw materials or commodities, or the need to upgrade parts or product recalls can add to backlogs, resulting in key parts being in limited supply or available on an allocation basis. To the extent that these suppliers also supply parts for helicopters used by the U.S. military, parts delivery for our helicopters may be delayed during periods in which there are high levels of military operations. Any shortages could have an adverse impact on our ability to repair and maintain our helicopters. Our inability to perform timely repair and maintenance could result in our helicopters being underutilized and cause us to lose opportunities with existing or potential customers, each of which could have an adverse impact on our results of operations. Furthermore, our operations in remote locations, where delivery of these components and parts could take a significant period of time, may also impact our ability to repair and maintain our helicopters. Although every effort is made to mitigate such impact, this may pose a risk to our results of operations. In addition, supplier cost increases for critical helicopter components and parts can also adversely impact our results of operations. Cost increases are passed on to our customers through rate increases where possible, including as a component of contract escalation charges. However, as certain of our contracts are long-term in nature and may not have escalation or escalation may be tied to an index, which may not increase as rapidly as the cost of parts, we may see our margins erode. In addition, as many of our helicopters are manufactured by two European based companies, the cost of spare parts could be impacted by changes in currency exchange rates. Our dependence on a small number of helicopter manufacturers poses a significant risk to our business and prospects, including our ability to execute our growth strategy.

Although our fleet includes equipment from all four of the major helicopter manufacturers, our current fleet expansion and replacement needs rely on contracts with two manufacturers. If any of the manufacturers with whom we contract face production delays due to, for example, natural disasters, labor strikes or unavailability of skilled labor, we may experience a significant delay in the delivery of previously ordered helicopters. During these periods, we may not be able to obtain additional helicopters with acceptable pricing, delivery dates or other terms. Delivery delays or our inability to obtain acceptable helicopters would adversely affect our revenues and profitability and could jeopardize our ability to meet the demands of our customers and execute our growth strategy. In addition, lack of availability of new helicopters resulting from a backlog in orders could result in an increase in prices for certain types of used helicopters. Furthermore, regulatory authorities may require us to temporarily or permanently remove certain helicopter models from service following certain incidents or accidents.

Our future growth may be impacted by our ability to expand into markets outside of the U.S. Gulf of Mexico and Alaska.

Our future growth will depend on our ability to expand into markets outside of the U.S. Expansion of our business depends on our ability to operate in these other regions.

Expansion of our business outside of the U.S. Gulf of Mexico and Alaska may be adversely affected by:

- local regulations restricting foreign ownership of helicopter operators;
- requirements to award contracts to local operators; and
- the number and location of new drilling concessions granted by foreign governments.



We cannot predict the restrictions or requirements that may be imposed in the countries in which we operate or wish to operate. If we are unable to continue to operate or obtain and retain contracts in markets outside of the U.S. Gulf of Mexico and Alaska, our future business, financial condition and results of operations may be adversely affected, and our operations outside of the U.S. Gulf of Mexico and Alaska may not grow.

Our operations in the U.S. Gulf of Mexico were adversely impacted by the Deepwater Horizon drilling rig incident and resulting oil spill, and may be adversely impacted by proposed legislation and resulting litigation in response to that incident.

We are highly dependent on offshore oil and gas activities in the U.S. Gulf of Mexico. On April 22, 2010, the Deepwater Horizon, a semi-submersible deepwater drilling rig operating in the U.S. Gulf of Mexico, sank after an apparent blowout and fire resulting in a significant flow of hydrocarbons from the BP Macondo well. As a result, from May 2010 to October 2010, the U.S. Department of Interior imposed a moratorium on offshore drilling operations. Drilling resumed in November 2010 but activity in the U.S. Gulf of Mexico did not reach pre-blowout levels until September 2011. As a result of the blowout at the BP Macondo well and subsequent moratorium on drilling activities, our operating results were adversely affected in the fourth quarter of 2010 and the first half of 2011. In addition, as a result of the blowout, the U.S. Department of Interior issued new rules designed to improve drilling and workplace safety in the U.S. Gulf of Mexico, and various congressional committees began pursuing legislation to regulate drilling activities and increase liability. The Bureau of Ocean Energy Management, BSEE and Office of National Resources Revenue are expected to continue to issue new safety and environmental guidelines or regulations for drilling in the U.S. Gulf of Mexico, and other regulatory agencies could potentially issue new safety and environmental guidelines or regulations in other geographic regions, and may take other steps that could increase the costs of exploration and production, reduce the area of operations and result in permitting delays. We are monitoring legislation and regulatory developments; however, it is difficult to predict the ultimate impact of any new guidelines, regulations or legislation. A prolonged suspension of drilling activity or permitting delays in the U.S. Gulf of Mexico, new regulations and/or increased liability for companies operating in this sector, whether or not caused by a new incident in the region, could result in reduced demand for our services, and reduced cash flows and profitability. In addition, our operations in the U.S. Gulf of Mexico, along with those of certain of our customers, may be adversely impacted by, among other factors:

- the suspension, stoppage or termination by customers of existing contracts and the demand by customers for new or renewed contracts in the U.S. Gulf of Mexico and other affected regions;
- unplanned customer suspensions, cancellations, rate reductions, non-renewals of commitments to charter aviation equipment or failures to finalize commitments to charter aviation equipment;
- the cost or availability of relevant insurance coverage; and
- adverse weather conditions and natural disasters including, but not limited to, hurricanes and tropical storms.

Any one or a combination of these factors could reduce revenues, increase operating costs and have a material adverse effect on our business, financial condition and results of operations.

Significant increases in fuel costs can have a material adverse effect on our business, financial condition and results of operations.

Fuel is essential to the operation of our helicopters and to our ability to carry out our transport services and is a key component of our operating expenses. High fuel costs can increase the cost of operating our helicopters. Any increased fuel costs may negatively impact our net sales, margins, operating expenses and results of operations.

Although we have been able to pass along a significant portion of increased fuel costs to our customers in the past, we cannot assure you that we can do so again if another prolonged period of high fuel costs occurs. To the extent there is a significant increase in fuel costs that we are unable to pass on to our customers, it may have a material adverse effect on our business, financial condition and results of operations.

Our contracts generally can be terminated or downsized by our customers without penalty.

Many of our operating contracts and charter arrangements in the U.S. Gulf of Mexico and Alaska contain provisions permitting early termination by the customer for any reason, generally without penalty, and with limited



notice requirements. In addition, many of our contracts permit our customers to decrease the number of helicopters under contract with a corresponding decrease in the fixed monthly payments without penalty. As a result, you should not place undue reliance on our customer contracts or the terms of those contracts. The termination of contracts by our significant customers or the decrease in their usage of our helicopter services could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to obtain work on acceptable terms covering some of our new helicopters, and some of our new helicopters may replace existing helicopters already under contract, which could adversely affect the utilization of our existing fleet.

As of December 31, 2012, we had placed orders for 11 new helicopters. One of these helicopters was delivered in January 2013, two are scheduled to be delivered in 2014 and three are scheduled to be delivered in 2015. Delivery dates for the remaining five helicopters have yet to be determined. Subsequent to December 31, 2012, we exercised an option to purchase one AW139 helicopter. Many of our new helicopters may not be covered by customer contracts when they are placed into service, and we cannot assure you as to when we will be able to utilize these new helicopters or on what terms. To the extent our helicopters are covered by a customer contract, many of these contracts are short-term, requiring us to seek renewals frequently. We also expect that some of our customers may request new helicopters in lieu of our existing helicopters, which could adversely affect the utilization of our existing fleet.

Adverse results of legal proceedings could have a material adverse effect on us.

We are subject to, and may in the future be subject to, a variety of legal proceedings and claims that arise out of the ordinary conduct of our business. Results of legal proceedings cannot be predicted with certainty. Irrespective of their merits, legal proceedings may be both lengthy and disruptive to our operations and may cause significant expenditure and diversion of management attention. We may be faced with significant monetary damages or injunctive relief against us that could have a material adverse effect on a portion of our business operations or a material adverse effect on our financial condition and results of operations.

We may undertake one or more significant corporate transactions that may not achieve their intended results, may adversely affect our financial condition and our results of operations or result in unforeseeable risks to our business. We continuously evaluate the acquisition of operating businesses and assets and may in the future undertake one or more significant transactions. Any such transaction could be material to our business and could take any number of forms, including mergers, joint ventures and the purchase of equity interests. The consideration for such transactions may include, among other things, cash, common stock or equity interests in us or our subsidiaries, or a contribution of equipment to obtain equity interests, and in conjunction with a transaction we might incur additional indebtedness. We also routinely evaluate the benefits of disposing of certain of our assets. Such dispositions could take the form of asset sales, mergers or sales of equity interests.

These transactions may present significant risks such as insufficient revenues to offset liabilities assumed, potential loss of significant revenues and income streams, increased or unexpected expenses, inadequate return of capital, regulatory or compliance issues, the triggering of certain covenants in our debt instruments (including accelerated repayment) and unidentified issues not discovered in due diligence. In addition, such transactions could distract management from current operations. As a result of the risks inherent in such transactions, we cannot guarantee that any such transaction will ultimately result in the realization of its anticipated benefits or that it will not have a material adverse impact on our business, financial condition or results of operations. If we were to complete such an acquisition, disposition, investment or other strategic transaction, we may require additional debt or equity financing that could result in a significant increase in our amount of debt and our debt service obligations.

We are subject to risks associated with our international operations.

We operate and contract-lease helicopters in international markets. During the years ended December 31, 2012 and 2011, approximately 22% and 28%, respectively, of our operating revenues resulted from our international operations. We expect to increase our international operations in the future. Our international operations are subject to a number of risks, including:

political conditions and events, including embargoes;





- restrictive actions by U.S. and foreign governments, including in Brazil, India, Indonesia, Sweden and Spain, that could limit our ability to provide services in those countries;
- the imposition of withholding or other taxes on foreign income, tariffs or restrictions on foreign trade and investment;
- adverse tax consequences;
- limitations on repatriation of earnings or currency exchange controls and import/export quotas;
- nationalization, expropriation, asset seizure, blockades and blacklisting;
- limitations in the availability, amount or terms, of insurance coverage;
- loss of contract rights and inability to adequately enforce contracts;
- political instability, war and civil disturbances or other risks that may limit or disrupt markets, such as terrorist attacks, piracy and kidnapping;
- fluctuations in currency exchange rates, hard currency shortages and controls on currency exchange that affect demand for our services and our profitability;
- potential noncompliance with a wide variety of laws and regulations, such as the U.S. Foreign Corrupt Practices Act of 1977 (the “FCPA”), and similar non-U.S. laws and regulations, including the U.K. Bribery Act 2010 (the “UKBA”);
- labor strikes;
- changes in general economic conditions;
- adverse changes in foreign laws or regulatory requirements, including those with respect to flight operations and environmental protections; and
- difficulty in staffing and managing widespread operations.

If we are unable to adequately address these risks, we could lose our ability to operate in certain international markets and our business, financial condition and results of operations could be materially and adversely affected.

Our global operations are subject to foreign currency, interest rate, fixed-income, equity and commodity price risks. We are exposed to currency fluctuations and exchange rate risks. We purchase some of our helicopters and helicopter parts from foreign manufacturers and maintain operations in foreign countries, which results in portions of our revenues and expenses being denominated in foreign currencies. We attempt to minimize our exposure to currency exchange risk by contracting the majority of our services in U.S. dollars. As a result, a strong U.S. dollar may increase the local cost of our services that are provided under the U.S. dollar denominated contracts, which may reduce demand for our services in foreign countries. Some of these risks may be hedged, but fluctuations could impact our financial condition and our results of operations. Our financial condition and our results of operations may also be affected by the cost of hedging activities that we undertake to protect against currency exchange risk. We operate in countries with foreign exchange controls, including Brazil and India. These controls may limit our ability to repatriate funds from our unconsolidated foreign affiliates or otherwise convert local currencies into U.S. dollars. These limitations could adversely affect our ability to access cash from these operations and our liquidity.

We are subject to governmental regulation that limits foreign ownership of helicopter companies.

We are subject to governmental regulation that limits foreign ownership of helicopter companies. Failure to comply with regulations and requirements for citizen ownership in the various markets in which we operate and may operate in the future, may subject our helicopters to deregistration or impoundment. If required levels of citizen ownership are not met or maintained, joint ventures in which we have significant investments also could be prohibited from operating within these countries. Deregistration of our helicopters or helicopters operated by our joint venture partners for any reason, including foreign ownership in excess of permitted levels, would have a material adverse effect on our ability to conduct operations within these markets. We cannot assure you that there will be no changes in aviation laws, regulations, required levels of citizen ownership, or administrative requirements or the interpretations thereof,

that could restrict or prohibit our ability to operate in certain regions. Any such restriction or prohibition on our ability to operate may have a material adverse effect on our business, financial condition, and results of operations.

If we do not restrict the amount of foreign ownership of our common stock, we may fail to remain a U.S. citizen, might lose our status as a U.S. air carrier and be prohibited from operating helicopters in the U.S., which would adversely impact our business, financial condition and results of operations.

Since we hold the status of a U.S. air carrier under the regulations of both the U.S. DOT and the FAA and we engage in the operating and contract-leasing of helicopters in the U.S., we are subject to regulations pursuant to Title 49 of the Transportation Code (“Transportation Code”) and other statutes (collectively, “Aviation Acts”). The Transportation Code requires that Certificates to engage in air transportation be held only by citizens of the U.S. as that term is defined in the relevant section of the Transportation Code. That section requires: (i) that our president and two-thirds of our board of directors and other managing officers be U.S. citizens; (ii) that at least 75% of our outstanding voting stock be owned by U.S. citizens; and (iii) that we must be under the actual control of U.S. citizens. Further, our helicopters operating in the U.S. must generally be registered in the U.S. In order to register such helicopters under the Aviation Acts, we must be owned or controlled by U.S. citizens. Although our amended and restated certificate of incorporation and amended and restated bylaws contain provisions intended to ensure compliance with the provisions of the Aviation Acts, a failure to maintain compliance would result in loss of our air carrier status and thereby adversely affect our business, financial condition and results of operations and we would be prohibited from both operating as an air carrier and operating helicopters in the U.S. during any period in which we did not comply with these regulations. The Outer Continental Shelf Lands Act, as amended, provides the federal government with broad discretion in regulating the leasing of offshore resources for the production of oil and gas.

We currently derive a significant portion of our revenues from helicopter services we provide in the U.S. Gulf of Mexico for the purposes of offshore oil and gas exploration, development and production. As such, we are subject to the U.S. government’s exercise of authority under the provisions of the Outer Continental Shelf Lands Act that restrict the availability of offshore oil and gas leases by requiring lease conditions such as the implementation of safety and environmental protections, the preparation of spill contingency plans and air quality standards for certain pollutants, the violations of which could result in potential court injunctions curtailing operations and lease cancellations and by requiring that all pipelines operating on or across the outer continental shelf provide open and nondiscriminatory access to shippers. These provisions could adversely impact exploration and production activity in these regions. If activity in oil and gas exploration, development and production in these regions declines, our business, financial condition and results of operations could be materially and adversely affected.

We are subject to tax and other legal compliance risks, including anti-corruption statutes, the violation of which may adversely affect our business and operations.

As a global business, we are subject to complex laws and regulations in the U.S. and other countries in which we operate. Changes in laws or regulations and related interpretations and other guidance could result in higher expenses and payments. Uncertainty relating to such laws or regulations may also affect how we conduct our operations and structure our investments and could limit our ability to enforce our rights.

In order to compete effectively in certain foreign jurisdictions, we seek to establish joint ventures with local operators or strategic partners. We are subject to a variety of tax and legal compliance risks. These risks include, among other things, possible liability relating to taxes and compliance with U.S. and foreign export laws, competition laws and regulations, including the FCPA and the UKBA. The FCPA generally prohibits U.S. companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or maintaining business. The UKBA has similar provisions. We could be charged with wrongdoing for any of these matters as a result of our actions or the actions of our agents, local partners or joint ventures, even though these parties may not be subject to such statutes. If convicted or found liable of tax or other legal infractions, or if we have been determined to be in violation of the FCPA, we could be subject to significant fines, penalties, repayments, other damages (in certain cases, treble damages), or suspension or debarment from government contracts, which could have a material adverse effect on our business, financial condition and results of operations. We are also subject to laws in the U.S. and outside of the U.S. regulating competition.

Independently, failure of us or one of our joint ventures or strategic partners to comply with applicable export and trade practice laws could result in civil or criminal penalties and suspension or termination of export privileges.

Negative publicity may adversely impact us.

Media coverage and public statements that insinuate improper actions by us or relate to accidents or other issues involving the safety of our helicopters or operations, regardless of their factual accuracy or truthfulness, may result in negative publicity, litigation or governmental investigations by regulators. Addressing negative publicity and any resulting litigation or investigations may distract management, increase costs and divert resources. Negative publicity may have an adverse impact on our reputation, our customer relationships and the morale of our employees, which could adversely affect our business, cash flows from operations, financial condition and results of operations.

Our inability to attract and retain qualified personnel could have an adverse effect on our business.

Attracting and retaining qualified pilots, mechanics and other highly skilled personnel is an important factor in our future success. Our inability to attract and retain qualified personnel could have an adverse effect on our business and our growth strategy. Many of our customers require pilots with very high levels of flight experience. In addition, the maintenance of our helicopters requires mechanics that are trained and experienced in servicing particular makes and models of helicopters. The market for these highly skilled personnel is competitive and we cannot be certain that we will be successful in attracting and retaining qualified personnel in the future. In addition, if we enter into new markets or obtain additional customer contracts or the demand for our services increases, we may be required to hire additional pilots, mechanics and other flight-related personnel, which we may not be able to do on a timely or cost-effective basis.

If our employees were to unionize, our operating costs could increase.

Our employees are not currently represented by a collective bargaining agreement. However, we have no assurances that our employees will not unionize in the future. If any of our employees were to unionize, it could increase our operating costs, force us to alter our operating methods and/or have a material adverse effect on our results of operations.

Environmental regulation and liabilities, including new or developing laws and regulations, may increase our costs of operations and adversely affect us.

Our business is subject to federal, state, local and international laws and regulations relating to environmental protection and occupational safety and health, including laws that govern the discharge of oil and pollutants into navigable waters. Such laws include the federal Water Pollution Control Act, also known as the Clean Water Act, which imposes restrictions on the discharge of pollutants to the navigable waters of the U.S. We are also subject to the Coastal Zone Management Act, which authorizes state development and implementation of certain programs to manage water pollution to restore and protect coastal waters. In addition, because our operations generate and, in some cases, involve the transportation of hazardous wastes, we are subject to the Federal Resource Conservation and Recovery Act, which regulates the use, generation, transportation, treatment, storage and disposal of hazardous and certain non-hazardous wastes. Violations of these laws, along with comparable state and local laws, may result in civil and criminal penalties, fines, injunctions or other sanctions. We are also subject to the Comprehensive Environmental Response, Compensation and Liability Act and certain comparable state laws, which establish strict and, under certain circumstances, joint and several liabilities for specified parties in connection with liability for the investigation and remediation of releases of hazardous materials into the environment and damages to natural resources. Such liability can arise even as a result of conduct that was lawful at the time it occurred or the conduct of, or conditions caused by, prior operators or third parties. In addition, our customers in the oil and gas exploration, development and production industry are affected by environmental laws and regulations, which have recently become stricter as a result of the Deepwater Horizon matter (discussed above), that restrict their activities and may result in reduced demand for our services.

Any failure by us to comply with any environmental laws and regulations may result in administrative, civil or criminal sanctions, revocation or denial of permits or other authorizations, imposition of limitations on our operations, and site investigatory, remedial or other corrective actions.

Environmental laws and regulations change frequently, which makes it difficult to predict their cost or impact on our results of operations. In recent years, governments have increasingly focused on climate change, carbon emissions, and energy use. Laws and regulations that curb the use of energy, or require the use of renewable fuels or renewable sources of energy—such as wind or solar power—could result in a reduction in demand for hydrocarbon-based fuels such

as oil and natural gas. In addition, governments could pass laws, regulations or taxes that increase the

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cost of fuel, thereby impacting both demand for our services and also our cost of operations. Such initiatives could have a material adverse effect on our business, financial condition and results of operations.

Actions taken by Government Agencies, such as the Department of Commerce, the Department of Transportation and the Federal Aviation Administration, could increase our costs and prohibit or reduce our ability to operate successfully.

Our operations are highly regulated by several U.S. government regulatory agencies. For example, as a certified air carrier, we are subject to regulations promulgated by the DOT and the FAA. The FAA regulates our flight operations and imposes requirements with respect to personnel, aircraft, ground facilities and other aspects of our operations, including:

- certification and reporting requirements;
- inspections;
- maintenance standards;
- personnel training standards; and
- maintenance of personnel and aircraft records.

The Department of Transportation can review our economic fitness to continue our operations, both presently and if a substantial change occurs to our management, ownership or capital structure, among other things. The Department of Commerce, through its International Traffic in Arms Regulations, regulates our imports and exports of aircraft (through leases and sales) as well as parts sales to international customers and the use of certain regulated technology in domestic and international airspace. If we fail to comply with these laws and regulations, or if these agencies develop concerns over our operations, we could face administrative, civil and/or criminal penalties. In addition, we may become subject to regulatory actions that could suspend, curtail or significantly modify our operations. A suspension or substantial curtailment of our operations or any substantial modification of our current operations may have a material adverse effect on our business, financial condition and results of operations.

For example, the Pilot Records Improvement Act of 1996 (the "PRIA") requires an air carrier to request, receive and evaluate certain information concerning a pilot/applicant's training, experience, qualification and safety background, before beginning service as a pilot. As a result of an internal audit we became aware that a significant number of our pilots did not have complete PRIA background information contained in their personnel files. We immediately notified the FAA and implemented procedures to obtain the missing information and to ensure future compliance. The FAA may refer this matter to its Enforcement division, which could result in a significant civil penalty or other FAA actions.

Future changes to the regulations and laws under which we operate, and promulgation of new regulations and laws also could have a material adverse effect on our business, financial position and results of operations.

Our FBO in Alaska is subject to extensive government regulation and other cost-related risks that could disrupt operations.

Our FBO in Alaska is subject to oversight by the Ted Stevens Anchorage International Airport, is dependent upon that airport being "open for business" and is subject to federal regulatory requirements by the FAA, the Transportation Security Administration (the "TSA") and other agencies. If the FAA, TSA or other agencies were to impose significant operating restrictions or increase insurance obligations such that insurance could not be obtained or purchased for a reasonable cost, or if any federal regulatory requirement were to require significant expenditure, the market for services from our FBO could be significantly impaired or entirely eliminated. In addition, the biggest revenue producing activity at our FBO, fuel sales to transient customers, could be adversely impacted by increases in fuel prices, the ability of our competitors to undercut our pricing, restrictions on private air travel and/or taxes on fuel or aircraft, any of which could make private air travel prohibitively expensive. Should the FBO's operations be restricted or shut down, whether due to regulatory issues, the weather, a natural disaster, terrorist activity, or any other reason, our operations could be adversely impacted.

For as long as we are an emerging growth company, we will be exempt from certain reporting requirements, including those relating to accounting standards and disclosure about our executive compensation, that apply to other public companies.

In April 2012, President Obama signed into law the JOBS Act. The JOBS Act contains provisions that, among other things, relax certain reporting requirements for emerging growth companies, including certain requirements relating to accounting standards and compensation disclosure. We are classified as an emerging growth company, which is defined as a company with annual gross revenues of less than \$1 billion, that has been a public reporting company for a period of less than five years, and that does not have a public float of \$700 million or more in securities held by non-affiliated holders. For as long as we are an emerging growth company, unlike other public companies, unless we elect not to take advantage of applicable JOBS Act provisions, we will not be required to (i) provide an auditor's attestation report on management's assessment of the effectiveness of our system of internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act, (ii) comply with any new or revised financial accounting standards applicable to public companies until such standards are also applicable to private companies under Section 102(b)(1) of the JOBS Act, (iii) comply with any new requirements adopted by the Public Company Accounting Oversight Board (the "PCAOB"), such as requiring mandatory audit firm rotation or a supplement to the auditor's report in which the auditor would be required to provide additional information about the audit and the financial statements of the issuer, (iv) comply with any new audit rules adopted by the PCAOB after April 5, 2012 unless the SEC determines otherwise, (v) provide certain disclosure regarding executive compensation required of larger public companies or (vi) hold stockholder advisory and other votes on executive compensation.

As noted above, under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards that have different effective dates for public and private companies until such time as those standards apply to private companies. We do not intend to take advantage of such extended transition period. This election is irrevocable pursuant to Section 107 of the JOBS Act.

As a result of becoming a public company, in connection with the Spin-off, we are subject to requirements that will be burdensome and costly.

Prior to the Spin-off, we operated our business as a segment of a public company. As a result of the Spin-off, we became an independent, public company and are required to file with the SEC annual and quarterly information and other reports that are specified in Section 13 of the Exchange Act and are required to ensure that we have the ability to prepare financial statements that are fully compliant with all SEC reporting requirements on a timely basis. In addition, we are now subject to other reporting and corporate governance requirements, including the requirements of the New York Stock Exchange ("NYSE"), and certain provisions of the Sarbanes-Oxley Act of 2002 and the regulations promulgated thereunder, which impose significant compliance obligations upon us. As a public company, we are required to:

- prepare and distribute periodic public reports and other stockholder communications in compliance with our obligations under the federal securities laws and NYSE rules;
- create or expand the roles and duties of our board of directors and committees of the board of directors;
- institute more comprehensive financial reporting and disclosure compliance functions;
- supplement our internal accounting and auditing function, including hiring additional staff with expertise in accounting and financial reporting for a public company;
- enhance and formalize closing procedures at the end of our accounting periods;
- enhance our internal audit function;
- enhance our investor relations function;
- establish new internal policies, including those relating to disclosure controls and procedures; and
- involve and retain to a greater degree outside counsel and accountants in the activities listed above.

These changes require a significant commitment of additional resources. We may not be successful in implementing these requirements and implementing them could adversely affect our business or results of operations.



In addition, if we fail to implement the requirements with respect to our internal accounting and audit functions, our ability to report our results of operations on a timely and accurate basis could be impaired.

Failure to establish and maintain effective internal controls over financial reporting could have an adverse effect on our business, operating results and stock price.

Maintaining effective internal control over financial reporting is necessary for us to produce reliable financial reports and is important in helping to prevent financial fraud. To date, we have not identified any material weaknesses related to our internal control over financial reporting or disclosure controls and procedures, although we have not conducted an audit of our controls. If we are unable to maintain adequate internal controls, our business and operating results could be harmed. We are also in the process of evaluating how to document and test our internal control procedures to satisfy the requirements of Section 404 of Sarbanes-Oxley and the related rules of the SEC, which require, among other things, our management to assess annually the effectiveness of our internal control over financial reporting beginning with our Annual Report on Form 10-K for the year ending December 31, 2013 and, to the extent we are no longer an emerging growth company, our independent registered public accounting firm to issue a report on our internal control over financial reporting. During the course of this documentation and testing, we may identify deficiencies that we may be unable to remedy before the requisite deadline for those reports. Our auditors have not conducted an audit of our internal control over financial reporting. Any failure to remediate material weaknesses noted by us or our independent registered public accounting firm or to implement required new or improved controls or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations or result in material misstatements in our financial statements. If our management or our independent registered public accounting firm were to conclude in their reports that our internal control over financial reporting was not effective, investors could lose confidence in our reported financial information. Failure to comply with Section 404 of Sarbanes-Oxley could potentially subject us to sanctions or investigations by the SEC, the FINRA, the NYSE or other regulatory authorities.

#### Risk Factors Relating to the Spin-off

Our historical financial information may not be representative of the results we would have achieved as a stand-alone public company and may not be a reliable indicator of our future results.

Our historical financial information may not necessarily reflect what our financial position, results of operations or cash flows would have been had we been an independent entity during the periods presented or those that we will achieve in the future. The costs and expenses reflected in our historical financial information include an allocation for certain corporate functions historically provided by SEACOR, that may be different from the comparable expenses that we would have incurred had we operated as a stand-alone company. Our historical financial information does not reflect changes that will occur in our cost structure, financing and operations as a result of our transition to becoming a stand-alone public company, including changes in our cash management, employee base, potential increased costs associated with reduced economies of scale and increased costs associated with SEC reporting and NYSE requirements.

We rely on SEACOR's performance under various agreements and we will continue to be dependent on SEACOR to provide us with support services for our business.

We have entered into various agreements with SEACOR in connection with the Spin-off, including an Amended and Restated Transition Services Agreement, Distribution Agreement, Tax Matters Agreement, Employee Matters Agreement and the Series B Preferred Stock Exchange Agreement. These agreements govern our relationship with SEACOR subsequent to the Spin-off. It is possible that if SEACOR were to fail to fulfill its obligations under these agreements we could suffer operational difficulties or significant losses.

If we are required to indemnify SEACOR for certain liabilities and related losses arising in connection with any of these agreements, we may be subject to substantial liabilities, which could materially adversely affect our financial position. If SEACOR is required to indemnify us for certain liabilities and related losses arising in connection with any of these agreements, we may be subject to substantial liabilities if SEACOR does not fulfill its obligations, which could materially adversely affect our financial position.

Under the terms of the Amended and Restated Transition Services Agreement, SEACOR continues to provide us on an interim basis with certain support services, including payroll processing, information systems support, benefit plan

management, cash disbursement support, cash receipt processing and treasury management. We expect these services to be provided for varying durations but no greater than two years. Although SEACOR is contractually obligated

to provide us with services during the term of the agreement, we cannot assure you that these services will be performed as efficiently or proficiently after the expiration of the agreement, or that we will be able to replace these services in a timely manner or on comparable terms. They also contain provisions that may be more favorable than terms and provisions we might have obtained in arms-length negotiations with unaffiliated third parties. When SEACOR ceases to provide services pursuant to the agreement, our costs of procuring those services from third parties may increase. In addition, we may not be able to replace these services or enter into appropriate third-party agreements on terms and conditions, including cost, comparable to those under the Amended and Restated Transition Services Agreement. Although we intend to replace some of the services that will be provided by SEACOR under the Amended and Restated Transition Services Agreement, we may encounter difficulties replacing certain services or be unable to negotiate pricing or other terms as favorable as those we currently have in effect. To the extent that we may require additional support from SEACOR not addressed in the Amended and Restated Transition Services Agreement, we would need to negotiate the terms of receiving such corporate support in future agreements.

We may not realize all of the anticipated benefits of the Spin-off.

As an independent, publicly traded company, we believe that our business will benefit from, among other things, allowing us to better focus our financial and operational resources on our specific business, allowing our management to design and implement corporate strategies and policies that are based primarily on the business characteristics and strategic decisions of our business, allowing us to more effectively respond to industry dynamics and allowing the creation of effective incentives for our management and employees that are more closely tied to our business performance. However, we may not be able to achieve some or all of the benefits that we believe we can achieve as an independent company in the time we expect, if at all. Because our business has previously operated as part of the wider SEACOR organization, we may not be able to successfully implement the changes necessary to operate independently and may incur additional costs that could adversely affect our business.

If there is a determination that the Spin-off is taxable for U.S. federal income tax purposes because the facts, assumptions, representations or undertakings underlying the IRS ruling or tax opinion are incorrect or for any other reason, then SEACOR, its stockholders that are subject to U.S. federal income tax and Era Group could incur significant U.S. federal income tax liabilities.

In connection with the Spin-off, SEACOR received a private letter ruling from the IRS, together with an opinion of Weil, Gotshal & Manges LLP, tax counsel to SEACOR, substantially to the effect that, among other things, the Spin-off qualifies as a transaction that is tax-free for U.S. federal income tax purposes under Section 355 of the Code. The ruling and opinion rely on certain facts, assumptions, representations and undertakings from SEACOR and us regarding the past and future conduct of the companies' respective businesses and other matters. If any of these facts, assumptions, representations or undertakings are incorrect or not otherwise satisfied, SEACOR and its stockholders may not be able to rely on the ruling or the opinion and could be subject to significant tax liabilities. Notwithstanding the private letter ruling and opinion of tax counsel, the IRS could determine on audit that the Spin-off is taxable if it determines that any of these facts, assumptions, representations or undertakings are not correct or have been violated or if it disagrees with the conclusions in the opinion that are not covered by the private letter ruling, or for other reasons, including as a result of certain significant changes in the stock ownership of SEACOR or us after the Spin-off. If the Spin-off is determined to be taxable, SEACOR, its stockholders that are subject to U.S. federal income tax and Era Group could incur significant U.S. federal income tax liabilities.

Prior to the Spin-off, we and SEACOR entered into the Tax Matters Agreement that governs the parties' respective rights, responsibilities and obligations with respect to taxes, tax attributes, the preparation and filing of tax returns, the control of audits and other tax proceedings and assistance and cooperation in respect of tax matters. Taxes relating to or arising out of the failure of certain of the transactions described in the private letter ruling request and the opinion of tax counsel to qualify as a tax-free transaction for U.S. federal income tax purposes will be borne by SEACOR, except, in general, if such failure is attributable to our action or inaction or SEACOR's action or inaction, as the case may be, or any event (or series of events) involving our assets or stock or the assets or stock of SEACOR, as the case may be, in which case the resulting liability will be borne in full by us or SEACOR, respectively.

Our obligations under the Tax Matters Agreement are not limited in amount or subject to any cap. Further, even if we are not responsible for tax liabilities of SEACOR and its subsidiaries under the Tax Matters Agreement, we

nonetheless could be liable under applicable tax law for such liabilities if SEACOR were to fail to pay them. If we are

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required to pay any liabilities under the circumstances set forth in the Tax Matters Agreement or pursuant to applicable tax law, the amounts may be significant.

We may not be able to engage in certain corporate transactions for a period of time after the Spin-off.

To preserve the tax-free treatment to SEACOR of the Spin-off, under the Tax Matters Agreement that we entered into with SEACOR, we may not take any action that would jeopardize the favorable tax treatment of the Spin-off. These restrictions may limit our ability to pursue certain strategic transactions or engage in other transactions that might increase the value of our business for the two-year period following the Spin-off. See “Certain Relationships and Related Party Transactions—Agreements between SEACOR and Era Group Relating to the Spin-off—Tax Matters Agreement” for additional information.

A number of our directors and executive officers own common stock and other equity instruments of SEACOR, which could cause conflicts of interests.

Our Non-Executive Chairman and a number of our other directors and officers own a substantial amount of SEACOR common stock along with other equity instruments, the value of which is related to the value of common stock of SEACOR. The direct and indirect interests of our Non-Executive Chairman and other directors and officers in common stock of SEACOR and the presence of certain of SEACOR’s principal executives on our board of directors could create, or appear to create, conflicts of interest with respect to matters involving both us and SEACOR that could have different implications for SEACOR than they do for us. As a result, we may be precluded from pursuing certain opportunities on which we would otherwise act, such as acquisitions or other opportunities for expansion that would otherwise fit within our business model or would complement our growth strategy.

The Spin-off may expose us to potential liabilities arising out of state and federal fraudulent conveyance laws and legal dividend requirements.

The Spin-off was subject to review under various state and federal fraudulent conveyance laws. Fraudulent conveyance laws generally provide that an entity engages in a constructive fraudulent conveyance when (i) the entity transfers assets and does not receive fair consideration or reasonably equivalent value in return, and (ii) the entity (a) is insolvent at the time of the transfer or is rendered insolvent by the transfer, (b) has unreasonably small capital with which to carry on its business, or (c) intends to incur or believes it will incur debts beyond its ability to repay its debts as they mature. An unpaid creditor or an entity acting on behalf of a creditor (including without limitation a trustee or debtor-in-possession in a bankruptcy by us or SEACOR or any of our respective subsidiaries) may bring an action alleging that the Spin-off or any of the related transactions constituted a constructive fraudulent conveyance. If a court accepts these allegations, it could impose a number of remedies, including without limitation, voiding our claims against SEACOR, requiring our stockholders to return to SEACOR some or all of the shares of our Common Stock issued in the Spin-off, or providing SEACOR with a claim for money damages against us in an amount equal to the difference between the consideration received by SEACOR and the fair market value of our company at the time of the Spin-off.

The measure of insolvency for purposes of the fraudulent conveyance laws will vary depending on which jurisdiction’s law is applied. Generally, an entity would be considered insolvent if (1) the present fair saleable value of its assets is less than the amount of its liabilities (including contingent liabilities); (2) the present fair saleable value of its assets is less than its probable liabilities on its debts as such debts become absolute and matured; (3) it cannot pay its debts and other liabilities (including contingent liabilities and other commitments) as they mature; or (4) it has unreasonably small capital for the business in which it is engaged. We cannot assure you what standard a court would apply to determine insolvency or that a court would determine that we, SEACOR or any of our respective subsidiaries were solvent at the time of or after giving effect to the Spin-off.

The Spin-off is also subject to review under state corporate distribution statutes. Under the General Corporation Law of the State of Delaware, a corporation may only pay dividends to its stockholders either (i) out of its surplus (net assets minus capital) or (ii) if there is no such surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Although SEACOR intends to make the distribution of our Common Stock entirely from surplus, we cannot assure you that a court will not later determine that some or all of the distribution of our Common Stock to SEACOR stockholders was unlawful.

As a condition to the Spin-off, the SEACOR board of directors obtained an opinion from a nationally recognized provider of such opinions that SEACOR and Era Group were each solvent and adequately capitalized immediately

after the Spin-off. We cannot assure you, however, that a court would reach the same conclusions set forth in such opinion in determining whether SEACOR or we were insolvent at the time of, or after giving effect to, the Spin-off, or whether lawful funds were available for the Spin-off and the distribution of our Common Stock to SEACOR's stockholders.

#### Risks Relating to the Exchange Offer and the Exchange Notes

If you do not properly tender your Outstanding Notes, you will continue to hold unregistered Outstanding Notes and your ability to transfer Outstanding Notes will remain restricted and may be adversely affected.

We will only issue Exchange Notes in exchange for Outstanding Notes that you timely and properly tender. Therefore, you should allow sufficient time to ensure timely delivery of the Outstanding Notes, and you should carefully follow the instructions on how to tender your Outstanding Notes. Neither we nor the exchange agent is required to tell you of any defects or irregularities with respect to your tender of Outstanding Notes.

If you do not exchange your Outstanding Notes for Exchange Notes pursuant to the exchange offer, the Outstanding Notes you hold will continue to be subject to the existing transfer restrictions. In general, you may not offer or sell the Outstanding Notes except under an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. We do not plan to register Outstanding Notes under the Securities Act unless our registration rights agreement with the initial purchasers of the Outstanding Notes requires us to do so. Further, if you continue to hold any Outstanding Notes after the exchange offer is consummated, you may have trouble selling them because there will be fewer of these notes outstanding.

An active trading market for the Exchange Notes may not develop.

The Exchange Notes will constitute new issues of securities and there is no established trading market for the notes. We have not applied and do not intend to apply for the new notes to be listed on any securities exchange or to arrange for quotation of the notes on any automated dealer quotation systems. As a result, we cannot assure you as to the liquidity of any trading market for the Exchange Notes.

We also cannot assure you that you will be able to sell your Exchange Notes at a particular time or at all, or that the prices that you receive when you sell them will be favorable. If no active trading market develops, you may not be able to resell your Exchange Notes at their fair market value, or at all. The liquidity of, and trading market for, the Exchange Notes may also be adversely affected by, among other things, prevailing interest rates, our operating performance and financial condition, the interest of securities dealers in making a market, and the market for similar securities.

Some persons who participate in the exchange offer must deliver a prospectus in connection with resales of the exchange notes.

Based on interpretations of the staff of the SEC contained in Exxon Capital Holdings Corp., SEC no-action letter (April 13, 1988), Morgan Stanley & Co. Inc., SEC no-action letter (June 5, 1991) and Shearman & Sterling, SEC no-action letter (July 2, 1983), we believe that you may offer for resale, resell or otherwise transfer the exchange notes without compliance with the registration and prospectus delivery requirements of the Securities Act. However, in some instances described in this prospectus under "Plan of Distribution," you will remain obligated to comply with the registration and prospectus delivery requirements of the Securities Act to transfer your exchange notes. In these cases, if you transfer any Exchange Note without delivering a prospectus meeting the requirements of the Securities Act or without an exemption from registration of your Exchange Notes under the Securities Act, you may incur liability under the Securities Act. We do not and will not assume, or indemnify you against, this liability.

#### Risks Relating to the Notes

Our substantial indebtedness could adversely affect our financial condition and prevent us from fulfilling our obligations.

As of December 31, 2012, our indebtedness consists of \$200.0 million of Outstanding Notes, \$50.0 million of borrowings outstanding under the Revolving Credit Facility and \$33.1 million of aggregate indebtedness of one of our subsidiaries outstanding under two promissory notes. In addition, as of December 31, 2012, we had the ability to borrow up to \$92.3 million under our Revolving Credit Facility, after taking into account the financial ratios we are required to maintain under the facility as discussed in more detail below.





Our ability to meet our debt service obligations and refinance our indebtedness, including any future debt that we may incur, will depend upon our ability to generate cash in the future from operations, financings or asset sales, which are subject to general economic conditions, industry cycles, seasonality and other factors, some of which may be beyond our control. If we cannot repay or refinance our debt as it becomes due, we may be forced to sell assets or take other disadvantageous actions, including (i) reducing financing in the future for working capital, capital expenditures and general corporate purposes or (ii) dedicating an unsustainable level of our cash flow from operations to the payment of principal and interest on our indebtedness. In addition, our ability to withstand competitive pressures and to react to changes in our industry could be impaired.

Our future debt levels and the terms of any future indebtedness we may incur may contain restrictive covenants and limit our liquidity and our ability to obtain additional financing and pursue acquisitions and joint ventures or purchase new helicopters. Tight credit conditions could limit our ability to secure additional financing, if required, due to difficulties accessing the credit and capital markets.

Despite current debt levels, the terms of the indenture governing the notes and Revolving Credit Facility allow us to incur more debt, subject to certain limitations. If new debt is added to our consolidated debt level, the related risks that we now face could intensify.

Our substantial indebtedness could:

- make it more difficult for us to satisfy our obligations with respect to our indebtedness, including our obligations under the indenture to purchase notes tendered as a result of a change in control;
- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to fund future working capital, capital expenditures, research and development and other general corporate requirements;
- require us to dedicate a substantial portion of our cash flow from operations to service payments on our debt;
- limit our flexibility to react to changes in our business and the industry in which we operate;
- place us at a competitive disadvantage to any of our competitors that have less debt; and
- limit, along with the financial and other restrictive covenants in our indebtedness, among other things, our ability to borrow additional funds.

The agreements governing our Revolving Credit Facility and the indenture governing our Outstanding Notes and the Exchange Notes contain various covenants that limit our operating and financial flexibility.

The agreements governing our Revolving Credit Facility and the indenture governing our Outstanding Notes and the Exchange Notes contain various covenants that limit our ability to, among other things:

- make investments;
- incur or guarantee additional indebtedness;
- incur liens or pledge the assets of certain of our subsidiaries;
- pay dividends;
- enter into transactions with affiliates; and
- enter into certain sales of all or substantially all of our assets, mergers and consolidations.

Our Revolving Credit Facility also requires that we maintain a maximum funded debt to EBITDA (as defined in our Revolving Credit Facility) ratio (the “RC Leverage Ratio”) of 5.0 to 1.0 (increased from 4.0 to 1.0 as a result of the issuance of the Outstanding Notes) and comply with certain other financial ratios. Failure to comply with these covenants is an event of default under the facility and, as a result, our ability to borrow under our Revolving Credit Facility is dependent on and limited by our ability to comply with the RC Leverage Ratio limit and other financial ratios. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Senior Secured Revolving Credit Facility” for additional information.

As a result of a decrease in our operating revenues from contract-leasing activities in the year ended December 31, 2012, and the related impact on our EBITDA (as defined in our Revolving Credit Facility), SEACOR provided us with additional equity capital in 2012, which we used to repay borrowings under our Revolving Credit Facility so that we could maintain compliance with our financial ratios. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” for more information. As we are no longer a subsidiary of SEACOR, we cannot expect to obtain capital from SEACOR in the future. If we continue to experience reduced operating revenues from certain of our contract-leasing activities, our ability to utilize our Revolving Credit Facility may be limited and we may require additional investments in our capital stock to maintain our financial ratio within applicable limits. Any inability to borrow under our Revolving Credit Facility could have a material adverse effect on our ability to make capital expenditures, on our results of operations and on our liquidity. Further, failure to maintain the financial ratios required under the Revolving Credit Facility would constitute an event of default, allowing the lenders under our Revolving Credit Facility to declare the entire balance of any and all sums payable under the Revolving Credit Facility immediately due and payable, which in turn would permit the holders of the notes to accelerate maturity of the notes as well. However, it is unlikely that if the maturity of the notes were accelerated we would be able to repay amounts due under the notes. In addition, our Revolving Credit Facility is secured by a lien on our assets, and as a result, the claims of the lenders under the Revolving Credit Facility are effectively senior to the claims of the holders of the notes.

Era Group is a holding company with no independent operations or assets and it is dependent on cash flow generated by its subsidiaries.

Era Group is a holding company, and all of its assets are held by its direct and indirect subsidiaries. Repayment of our indebtedness, including the notes, is dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. The ability of our subsidiaries to make dividend or other payments to us is affected by, among other factors, the obligations of these subsidiaries to their creditors, requirements of the relevant corporate and other laws in the jurisdiction in which each subsidiary operates, and restrictions contained in agreements entered into by or relating to these entities.

Our subsidiaries that did not guarantee the notes do not have any obligation to pay amounts due on the notes or to make funds available for that purpose. As of December 31, 2012, our subsidiaries that did not guarantee the notes generated approximately 0.2% of total revenues. While the indenture governing the notes limits the ability of our restricted subsidiaries to incur consensual restrictions on their ability to pay dividends or make intercompany payments to us, these limitations are subject to certain qualifications and exceptions. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required payments on our indebtedness, including the notes.

Only certain of our subsidiaries will be required to guarantee the notes, and the assets of any non-guarantor subsidiaries may not be available to make payments on the notes.

Certain of our subsidiaries are not required to guarantee the notes. See “Description of the Exchange Notes—Certain Covenants—Additional Subsidiary Guarantees.” In the event that any of our non-guarantor restricted subsidiaries becomes insolvent, liquidates, reorganizes, dissolves or otherwise winds up, holders of their debt, and their trade creditors generally, will be entitled to payment on their claims from the assets of that subsidiary before any of those assets are made available to us or any guarantor. Consequently, your claims in respect of the notes will be effectively subordinated to all of the liabilities of our subsidiaries, including trade payables. In addition, the indenture, subject to certain limitations, permits these subsidiaries to incur additional indebtedness and does not contain any limitation on the amount of other liabilities, such as trade payables, that these subsidiaries may incur. As of December 31, 2012, none of our non-guarantor subsidiaries has any indebtedness outstanding.

The indenture governing the notes permits the incurrence of additional debt, some of which may be secured debt. As of December 31, 2012, our total consolidated indebtedness was \$283.1 million, including \$83.1 million of which was secured indebtedness, including \$50.0 million outstanding under our Revolving Credit Facility and \$200.0 million was unsecured debt represented by the Senior Notes. In addition, we had the ability to borrow up to an additional \$92.3 million under such facility, provided we were able to maintain compliance with the required financial ratios.

We and our subsidiaries may be able to incur substantial additional indebtedness, including secured indebtedness, or provide guarantees in the future. The terms of the indenture restrict, but do not completely prohibit, us, our subsidiaries and the guarantors from doing so. The indenture also allows us to issue additional notes under

certain circumstances, which will also be guaranteed by the guarantors. In addition, the indenture does not prevent us from incurring other liabilities that do not constitute indebtedness. See “Description of the Exchange Notes.”

The notes are not secured by any of our assets. As a result, the indebtedness represented by the notes is effectively subordinated to borrowings under our Revolving Credit Facility and any other secured indebtedness we may incur to the extent of the value of the assets securing such indebtedness. The terms of the indenture permit us to incur secured debt subject to some limitations. In the event of any distribution or payment of our assets in any foreclosure, dissolution, winding up, liquidation or reorganization, or other bankruptcy proceeding, any secured creditors would have a claim to their collateral superior to that of the notes.

If this were to occur, it is possible that there would be no assets remaining from which claims of the holders of the notes could be satisfied. Further, if any assets did remain after payment of these lenders, the remaining assets might be insufficient to satisfy the claims of the holders of the notes and holders of other unsecured debt that is deemed the same class as the notes, and potentially all other general creditors who would participate ratably with holders of the notes.

We may be unable to purchase the notes upon a specified change of control trigger event, which would result in defaults under the indenture governing the notes.

The terms of the notes require us to make an offer to repurchase the notes upon the occurrence of a specified change of control trigger event accompanied by a reduction in the credit rating assigned to the notes at a purchase price equal to 101% of the principal amount of the notes, plus accrued interest to the date of the purchase. Our Revolving Credit Facility requires, and any financing arrangements we may enter into in the future may require, repayment of amounts outstanding upon the occurrence of a change of control triggering event and limit our ability to fund the repurchase of your notes in certain circumstances. It is possible that we will not have sufficient funds at the time of the change of control to make the required repurchase of notes or that restrictions in our Revolving Credit Facility and other financing arrangements will not allow the repurchases. See “Description of Exchange Notes—Repurchase at the Option of Holders.”

It may be difficult for the holders of the notes to ascertain that a change of control has occurred, leading to uncertainty as to whether a holder of the notes may require us to repurchase the notes.

The definition of change of control in the indenture governing the notes includes a disposition of all or substantially all of our and our restricted subsidiaries’ assets. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of “all or substantially all” of our and our restricted subsidiaries’ assets. As a result, it may be unclear as to whether a change of control has occurred and whether a holder of notes may require us to make an offer to repurchase the notes. See “Description of the Exchange Notes—Repurchase at the Option of Holders.”

Fraudulent conveyance laws may void the notes or the guarantees or subordinate the notes or the guarantees.

The issuance of the notes may be subject to review under applicable bankruptcy law or relevant fraudulent conveyance laws if a bankruptcy lawsuit or similar action affecting the rights of creditors generally is commenced by or on behalf of our creditors. Under these laws, if in such a lawsuit or action a court were to find that, at the time the notes are issued, the debt was incurred with the intent of hindering, delaying or defrauding current or future creditors and received less than reasonably equivalent value or fair consideration for incurring the debt, and our company:

- was insolvent or was rendered insolvent by reason of the related financing transactions;
  - was engaged, or about to engage, in a business or transaction for which our remaining assets constituted unreasonably small capital to carry on our business; or
  - intended to incur, or believed that we would incur, debts beyond our ability to pay these debts as they mature, as all of the foregoing terms are defined in or interpreted under the relevant fraudulent transfer or conveyance statutes;
- then the court could void the notes or subordinate the notes to our company’s presently existing or future debt or take other actions detrimental to you. We cannot assure you as to what standard a court would apply in order to determine whether our company was “insolvent” as of the date the notes were issued, and we cannot assure you that, regardless



of the method of valuation, a court would not determine that our company was insolvent on that date. Nor can we assure you that a court would not determine, regardless of whether our company was insolvent on the date the notes were issued, that the payments constituted fraudulent transfers on another ground.

The guarantee and future guarantees may also be subject to review under various laws for the protection of creditors. The analysis set forth above would generally apply, except that the guarantees could also be subject to the claim that, since the guarantees were incurred for our benefit, and only indirectly for the benefit of the guarantors, the obligations of the guarantors thereunder were incurred for less than reasonably equivalent value or fair consideration. A court could act to void a guarantor's obligation under its guarantee, subordinate the guarantee to the other indebtedness of a guarantor, direct that holders of the notes return any amounts paid under a guarantee to the relevant guarantor or to a fund for the benefit of its creditors, or take other action detrimental to the holders of the notes.

The indenture includes a provision that the liability of each guarantor under the indenture is limited to the amount that will result in its guarantee not constituting a fraudulent conveyance. There can be no assurance as to what standard a court would apply in making a determination as to the maximum liability of each guarantor or whether they would find such a provision valid and enforceable at all. In a recent Florida bankruptcy case decision that was upheld by the 11th Circuit Court of Appeals, the court held that subsidiary guarantees containing this kind of provision were deemed to be fraudulent conveyances and thus unenforceable. If this precedent were to be followed, the risk that the guarantee would be found to be a fraudulent conveyance would be significantly increased.

Changes in credit ratings issued by statistical rating organizations could adversely affect our cost of financing and the market price of the notes.

Credit rating agencies rate the notes and our other indebtedness on factors that include our operating results, actions that we take, their view of the general outlook for our industry and their view of the general outlook for the economy. Actions taken by the rating agencies can include maintaining, upgrading or downgrading the current rating or placing us on a watch list for possible future downgrading. Downgrading the credit rating of the notes or our other indebtedness or placing us on a watch list for possible future downgrading could limit our ability to refinance maturing liabilities, access the capital markets to meet liquidity needs, increase our cost of financing and lower the market price or liquidity of the notes.

Credit ratings are not recommendations to purchase, hold or sell the notes. Additionally, credit ratings may not reflect the potential effect of risks relating to the structure or marketing of the notes. Any future lowering of our ratings likely would make it more difficult or more expensive for us to obtain additional debt financing. If any credit rating initially assigned to the notes is subsequently lowered or withdrawn for any reason, you may not be able to resell your notes at a favorable price or at all.

**RATIO OF EARNINGS TO FIXED CHARGES**

The following table sets forth our ratio of earnings to fixed charges for the periods indicated:

	For the Years Ended December 31,					Pro
	2008	2009	2010	2011	2012	Forma
Ratio of earnings to fixed charges <sup>(1)</sup>	0.7	1.2	0.6	1.0	1.4	2012 1.7

Earnings consist of income from continuing operations before income taxes and fixed charges, less capitalized (1) interest. Fixed charges consist of interest, whether expensed or capitalized, amortization of debt discounts, premiums and issuance costs.

**USE OF PROCEEDS**

We will not receive any cash proceeds from the issuance of the Exchange Notes. We are making this exchange offer solely to satisfy our obligations under our registration rights agreement. In consideration for issuing the Exchange Notes, we will receive Outstanding Notes in like aggregate principal amount. Outstanding Notes tendered by you and accepted by us in exchange for the Exchange Notes will be retired and canceled and will not be reissued. Accordingly, the issuance of the Exchange Notes will not result in any change in our capitalization.



## CAPITALIZATION

The following table sets forth our cash and cash equivalents and our capitalization as of December 31, 2012:

on an actual basis; and

on a pro forma basis to give effect to the Spin-off and related transactions, prepared based on the assumptions and adjustments set forth in the “Unaudited Pro Consolidated Forma Financial Data.”

This table should be read in conjunction with “Selected Historical Consolidated Financial Data,” “Unaudited Pro Forma Consolidated Financial Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes thereto included elsewhere in this prospectus.

	Actual	Pro Forma
	(in thousands, except share data)	
Cash and Cash Equivalents	\$11,505	\$11,505
Debt:		
Revolving Credit Facility	\$50,000	\$50,000
Promissory Notes	33,098	33,098
Outstanding Notes	200,000	200,000
Total debt	283,098	283,098
Preferred Stock, \$0.01 par value, 10,000,000 shares authorized on an actual basis:		
Series A preferred stock, at redemption value; 1,400,000 shares issued and outstanding on an actual basis; 0 shares issued and outstanding on a pro forma basis	144,232	—
Series B preferred stock, at redemption value; 0 shares issued and outstanding on an actual basis; 0 shares issued and outstanding on a pro forma basis	—	—
Total preferred stock	144,232	—
Stockholder Equity:		
Class A common stock, \$0.01 par value, 60,000,000 shares authorized on an actual basis; 0 shares issued and outstanding on an actual basis; 0 shares authorized, issued and outstanding on a pro forma basis	—	—
Class B common stock, \$0.01 par value, 60,000,000 shares authorized on an actual basis; 24,500,000 shares issued and outstanding on an actual basis; 0 shares authorized, issued and outstanding on a pro forma basis	245	—
Common stock, \$0.01 par value, 0 shares authorized, issued and outstanding on an actual basis; 60,000,000 shares authorized and 19,854,234 shares issued and outstanding on a pro forma basis	—	202
Additional paid-in capital	278,838	423,113
Accumulated deficit	(4,025	) (4,025 )
Accumulated other comprehensive loss	20	20
Stockholder equity	275,078	419,310
Total capitalization	\$702,408	\$702,408

Our Revolving Credit Facility permits us to borrow up to \$200.0 million from time to time assuming our ability to (1) maintain compliance with the required financial ratios under the facility. As of December 31, 2012, we had the ability to borrow up to an additional \$92.3 million under our Revolving Credit Facility, after taking into

account such financial ratios. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.”

(2) The Outstanding Notes have a face amount of \$200.0 million, but were offered at a price of 98.311% of their face amount, resulting in a discount of \$3,378,000.

## SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following tables set forth the selected historical consolidated financial data as of and for the periods indicated. We derived the selected historical consolidated financial data presented below as of December 31, 2012 and 2011 and for the years ended December 31, 2012, 2011 and 2010 from our audited consolidated financial statements included elsewhere in this prospectus. We derived the selected historical consolidated financial data as of December 31, 2010, 2009 and 2008 and for the years ended December 31, 2009 and 2008 from our audited consolidated financial statements not included in this prospectus.

Our historical results are not necessarily indicative of future operating results. You should read the information set forth below in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Unaudited Pro Forma Consolidated Financial Data” and the historical consolidated financial statements and the related notes included elsewhere in this prospectus.

	Years Ended December 31,				
	2012	2011	2010	2009	2008
Statements of Operations Data:	(in thousands, except per share data)				
Revenues	\$272,921	\$258,148	\$235,366	\$235,667	\$248,627
Operating income	32,051	36,108	19,748	29,274	15,479
Net income (loss) attributable to Era Group Inc.	7,787	2,108	(3,639)	1,839	(2,487)
Earnings (Loss) Per Common Share:					
Basic and diluted	\$(0.03 )	\$0.18	\$(3,639.00 )	\$1,839.00	\$(2,487.00 )
Statement of Cash Flows Data – provided by (used in):					
Operating activities	\$13,915	\$40,930	\$83,743	\$57,234	\$43,259
Investing activities	(114,765)	(149,089)	(132,549)	(64,116)	(205,817)
Financing activities	32,634	183,094	46,963	9,386	167,229
Effects of exchange rate changes on cash and cash equivalents	599	489	(1,768)	(1,396)	—
Capital expenditures	(112,986)	(158,929)	(130,770)	(90,762)	(220,623)
Balance Sheet Data (at period end):					
Cash and cash equivalents	\$11,505	\$79,122	\$3,698	\$7,309	\$6,201
Total assets	937,564	933,224	719,024	627,156	592,896
Long-term debt, less current portion	276,948	285,098	35,885	—	—
Total equity	275,285	275,147	163,593	167,496	165,269

#### UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL DATA

The following unaudited pro forma consolidated financial statements are derived from our historical financial statements, which are included elsewhere in this prospectus. The pro forma adjustments give effect to the Spin-off and other related transactions, as described below and in the notes to the unaudited pro forma consolidated financial statements. The unaudited pro forma consolidated statement of operations for the fiscal year ended December 31, 2012 give effect to the Spin-off and other related transactions as if it had occurred on January 1, 2012. The unaudited pro forma consolidated balance sheet as of December 31, 2012 gives effect to the Spin-off and other related transactions as if they had occurred on December 31, 2012. These unaudited pro forma consolidated financial statements include adjustments to reflect the transactions that were undertaken and the agreements we entered into in connection with the Spin-off, including the following:

- the replacement of our historical funding arrangement with SEACOR with the issuance of the notes;
- our December 2011 recapitalization, in which \$140.0 million in advances made by SEACOR to us were exchanged for 1,400,000 shares of Series A preferred stock and SEACOR contributed \$180.0 million in additional advances to us;
- the issuance of 300,000 and 700,000 shares of our Series B preferred stock to SEACOR on June 8, 2012 and September 25, 2012, respectively, for aggregate cash proceeds of \$100.0 million, which were used to reduce outstanding borrowings under our Revolving Credit Facility at such times;
- the December 20, 2012 transfer to us by SEACOR of \$50.0 million of redemption value of our Series B preferred stock, in partial satisfaction for the benefit that SEACOR (and other SEACOR U.S. federal consolidated group members) expects to receive by applying U.S. federal net operating losses generated by us in 2012 against SEACOR group taxable income and the purchase by us for cash of the remainder of our outstanding Series B preferred stock from SEACOR funded with borrowings of \$50.0 million under our Revolving Credit Facility;
- the exchange by SEACOR of all of our outstanding Class B common stock and all of our outstanding Series A preferred stock for 19.9 million shares of our newly-issued common stock in the Spin-Off; and
- the fees payable under the Amended and Restated Transition Services Agreement that we entered into with SEACOR prior to completion of the Spin-off.

As a stand-alone public company, we expect to incur additional recurring costs. Our preliminary estimates of the additional recurring costs expected to be incurred annually are approximately \$3.0 million to \$5.0 million higher than the expenses historically allocated to us by SEACOR. No pro forma adjustments have been made to our pro forma financial statements to reflect the additional costs and expenses described above because they are projected amounts based on judgmental estimates and would not be factually supportable.

The assumptions underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with the unaudited pro forma consolidated financial information. The assumptions used and pro forma adjustments derived from such assumptions are based on currently available information and expectations, and we believe such assumptions are reasonable under the circumstances.

The following unaudited pro forma consolidated financial statements should be read in conjunction with the historical financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations." The unaudited pro forma consolidated financial information has been presented for informational purposes only. The pro forma information is not necessarily indicative of our results of operations or financial condition had the Spin-off and the related transactions been completed on the dates assumed. Also, they may not reflect the results of operations or financial condition which would have resulted had we been operating as an independent, publicly traded company during such periods. In addition, they are not necessarily indicative of our future results of operations or financial condition.

## Unaudited Pro Forma Statement of Operations for the Year Ended December 31, 2012

	As Reported (in thousands, except share data)	Notes Offering <sup>(1)</sup>	Management Fees <sup>(2)</sup>	Preferred Dividends <sup>(3)</sup>	Revolver Interest <sup>(4)</sup>	Pro Forma
<b>Statement of Operations Data:</b>						
Operating Revenues	\$272,921	\$—	\$—	\$—	\$—	\$272,921
Costs and Expenses:						
Operating	167,195	—	—	—	—	167,195
Administrative and general	34,785	—	435	—	—	35,220
Depreciation	42,502	—	—	—	—	42,502
	244,482	—	435	—	—	244,917
Gains on Asset Dispositions and Impairments, Net	3,612	—	—	—	—	3,612
Operating Income	32,051	—	(435 )	—	—	31,616
Other Income (Expense):						
Interest income	910	—	—	—	—	910
Interest expense	(10,648 )	(10,387 )	—	—	597	(20,438 )
SEACOR management fees	(2,000 )	—	2,000	—	—	—
Derivative losses, net	(490 )	—	—	—	—	(490 )
Foreign currency gains, net	720	—	—	—	—	720
Other, net	30	—	—	—	—	30
	(11,478 )	(10,387 )	2,000	—	597	(19,268 )
Income Before Income Tax Expense and Equity in Losses of 50% or Less Owned Companies	20,573	(10,387 )	1,565	—	597	12,348
Income Tax Expense	7,298	(3,740 )	563	—	215	4,336
Income Before Equity in Losses of 50% or Less Owned Companies	13,275	(6,647 )	1,002	—	382	8,012
Equity in Losses of 50% or Less Owned Companies, Net of Tax	(5,528 )	—	—	—	—	(5,528 )
Net Income	7,747	(6,647 )	1,002	—	382	2,484
Net Loss attributable to Noncontrolling Interest in Subsidiary	(40 )	—	—	—	—	(40 )
Net Income attributable to Era Group Inc.	7,787	(6,647 )	1,002	—	382	2,524
Accretion of redemption value on Series A Preferred Stock	8,469	—	—	(8,469 )	—	—
Net Income (Loss) attributable to Common Shares	\$(682 )	\$(6,647 )	\$1,002	\$8,469	\$382	\$2,524
<b>Earnings Per Common Share:</b>						
Basic and Diluted Earnings Per Common Share	\$(0.03 )					\$0.13
Weighted Average Common Shares Outstanding <sup>(5)</sup>	24,500,000					19,883,583



## Unaudited Pro Forma Balance Sheet as of December 31, 2012

	As Reported (in thousands)	Recapitalization <sup>(7)</sup>	Pro Forma
Balance Sheet Data:			
Current Assets:			
Cash and cash equivalents	\$11,505	\$—	\$11,505
Trade receivables	48,527	—	48,527
Other receivables	3,742	—	3,742
Due from SEACOR	971	—	971
Inventories	26,650	—	26,650
Prepaid expenses	1,803	—	1,803
Deferred income taxes	3,642	—	3,642
Total current assets	96,840	—	96,840
Property and Equipment, Net	787,805	—	787,805
Investments, at Equity, and Advances to 50% or Less Owned Companies	34,696	—	34,696
Goodwill	352	—	352
Other Assets	17,871	—	17,871
	\$937,564	\$—	\$937,564
Current Liabilities:			
Accounts payable and accrued expenses	\$15,703	\$—	\$15,703
Accrued wages and benefits	4,576	—	4,576
Current portion of long-term debt	2,787	—	2,787
Other current liabilities	6,633	—	6,633
Total current liabilities	29,699	—	29,699
Long-Term Debt	276,948	—	276,948
Deferred Income Taxes	203,536	—	203,536
Other Liabilities	7,864	—	7,864
Total Liabilities	518,047	—	518,047
Series A Preferred Stock	144,232	(144,232	) —
Series B Preferred Stock	—	—	—
Equity:			
Stockholder equity attributable to Era Group Inc. stockholders	275,078	144,232	419,310
Non-controlling interest	207	—	207
Total equity	275,285	144,232	419,517
	\$937,564	\$—	\$937,564

Notes to Unaudited Pro Forma Consolidated Financial Data

The pro forma statement of operations for the year ended December 31, 2012 gives effect to the following:

Represents adjustments to interest expense as a result of the issuance of the Senior Notes and the use of proceeds (1) therefrom, including the repayment of \$190.0 million of borrowings outstanding under our Revolving Credit Facility.

(2) Reflects a reduction in SEACOR management fees by \$1.0 million, net of tax, to align costs with the fees to be billed in accordance with the Amended and Restated Transition Services Agreement entered into by us and SEACOR on January 31, 2013.

(3) Reflects a reduction in accretion of redemption value on shares of our Series A preferred stock by \$8.5 million to reflect the expected recapitalization of 1,400,000 shares of our Series A preferred stock into Common Stock.

(4) Reflects a reduction in interest expense on borrowings outstanding under our Revolving Credit Facility by \$0.4 million, net of tax, to reflect our repayment of \$100.0 million of borrowings under the facility with the proceeds received from the issuance of 1,000,000 shares of Series B preferred stock to SEACOR, partially offset by borrowings of \$50.0 million used to purchase Series B preferred stock in the Series B Exchange.

(5) The number of shares used to compute pro forma basic and diluted earnings per share is based on the 19.9 million shares of our newly-issued Common Stock that were distributed in the Spin-off.

The pro forma balance sheet as of December 31, 2012 gives effect to the following:

In December 2012, we completed the Series B Preferred Stock Exchange pursuant to which SEACOR transferred to us 500,000 shares of Series B preferred stock (\$50.0 million in liquidation value) that it held in partial satisfaction for the benefit that SEACOR (and other SEACOR U.S. federal consolidated group members) expects to receive by applying U.S. federal net operating tax losses generated by us in 2012 against SEACOR group (6) taxable income, currently estimated at approximately \$50.0 million. We repurchased for \$50.0 million the remainder of the outstanding Series B preferred stock. Any adjustments to our estimate will generally be cash-settled pursuant to the Tax Matters Agreement upon the completion of SEACOR's 2012 financial statements and again to the extent necessary upon the filing of SEACOR's 2012 federal consolidated income tax return.

(7) Prior to the Spin-off we recapitalized \$140.0 million in redemption value of our Series A preferred stock, plus any accrued and unpaid dividends thereon into newly issued Common Stock.



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Overview

On January 31, 2013, SEACOR completed the Spin-off of the Company by means of a dividend to SEACOR's stockholders of all of our issued and outstanding Common Stock. We filed a Registration Statement on Form 10 with the SEC that was declared effective on January 15, 2013. Prior to the Spin-off, we entered into a Distribution Agreement and several other agreements that will govern our post-Spin-off relationship with SEACOR. We are now an independent company with our Common Stock listed on the New York Stock Exchange under the symbol "ERA". For the year ended December 31, 2012, our historical financial position, results of operations and cash flows will be included in the consolidated results of SEACOR in its Annual Report on Form 10-K.

We are one of the largest helicopter operators in the world and the longest serving helicopter transport operator in the U.S., which is our primary area of operations. In the year ended December 31, 2012, approximately 56% and 15% of our total operating revenues were earned in the U.S. Gulf of Mexico and Alaska, respectively, and in the year ended December 31, 2011, 46% and 16% of our total operating revenues were earned in such regions, respectively. We also provide helicopters and related services to third-party helicopter operators in other countries. In addition to our U.S. customers, we currently have customers in Brazil, Canada, India, Indonesia, Mexico, Norway, Spain, Sweden, the United Kingdom and Uruguay. Our helicopters are primarily used to transport personnel to, from and between, offshore installations, drilling rigs and platforms.

As of December 31, 2012, we owned or operated a total of 175 helicopters, consisting of ten heavy helicopters, 69 medium helicopters, 37 light twin engine helicopters and 59 light single engine helicopters. As of December 31, 2012, in addition to our existing fleet, we had one AW139 helicopter that was delivered in 2012 and will become operational in 2013. As of December 31, 2012, we had commitments to purchase 11 new helicopters, consisting of one AW139 medium helicopter, five AW169 light twin helicopters and five AW189 medium helicopters. The AW139 medium helicopter was delivered in January 2013. The AW189 medium helicopters are scheduled to be delivered in 2014 and 2015. Delivery dates for the AW169 light twin helicopters have yet to be determined. In addition, we had outstanding options to purchase up to an additional nine AW139 medium helicopters and five AW189 medium helicopters. If these options were exercised, the helicopters would be delivered beginning in 2013 through 2016. Subsequent to December 31, 2012, we exercised an option to purchase one AW139 medium helicopter.

The primary users of our transport services are major integrated and independent oil and gas companies and U.S. government agencies. In the years ended December 31, 2012 and 2011, approximately 64% and 54% of our operating revenues, respectively, were derived from helicopter services, including emergency search and rescue services, provided to clients primarily involved in oil and gas activities. In addition to serving the oil and gas industry, we provide helicopters under contract-lease, air medical services, firefighting support and Alaska flightseeing tours, among other activities. Historically, our operations have primarily served the U.S. offshore oil and gas industry. We have initiated efforts to diversify our revenue base and take advantage of the mobility and versatility of our helicopters in order to expand into other geographic regions.

Demand for new, sophisticated equipment continues to grow, particularly in response to the requirements of the offshore oil and gas industry, which has become more focused on deepwater activities. To service these new areas of exploration, helicopters must have greater payloads and range. Helicopters supporting air medical and search and rescue operations and other public uses also require new technology and safety improvements. According to PFC Energy in its May 2011 Global Helicopter Fleet Update presentation, approximately 28% of the global helicopter fleet was more than 25 years old. Replacement is hampered by the following factors: (i) there are only four major helicopter OEM's that have a full range of service models; (ii) lead times for delivery of new equipment can be as long as three years; (iii) prevailing economic conditions have, until recently, not been favorable for raising capital to finance new equipment; and (iv) many smaller operators are still unable to raise capital.

Prior to our entry into our Revolving Credit Facility, we participated in a cash management program whereby certain of our operating and capital expenditures were funded through advances from SEACOR and certain cash collections were forwarded to SEACOR. As a consequence of this arrangement, we have historically maintained minor balances

of cash on hand. As of December 31, 2012 and December 31, 2011, our cash on hand was \$11.5 million and \$79.1 million, respectively. On December 22, 2011, we entered into a Revolving Credit Facility intended to replace our prior cash management program with SEACOR. The Revolving Credit Facility requires that we maintain a maximum RC Leverage Ratio of 5.0 to 1.0 (increased from 4.0 to 1.0 as a result of the issuance of our Outstanding Notes) and comply with certain other financial ratios. Failure to meet these ratios is an event of default under the facility, and therefore our borrowing capacity is limited by our ability to comply with these ratios. On December 7, 2012, we completed the offering of \$200.0 million of Outstanding Notes and used the net proceeds from the offering to repay \$190.0 million of borrowings outstanding under our Revolving Credit Facility. In connection with the issuance of the Outstanding Notes, we permanently reduced the borrowing capacity under our Revolving Credit Facility from \$350.0 million to \$200.0 million. On December 20, 2012, we borrowed \$50.0 million under the Revolving Credit Facility to fund the cash repurchase of 500,000 shares of Series B preferred stock from SEACOR in the Series B Exchange. As of December 31,

2012, we had the ability to borrow an additional \$92.3 million under our Revolving Credit Facility, after taking into account the financial ratios we are required to maintain under the facility.

On December 23, 2011, we issued 1.4 million shares of our Series A preferred stock to SEACOR in exchange for \$140.0 million of aggregate advances previously provided to us by SEACOR. SEACOR also contributed an additional \$180.0 million of capital to us in respect of additional prior advances. In addition, SEACOR purchased 1.0 million shares of our Series B preferred stock, including 300,000 shares of our Series B preferred stock on June 8, 2012 and 700,000 shares of our Series B preferred stock on September 25, 2012, for aggregate proceeds of \$100.0 million. We used a portion of the proceeds from these issuances to repay borrowings under our Revolving Credit Facility so that we would be able to maintain compliance with our financial ratios. See “—Liquidity and Capital Resources.” Prior to, or at the time of the Spin-off, we repurchased for cash or other consideration, or exchanged for Common Stock all preferred stock previously issued to SEACOR. Subsequent to the Spin-off, we no longer have any preferred stock remaining outstanding.

We believe our Revolving Credit Facility (to the extent of our borrowing capacity thereunder) and our strong relationships with OEMs will help position us to add new helicopters to our fleet and upgrade existing helicopters, thereby maintaining an asset base suitable for use within our own operations and for contract-leasing to other operators. We also leverage our strong relationships with OEMs to support growth in other services, such as selling specialty equipment and accessories for helicopters, and training.

#### Offshore Oil and Gas Support

The offshore oil and gas market is highly cyclical with demand linked to the price of oil and gas, which tends to fluctuate depending on many factors, including global economic activity and levels of inventory. In addition to the price of oil and gas, the availability of acreage and local tax incentives or disincentives and requirements for maintaining interests in leases affect activity levels in the oil and gas industry. Price levels for oil and gas by themselves can cause additional fluctuations by inducing changes in consumer behavior. During the year ended December 31, 2010, the market for our assets in the U.S. Gulf of Mexico was disrupted by events related to the sinking of the Deepwater Horizon drilling rig. After the Deepwater Horizon incident, the U.S. Department of Interior imposed a moratorium on offshore deepwater drilling operations, which caused a dramatic decrease in demand for helicopters supporting oil and gas activities in the region. Although the moratorium has been lifted, the process of issuing permits to drill remains slow, which continues to have a negative impact on demand for helicopter services in the U.S. Gulf of Mexico.

We believe the slowdown will not significantly impact our future results in the U.S. Gulf of Mexico because our activities are mainly focused on longer-term production, maintenance and inspection work rather than on short-term exploration and development projects. For the last six years we have provided transportation services to government inspectors of offshore installations, drilling rigs and platforms; this contract was renewed in 2011 and is expected to run through 2016. As of December 31, 2012, 20 of our helicopters were operating under this contract with customer options to increase the number to up to 30 helicopters.

Brazil is among the most important markets for offshore oil and gas activity world-wide. We believe the Brazilian market will require significant additions to the medium and heavy helicopter fleet currently in operation in the country as it expands its production efforts over time. The U.S. Energy Information Administration has stated that recent discoveries of large offshore, pre-salt oil deposits could transform Brazil into one of the larger oil producers in the world, and Petrobras Brazil has estimated that it will achieve an oil production target of approximately six million barrels per day by 2020. We committed to participate in this market by acquiring an ownership interest in Aeróleo, a Brazilian helicopter operator, in July 2011. Subsequently, however, Aeróleo experienced operating difficulties, which are more fully described under “Business—Markets—International Markets”. Due to resulting liquidity issues experienced by Aeróleo, as of December 31, 2012, we had deferred the recognition of \$7.0 million of revenues from Aeróleo and, together with our partner, have also contributed \$9.2 million of additional debt capital to Aeróleo to enable it to continue operating. See “Risk Factors—We rely on relatively few customers for a significant share of our revenues, the loss of any of which could adversely affect our business and results of operations” for additional information.

We also sponsor a search and rescue service in the U.S. Gulf of Mexico on a subscription basis. We currently have four AW139 helicopters configured for this service and several subscribers.

Contract-Leasing

Beginning in 2005, we began to deploy helicopters in international markets, frequently under contract-lease arrangements to third parties. The majority of these helicopters are supporting oil and gas activities in regions of rapidly expanding activity, such as Brazil, India and Indonesia. We also have equipment working in the North Sea, Mexico and Spain. As of December 31, 2012, we had 49 helicopters located in foreign jurisdictions compared with 15 helicopters as of December 31, 2006. In many cases the helicopters are contracted to local helicopter operators, which often prefer to lease helicopters rather than purchase them. Contract-leasing affords us the opportunity to access new markets without significant initial infrastructure investment and generally without ongoing operating risk.

As of December 31, 2012, we had three Eurocopter EC225 heavy helicopters and eight AW139 medium helicopters contract-leased to Aeróleo, which provides helicopter transportation services to Petrobras Brazil and OGX Petroleo e Gas Participacoes under multi-year contracts. Aeróleo also markets services to international companies that are acquiring acreage in Brazil. A number of the AW139 helicopters on contract-lease to Aeróleo were idle from August 2011 until late November 2012. In November 2012, Aeróleo executed contracts with Petrobras Brazil as a result of an emergency tender issued by Petrobras Brazil due to the suspension of use of EC225 helicopters and it began to utilize the AW139 helicopters.

Internationally we hold a 51% interest in Lake Palma, a joint venture that contract-leases helicopters to Fumigación Aérea Andaluza S.A., a firefighting operator based in Spain ("FAASA"). In addition, we had three light single helicopters and eight medium helicopters contract-leased directly to FAASA. We are also focused on developing our presence in the Australia, India and Indonesia helicopter markets, which we believe represent growth opportunities, primarily in the civil aviation sector.

#### Other Activities and Services

Consistent with our strategy to selectively diversify sources of earnings and cash flow, we deploy a number of helicopters in support of other industries and activities. In the years ended December 31, 2012 and 2011, approximately 14% and 17% of our operating revenues were generated by these other activities and services. In 2007, we entered the air medical services market through the acquisition of the flight operations of Keystone Helicopter Corporation. We now supply helicopters, pilots and mechanics to hospitals and manage helicopters on their behalf. We also operate an FBO at Ted Stevens Anchorage International Airport, provide Alaska summer flightseeing tours and support inland firefighting and mining operations in Alaska and the Northwest.

We have also developed services to the helicopter industry that we believe complement our core activities. We hold a 50% interest in Dart, an international sales and manufacturing organization focused on after-market helicopter parts and accessories. We hold a 50% interest in Era Training that provides classroom instruction, flight simulator, helicopter and other training to our employees, pilots working for third parties, other helicopter companies, including our competitors, and government agencies.

#### Fleet Developments and Capital Commitments

In recent years, we have continued to focus on the modernization of our fleet and, when possible, standardization of equipment. Oil and gas companies typically require modern helicopters that offer enhanced safety features and greater performance. Customers flying offshore tend to prefer twin-engine helicopters to single-engine helicopters due to the additional safety afforded from two engines. In response to this demand, we have transformed our fleet significantly. Since the beginning of 2005, we have added 122 helicopters, disposed of 80 helicopters and reduced the average age of our owned fleet from 17 years to 11 years. As of December 31, 2012, 31% of our fleet was five years old or less. We have spent \$113.0 million, \$158.9 million and \$130.8 million to acquire helicopters and other equipment in the years ended December 31, 2012, 2011 and 2010, respectively, primarily for medium and heavy helicopters.

As of December 31, 2012, we had commitments of \$134.8 million, primarily pursuant to agreements to purchase helicopters, consisting of one AW139 medium helicopter, five AW169 light twin helicopters and five AW189 medium helicopters. The AW139 medium helicopter was delivered in January 2013. The AW189 medium helicopters are scheduled to be delivered in 2014 and 2015. Delivery dates for the AW169 light twin helicopters have yet to be determined. Approximately \$128.3 million of these commitments may be terminated without further liability other than aggregate liquidated damages of \$3.3 million. In addition, we had outstanding options to purchase up to an additional nine AW139 medium helicopters and five AW189 medium helicopters. If these options were exercised, the helicopters would be delivered beginning in 2013 through 2016. Subsequent to December 31, 2012, we exercised an option to purchase one AW139 helicopter.

#### Components of Revenues and Expenses

We derive our revenues primarily from operating and contract-leasing our equipment and our profits depend on our cost of capital, the acquisition costs of assets, our operating costs, our contract policy and our reputation.

Operating revenues recorded under U.S. Gulf of Mexico are primarily generated from offshore oil and gas related activities but also include subscriptions for search and rescue services. Similarly, operating revenues recorded under Alaska are primarily generated from offshore oil and gas related activities but also include revenues from operations

supporting firefighting and mining activities. In both the U.S. Gulf of Mexico and Alaska, operating revenues are typically earned through a combination of fixed monthly fees plus an incremental charge based on flight hours flown. Operating revenues recorded under contract-leasing are generated from contract-leases to third-party operators or joint venture partners, where we are not responsible for the operation of the helicopters. For the majority of these contract-leases, we also provide crew training, management expertise, and logistical and maintenance support. Contract-leases typically call for a fixed monthly fee only, but may also include an additional charge based on flight hours flown. The majority of our contract-leasing revenues have been generated by helicopters deployed internationally.

Operating revenues recorded under air medical services include revenues from management services to hospitals.

Operating revenues are earned through a fixed monthly fee plus an incremental charge for flight hours flown.

Operating revenues recorded under Flightseeing are generated on a per passenger basis.

The aggregate cost of our operations depends primarily on the size and asset mix of the fleet. Our operating costs and expenses are grouped into the following categories:

personnel (includes wages, benefits, payroll taxes, savings plans, subsistence and travel);

repairs and maintenance (primarily routine activities as well as helicopter refurbishments and engine and major component overhauls that are performed in accordance with planned maintenance programs);

insurance (the cost of hull and liability insurance premiums and loss deductibles);

fuel;

leased-in equipment (includes the cost of leasing helicopters and equipment); and

other (primarily base expenses, property, sales and use taxes, communication costs, freight expenses, and other).

We engage a number of third-party vendors to maintain the engines and certain components on some of our helicopter models under programs known as “power-by-hour” maintenance contracts. These programs require us to pay for the maintenance service ratably over the contract period, typically based on actual flight hours. Power-by-hour providers generally bill monthly based on hours flown in the prior month, the costs being expensed as incurred. In the event we place a helicopter in a program after a maintenance period has begun, it may be necessary to pay an initial buy-in charge based on hours flown since the previous maintenance event. This buy-in charge is normally recorded as a prepaid expense and amortized as an operating expense over the remaining power-by-hour contract period. If a helicopter is sold or otherwise removed from a program before the scheduled maintenance work is carried out, we may be able to recover part of our payments to the power-by-hour provider, in which case we record a reduction to operating expense when we receive the refund. We also incur repairs and maintenance expense through vendor arrangements whereby we obtain repair quotes and authorize service through a repair order process.

Our policy of expensing all repair costs as incurred, may result in operating expenses varying substantially when compared with a prior year or prior quarter if a disproportionate number of repairs, refurbishments or overhauls are undertaken. This variation can be exacerbated by the timing of entering or exiting third-party power-by-hour programs.

For helicopters that we contract-lease to third parties under arrangements whereby the customer assumes operational responsibility, we often provide maintenance and parts support but generally we incur no other material operating costs. In most instances our contract-leases require clients to procure adequate insurance but we purchase contingent hull and liability coverage to mitigate the risk of a client’s coverage failing to respond. In some instances we provide crews and other services to support our contract-lease customers.

Prior to our entry into our Revolving Credit Facility on December 22, 2011, we participated in a cash management program whereby certain of our operating and capital expenditures were funded through advances from SEACOR and certain cash collections of ours were forwarded to SEACOR. We incurred interest on the outstanding advances, which is reported as interest expense on advances from SEACOR in our consolidated statements of operations. Interest was calculated and settled on a quarterly basis using interest rates set at the discretion of SEACOR. Following our entry into our Revolving Credit Facility, we no longer participate in this cash management program.

SEACOR had provided certain support services to us under a shared services arrangement, including payroll processing, information systems support, benefit plan management, cash disbursement support, cash receipt processing and treasury management. We were historically charged for our share of actual costs incurred, generally based on volume processed or units supported. On December 30, 2011, we entered into a Transition Services Agreement, providing for the same services described above, pursuant to which SEACOR continued to provide these support services. In connection with the Spin-off we entered into an Amended and Restated Transition Services Agreement with SEACOR pursuant to which such services will continue to be provided for a period of time after the Spin-off but not to exceed two years.

SEACOR incurred costs in providing its operating segments with certain corporate services including executive oversight, risk management, legal, accounting and tax, and charges quarterly management fees to its operating segments in order to cover such costs. Total management fees charged by SEACOR to its operating segments include

actual corporate costs incurred plus a mark-up and were generally allocated within the consolidated group using income-based performance metrics reported by an operating segment in relation to SEACOR's other operating segments. The costs we incurred for management fees from SEACOR are reported as SEACOR management fees in our consolidated statements of operations. Effective January 1, 2012, SEACOR provided these corporate services under the Transition Services Agreement for a fixed quarterly charge of \$500,000, subject to the terms and conditions of the Transition Services Agreement. We are no longer charged a management fee by SEACOR but incur costs under the Amended and Restated Transition Services Agreement.



## Results of Operations

	2012		2011		2010	
	\$000s	%	\$000s	%	\$000s	%
<b>Operating Revenues:</b>						
United States	\$213,920	78	\$185,677	72	\$178,656	76
Foreign	59,001	22	72,471	28	56,710	24
	272,921	100	258,148	100	235,366	100
<b>Costs and Expenses:</b>						
<b>Operating:</b>						
Personnel	65,273	24	61,527	24	58,835	25
Repairs and maintenance	43,924	16	49,756	19	44,195	19
Insurance and loss reserves	10,750	4	8,479	3	9,114	4
Fuel	22,021	8	20,131	8	15,083	6
Leased-in equipment	1,450	—	2,003	1	2,052	1
Other	23,777	9	20,811	8	17,954	8
	167,195	61	162,707	63	147,233	63
Administrative and general	34,785	13	31,893	12	25,798	11
Depreciation and amortization	42,502	15	42,612	17	43,351	18
	244,482	89	237,212	92	216,382	92
Gains on Asset Dispositions and Impairments, Net	3,612	1	15,172	6	764	—
Operating Income	32,051	12	36,108	14	19,748	8
<b>Other Income (Expense):</b>						
Interest income	910	—	738	—	109	—
Interest expense	(10,648)	) (4	) (1,376)	) (1	) (94)	) —
Interest expense on advances from SEACOR	—	—	(23,410)	) (9	) (21,437)	) (9
SEACOR management fees	(2,000)	) (1	) (8,799)	) (3	) (4,550)	) (2
Derivative losses, net	(490)	) —	(1,326)	) —	(118)	) —
Foreign currency gains (losses), net	720	—	516	—	(1,511)	) —
Other, net	30	—	9	—	50	—
	(11,478)	) (5	) (33,648)	) (13	) (27,551)	) (11
Income (Loss) Before Income Tax Expense (Benefit) and Equity in Earnings (Losses) of 50% or Less Owned Companies	20,573	7	2,460	1	(7,803)	) (3
Income Tax Expense (Benefit)	7,298	2	434	—	(4,301)	) (1
Income (Loss) Before Equity in Earnings (Losses) of 50% or Less Owned Companies	13,275	5	2,026	1	(3,502)	) (2
Equity in Earnings (Losses) of 50% or Less Owned Companies	(5,528)	) (2	) 82	—	(137)	) —
Net Income (loss)	7,747	3	2,108	1	(3,639)	) (2
Net Income attributable to Noncontrolling interest	(40)	) —	—	—	—	—
Net Income (loss) attributable to Era Group Inc.	7,787	3	2,108	1	(3,639)	) (2
	8,469	3	210	—	—	—

Accretion of Redemption Value  
on Series A Preferred Stock  
Net Income (Loss) Attributable  
to Common Shares

\$(682	) —	\$1,898	1	\$(3,639	) (2	)
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Operating Revenues by Service Line. The following tables set forth, for the years indicated, the amount of operating revenues by service line.

	2012		2011		2010	
	\$000s	%	\$000s	%	\$000s	%
Operating Revenues:						
U.S. Gulf of Mexico, primarily from oil and gas activities	\$ 151,574	56	\$ 119,149	46	\$ 112,458	48
Alaska, primarily from oil and gas activities	25,969	9	23,602	9	28,188	12
Contract-leasing	59,256	22	72,700	28	57,538	24
Air Medical Services	19,751	7	25,836	10	22,208	9
Flightseeing	6,998	2	6,861	3	6,437	3
FBO	9,782	4	10,406	4	8,912	4
Eliminations	(409 )	—	(406 )	—	(375 )	—
	\$ 272,921	100	\$ 258,148	100	\$ 235,366	100

Year Ended December 31, 2012 compared with Year Ended December 31, 2011

Operating Revenues. Operating revenues were \$14.8 million higher for the year ended December 31, 2012 compared with the year ended December 31, 2011. Operating revenues in the U.S. Gulf of Mexico were \$32.4 million higher primarily due to newly delivered helicopters being placed in service, an expansion of government services support and an increase in charter revenues primarily in support of hurricane evacuations. Operating revenues from Alaska, primarily oil and gas activities, increased by \$2.4 million primarily due to an increase in charter activity and hours flown in support of firefighting contracts, and the full-year impact of contracts that commenced in 2011. Operating revenues from contract-leasing activities decreased by \$13.4 million. Contract-leasing revenues for helicopters chartered to our Brazilian joint venture were \$11.2 million lower primarily due to the deferral and reduction of contract-leasing revenues as a result of difficulties experienced by the joint venture in connection with a canceled contract award for four AW139 helicopters under contract-lease from us. In addition, contract-leasing revenues from the Brazilian joint venture were lower due to decreased flight hours for helicopters undergoing major maintenance. Contract-leasing revenues for another customer were also lower due to the net deferral of \$1.9 million due to the customer's short-term liquidity issues. Operating revenues for air medical services were \$6.1 million lower primarily due to the conclusion of a long-term hospital contract, partially offset by the full-year impact of a hospital contract that was awarded during 2011.

Operating Expenses. Operating expenses were \$4.5 million higher in the year ended December 31, 2012 compared with the year ended December 31, 2011. Personnel costs were \$3.7 million higher primarily due to the implementation of a pilot pay scale adjustment and the addition of personnel to support increased activity in the U.S. Gulf of Mexico. Repairs and maintenance expenses were \$5.8 million lower in 2012 primarily due to the recognition of \$7.7 million in vendor credits and \$1.4 million in maintenance credits received in connection with the end of two customer contract-leases. In addition, repairs and maintenance expenses decreased by \$3.6 million due to a reduction in EC225 hours flown. These decreases were partially offset by a \$5.3 million increase as additional helicopters were placed in power-by-hour programs and a \$1.6 million increase in other repairs and maintenance costs primarily due to the timing of repairs on helicopters not covered by power-by-hour arrangements. Insurance and loss reserves were \$2.3 million higher due to an increase in the overall fleet value and the recognition of a good experience credit from our hull and liability underwriters in the year ended December 31, 2011. Fuel costs were \$1.9 million higher primarily due to increased flight hours in the U.S. Gulf of Mexico, in line with the increased activity discussed above. Other operating expenses were \$3.0 million higher primarily due to the receipt in the year ended December 31, 2011 of \$1.9 million in insurance proceeds related to hurricane damages sustained in 2005.

Administrative and General. Administrative and general expenses were \$2.9 million higher in the year ended December 31, 2012 compared with the year ended December 31, 2011. Allowance for doubtful accounts were \$2.8 million higher, of which \$2.5 million was provided in the year ended December 31, 2012 in connection with a

customer bankruptcy. The year ended December 31, 2012 also includes legal and professional expenses of \$2.9 million associated with a contemplated initial public offering of our common stock. These increases were partially offset by a \$3.5 million decrease in severance costs associated with changes in executive management.

Depreciation. Depreciation expenses were \$0.1 million lower in the year ended December 31, 2012 compared to the year ended December 31, 2011 primarily due to a change in estimate of the useful life and salvage value of helicopters, which reduced depreciation expense in the year ended December 31, 2012, partially offset by the addition of higher cost equipment. Effective July 1, 2011, we changed our estimated useful life and salvage value for helicopters from 12 to 15 years and 30% to

40%, respectively, due to improvements in new helicopter models that continue to increase their long-term value and make them viable for operation over a longer period of time.

**Gains on Asset Dispositions and Impairments, Net.** During the year ended December 31, 2012, we sold or otherwise disposed of eight helicopters, helicopter components and other equipment for proceeds of \$5.5 million and gains of \$2.9 million. In addition, we recognized previously deferred gains of \$0.7 million. During the year ended December 31, 2011, we sold ten helicopters and other equipment and received insurance proceeds related to the loss of a helicopter. We received net proceeds of \$29.2 million on the disposition of these assets, including insurance proceeds, and had gains of \$16.5 million of which \$14.5 million was recognized currently and \$2.0 million was deferred. In addition, we recognized previously deferred gains of \$0.7 million.

**Operating Income.** Excluding gains on asset dispositions, operating income as a percentage of revenues was 10% in the year ended December 31, 2012 compared to 8% in the year ended December 31, 2011. The increase was primarily due to the recognition of vendor credits and maintenance credits in the year ended December 31, 2012.

**Interest expense and interest expense on advances from SEACOR.** On December 22, 2011, we entered into a Revolving Credit Facility and used \$242.3 million of borrowings under the facility to settle all of our outstanding advances from SEACOR. On December 7, 2012, we completed the offering of \$200.0 million of Outstanding Notes, the net proceeds of which were used to repay \$190.0 million of borrowings outstanding under our Revolving Credit Facility. As a result, interest expense was \$10.6 million for the year ended December 31, 2012, compared with \$1.4 million for the year ended December 31, 2011, and interest expense on advances from SEACOR was \$23.4 million lower in the year ended December 31, 2012 compared to the year ended December 31, 2011.

**SEACOR management fees.** SEACOR management fees represent various corporate costs incurred by SEACOR, which are in turn charged to all of its operating segments. These fees were previously allocated using income-based performance metrics of us in relation to SEACOR's other operating segments. On December 30, 2011, we entered into a Transition Services Agreement with SEACOR to provide these services at a fixed rate of \$2.0 million per annum beginning January 1, 2012. As a result, SEACOR management fees for the year ended December 31, 2012 were \$2.0 million compared with \$8.8 million for the year ended December 31, 2011.

In connection with the Spin-off, we entered into an Amended and Restated Transition Services Agreement with SEACOR. We expect to incur approximately \$3.4 million annually for the services provided under this agreement. As we transition the functions covered by the Amended and Restated Transition Services Agreement to us over the two year term of the agreement, the amount paid to SEACOR will be reduced by the fee related to that respective support function.

**Equity in losses of 50% or less owned companies.** During the year ended December 31, 2012, we recognized an impairment charge of \$5.9 million, net of tax, on our investment in our Brazilian joint venture.

**Derivative gains (losses), net.** Derivative losses in 2012 were primarily the result of losses from interest rate swap agreements.

**Foreign currency gains (losses), net.** Foreign currency gains, net in 2012 and 2011 were primarily due to the weakening of the U.S. dollar against the Euro underlying certain cash balances.

**Income Tax Expense (Benefit).** During the year ended December 31, 2012, our effective income tax rate was 35.5%. During the year ended December 31, 2011, our effective income tax rate was 17.6% primarily due to the recognition of an income tax benefit of \$0.7 million on adjustments to deferred tax liabilities resulting from changes in state tax apportionment factors and an expense of \$0.4 million as a result of allocated non-deductible SEACOR management fees.

**Year Ended December 31, 2011 compared with Year Ended December 31, 2010**

**Operating Revenues.** Operating revenues were \$22.8 million higher for the year ended December 31, 2011 compared with the year ended December 31, 2010. Operating revenues in the U.S. Gulf of Mexico were \$6.7 million higher primarily due to a \$7.3 million increase from search and rescue activities which began in late 2010 and a \$9.9 million increase from higher oil and gas related activities, including fuel billings as a result of higher prices. The increases were partially offset by a \$10.5 million decrease in operating revenues for activity in support of the Oil Spill Response activities relating to the BP Macondo well incident in the U.S. Gulf of Mexico following the sinking of the semi-submersible drilling rig Deepwater Horizon in April 2010 (the "Oil Spill Response"). Operating revenues in

Alaska were \$4.6 million lower primarily due to the temporary suspension of a contract with a major oil and gas customer whose operations are expected to resume in 2012. Operating revenues from contract-leasing activities increased by \$15.2 million as additional medium and heavy helicopters were placed on international contract-leases. As of December 31, 2011, 41 helicopters were dedicated to the contract-leasing market compared with 39 as of December 31, 2010. Operating revenues from air medical services increased by \$3.6 million primarily due to \$1.1 million of additional revenues generated from a new hospital contract and a \$2.7 million increase in activity in support of an existing patient-pay customer. Operating revenues for the FBO were \$1.5 million higher primarily due to an increase in fuel sales prices.

**Operating Expenses.** Operating expenses were \$15.5 million higher for the year ended December 31, 2011 compared with the year ended December 31, 2010. Personnel costs were \$2.7 million higher as additional personnel were added to support the increased activity discussed above. Repair and maintenance costs increased by \$5.6 million primarily due to enrolling additional helicopters in power-by-hour maintenance programs. Fuel costs increased by \$5.0 million primarily due to an increase in the price of fuel. Other operating expenses were \$2.9 million higher primarily due to a \$1.9 million increase in support of search and rescue activities, which began in late 2010, a \$0.4 million increase from higher air medical activities and a \$2.3 million increase as a result of providing more parts and repair services to contract-leasing customers. These increases were partially offset by the receipt of \$1.9 million in insurance reimbursements relating to the 2005 Hurricanes Katrina and Rita, following final settlement with our insurance carriers. In addition, insurance and loss reserves were \$0.6 million lower primarily due to the receipt of a good experience credit from our hull and machinery underwriters.

**Administrative and General.** Administrative and general expenses were \$6.1 million higher for the year ended December 31, 2011 compared with the year ended December 31, 2010 primarily due to \$4.2 million in severance costs associated with a change in executive management, a \$1.1 million increase in wage and benefit costs, a \$0.6 million increase in information technology costs and a \$0.5 million increase in costs related to international business development and joint venture activities.

**Depreciation.** Depreciation expenses was \$0.7 million lower for the year ended December 31, 2011 compared with the year ended December 31, 2010 primarily due to a change in estimate of the useful life and salvage value of helicopters, which reduced depreciation expense by \$7.6 million, partially offset by the addition of new and higher cost equipment. Effective July 1, 2011, we changed the estimated useful life and salvage value for helicopters from 12 to 15 years and 30% to 40%, respectively, due to improvements in new helicopter models that continue to increase their long-term value and make them viable for operation over a longer period of time.

**Gains on Asset Dispositions and Impairments, Net.** During 2011, we sold ten helicopters and other equipment and received insurance proceeds related to the loss of a helicopter. We received net proceeds of \$29.2 million on the disposition of these assets, including insurance proceeds, and had gains of \$16.5 million of which \$14.5 million was recognized currently and \$2.0 million was deferred. In addition, we recognized previously deferred gains of \$0.7 million. During 2010, we sold two helicopters and other equipment for net proceeds of \$0.9 million and gains of \$0.5 million. In addition, we recognized previously deferred gains of \$0.6 million and recognized a loss of \$0.3 million relating to the impairment of four EC120 helicopters.

**Operating Income.** Excluding gains on asset dispositions and impairments, operating income as a percentage of operating revenues was consistent in both periods at 8%.

**Interest expense on advances from SEACOR.** Interest expense on advances from SEACOR was \$2.0 million higher in 2011 primarily due to higher advances.

**SEACOR management fees.** SEACOR management fees represent various corporate costs incurred by SEACOR, which are in turn charged to all of its operating segments. These fees are allocated using income-based performance metrics of us in relation to SEACOR's other operating segments. SEACOR management fees for the year ended December 31, 2011 were \$8.8 million compared with \$4.6 million for the year ended December 31, 2010. The increase was primarily due to a higher proportion of SEACOR's corporate costs being charged to us based on our results in comparison with SEACOR's other operating segments. On December 30, 2011, we entered into a Transition Services Agreement with SEACOR to provide these services at a fixed rate of \$2.0 million per annum beginning January 1, 2012. See "Certain Relationships and Related Party Transactions—Related Party Transactions—Transition Services Agreement."

**Derivative gains (losses), net.** Derivative losses in 2011 were primarily the result of losses from interest rate swap agreements.

**Foreign currency gains (losses), net.** Foreign currency gains, net in 2011 were primarily due to the weakening of the U.S. dollar against the euro underlying certain cash balances. Foreign currency losses, net in 2010 were primarily due to a strengthening of the U.S. dollar against the euro underlying certain cash balances.

**Income Tax Expense (Benefit).** During the year ended December 31, 2011, our effective income tax rate was 17.6% primarily due to the recognition of an income tax benefit of \$0.7 million on adjustments to deferred tax liabilities

resulting from changes in state tax apportionment factors and an expense of \$0.4 million as a result of allocated non-deductible SEACOR management fees. During the year ended December 31, 2010, our effective income tax rate was 55.1% primarily due to the recognition of an income tax benefit of \$1.1 million on adjustments to deferred tax liabilities resulting from changes in state tax apportionment factors and a benefit of \$0.3 million relating to participation in share award programs sponsored by SEACOR.

#### Liquidity and Capital Resources

Our ongoing liquidity requirements arise primarily from working capital needs, meeting our capital commitments (including the purchase of helicopters and other equipment) and the repayment of debt obligations. In addition, we may use our liquidity to fund acquisitions or to make other investments. Sources of liquidity are cash balances and cash flows from operations



and, from time to time, we may secure additional liquidity through the issuance of equity, debt or borrowings under our Revolving Credit Facility.

Historically, SEACOR advanced substantial amounts of capital to us to fund our expenditures. Prior to entering into our Revolving Credit Facility on December 22, 2011, we participated in a cash management program whereby certain of our operating and capital expenditures were funded through advances from SEACOR and certain cash collections were forwarded to SEACOR. As a consequence of this arrangement, we historically maintained minor cash balances. On December 22, 2011, we entered into our \$350.0 million Revolving Credit Facility. On December 7, 2012, we completed the offering of \$200.0 million of Outstanding Notes and used the net proceeds from the offering to repay \$190.0 million of borrowings outstanding under our Revolving Credit Facility. In connection with the offering of the Outstanding Notes, we permanently reduced the borrowing capacity under that facility from \$350.0 million to \$200.0 million. On December 20, 2012, we borrowed \$50.0 million under the Revolving Credit Facility to fund the repurchase of 500,000 shares of Series B preferred stock in the Series B Exchange, which was the balance outstanding as of December 31, 2012.

Our Revolving Credit Facility requires that we maintain a maximum RC Leverage Ratio of 5.0 to 1.0 (increased from 4.0 to 1.0 as a result of the issuance of the Outstanding Notes) and also requires that we comply with certain other financial ratios. Failure to meet these ratios is an event of default under the facility, and therefore our ability to borrow under our Revolving Credit Facility is dependent on and limited by our compliance with this RC Leverage Ratio requirement and our ability to comply with other financial ratios. See “—Senior Secured Revolving Credit Facility.” As of December 31, 2012, the amount of additional borrowings we could borrow under the Revolving Credit Facility, based on our RC Leverage Ratio as of such date, was \$92.3 million. On February 20, 2013 we drew an additional \$15.0 million under the Revolving Credit Facility for capital expenditures and working capital requirements.

On December 23, 2011, we issued 1,400,000 shares of our Series A preferred stock to SEACOR in exchange for \$140.0 million of aggregate advances previously provided to us by SEACOR. SEACOR also contributed an additional \$180.0 million of capital to us in respect of additional prior advances. Holders of our Series A preferred stock were entitled to receive quarterly cash dividends at the rate of 6% per annum from the date of issuance. All of the Series A Preferred Stock was exchanged for Common Stock prior to the Spin-off.

In the year ended December 31, 2012, we drew down \$88.0 million from our Revolving Credit Facility, primarily to repurchase 500,000 shares of Series B preferred stock held by SEACOR and to fund the purchase of an EC225 helicopter and certain other assets. During the year ended December 31, 2012, we experienced a decrease in operating income primarily due to a reduction in gains on asset dispositions, which had a significant impact on our last 12-months EBITDA (as defined in our Revolving Credit Facility). As a result, SEACOR purchased one million shares of our Series B preferred stock, including 300,000 shares of our Series B preferred stock for \$30.0 million on June 8, 2012 and 700,000 shares of our Series B preferred stock for \$70.0 million on September 25, 2012. We used a portion of the proceeds from these issuances to repay borrowings under our Revolving Credit Facility so that we would be able to maintain compliance with the financial ratios under the facility. See “—Year Ended December 31, 2012 compared with Year Ended December 31, 2011—Operating Income.” As a result of the Series B Exchange no shares of Series B preferred stock remain outstanding. If we continue to experience reduced operating income from certain of our contract-leasing activities or for any other reason, our ability to utilize our Revolving Credit Facility may be limited and we may require additional investments in our capital stock to maintain our financial ratios within applicable limits. Furthermore, failure to maintain our financial ratios pursuant to our Revolving Credit Facility would constitute an event of default, allowing the lenders under our Revolving Credit Facility to declare the entire balance of any and all sums payable under the Revolving Credit Facility immediately due and payable, which in turn would permit holders of the notes to accelerate the maturity of the notes.

As of December 31, 2012, we had unfunded capital commitments of \$134.8 million, primarily pursuant to agreements to purchase helicopters. Approximately \$13.8 million is payable in 2013, with the remaining commitments payable in 2014 through 2016. Approximately \$128.3 million of these commitments may be terminated without further liability to us other than aggregate liquidated damages of \$3.3 million. In addition, we had outstanding options to purchase up to an additional nine AW139 medium helicopters and five AW189 medium helicopters. If these options were exercised, the helicopters would be delivered beginning in 2013 through 2016. Subsequent to December 31, 2012, we committed to purchase additional equipment for \$16.6 million. We expect to finance the remaining acquisition costs through a combination of cash on hand, cash provided by operating activities and borrowings under our Revolving Credit Facility.

#### Summary of Cash Flows

	2012	2011	2010
	\$ '000	\$ '000	\$ '000
Cash provided by or (used in):			
Operating Activities	\$13,915	\$40,930	\$83,743
Investing Activities	(114,765)	(149,089)	(132,549)
Financing Activities	32,634	183,094	46,963
Effect of Exchange Rate Changes on Cash and Cash Equivalents	599	489	(1,768)
Net Increase (Decrease) in Cash and Cash Equivalents	\$(67,617)	\$75,424	\$(3,611)

#### Operating Activities

Cash flows provided by operating activities decreased by \$27.0 million during the year ended December 31, 2012 compared with the year ended December 31, 2011. Cash flows provided by operating activities decreased by \$42.8 million during the year ended December 31, 2011 compared with the year ended December 31, 2010. The components of cash flows provided by operating activities during the years ended December 31 were as follows:

	2012	2011	2010
	(in thousands)		
Operating income before depreciation and gains on asset dispositions and impairments, net	\$70,941	\$63,548	\$62,335
Changes in operating assets and liabilities before interest and income taxes	(102,327)	(8,977)	327
Dividends received from 50% or less owned companies	(16)	1,236	—
Interest paid, excluding capitalized interest	(7,821)	(24,524)	(21,516)
Benefit on net tax operating losses purchased by SEACOR	51,961	18,236	47,016
Income taxes paid, net of refunds	(143)	(557)	(65)
SEACOR management fees	(2,000)	(8,799)	(4,550)
Other	3,320	767	196
Total cash flows provided by operating activities	\$13,915	\$40,930	\$83,743

Operating income before depreciation and gains on asset dispositions and impairments, net was \$7.4 million higher in the year ended December 31, 2012 compared with the year ended December 31, 2011, primarily due to a \$32.4 million increase in revenues in the Gulf of Mexico and a decrease of \$5.8 million in repairs and maintenance expenses. These increases were offset by a \$13.4 million decrease in contract-leasing revenues, a \$6.1 million reduction in operating revenues from air medical services, a \$3.8 million increase in personnel cost, a \$2.3 million increase in insurance and loss reserves, a \$3.0 million increase in other operating expenses primarily due to a \$1.9 million receipt of insurance proceeds in the period ended December 31, 2011 and a \$2.9 million increase in administrative and general expenses.

Operating income before depreciation and gains on asset dispositions and impairments, net was \$1.2 million higher in the year ended December 31, 2011 compared with the year ended December 31, 2010, primarily due to a \$15.2

million increase in revenues from contract-leasing activities and a \$6.7 million increase in revenues from U.S. Gulf of Mexico activity related to search and rescue and fuel billings offset by a \$10.5 million decline in revenues due to decreased activity in support of the Oil Spill Response, an increase in repair and maintenance costs of \$5.6 million and higher fuel costs of \$5.0 million.

During the year ended December 31, 2012, changes in operating assets and liabilities before interest and income taxes used cash flows of \$102.3 million due to the repurchase of Series B preferred stock held by SEACOR and settlements of intercompany transactions with SEACOR.

During the year ended December 31, 2011, changes in operating assets and liabilities before interest and income taxes used cash flows of \$9.0 million primarily due to increases in working capital due to the settlement of derivative positions and the addition of helicopters placed in power-by-hour maintenance programs.

#### Investing Activities

During the year ended December 31, 2012, net cash used in investing activities was \$114.8 million primarily as follows:

Capital expenditures were \$113.0 million, which consisted primarily of helicopter acquisitions.

Proceeds from the disposition of property and equipment were \$5.2 million.

Net principal payments from third-party notes receivable were \$3.6 million.

Investments in, and advances to, 50% or less owned companies were \$10.6 million.

During the year ended December 31, 2011, net cash used in investing activities was \$149.1 million primarily as follows:

Capital expenditures were \$158.9 million, which consisted primarily of helicopter acquisitions.

Proceeds from the disposition of property and equipment were \$26.0 million.

Cash settlements on derivative transactions, net were \$6.1 million.

Investments in, and advances to, 50% or less owned companies were \$21.8 million.

During the year ended December 31, 2010, net cash used in investing activities was \$132.5 million primarily as follows:

Capital expenditures were \$130.8 million, which consisted primarily of helicopter acquisitions.

Proceeds from the disposition of property and equipment were \$0.9 million.

Investments in, and advances to, 50% or less owned companies were \$3.2 million.

Returns of investments and advances from 50% or less owned companies were \$1.0 million.

#### Financing Activities

Prior to entering into our Revolving Credit Facility on December 22, 2011, we participated in a cash management program whereby certain of our operating and capital expenditures were funded through advances from SEACOR and certain cash collections of ours were forwarded to SEACOR. Our cash flows from financing activities were therefore primarily the result of the net cash advances received from SEACOR and vary primarily based on the timing of our capital expenditures.

During the year ended December 31, 2012, net cash provided by financing activities was \$32.6 million, which included proceeds of \$191.9 million, net of issuance costs, from the issuance of the Outstanding Notes, borrowings under our Revolving Credit Facility of \$88.0 million, \$100.0 million in proceeds from the issuance of Series B preferred stock, repayments under our Revolving Credit Facility of \$290.0 million, \$50.0 million in connection with the Series B Exchange, dividends paid to SEACOR of \$4.4 million and scheduled payments on long-term debt of \$2.8 million.

During the year ended December 31, 2011, net cash provided by financing activities was \$183.1 million, which included repayments to SEACOR of \$63.2 million, proceeds from borrowings under our Revolving Credit Facility of \$249.0 million, net of \$3.0 million of transaction costs, and scheduled payments on long-term debt of \$2.7 million.

During the year ended December 31, 2010, net cash provided by financing activities was \$47.0 million, of which \$8.4 million was the result of advances from SEACOR and \$38.7 million was for the issuance of secured bank debt to finance the acquisition of two helicopters.

#### Senior Secured Revolving Credit Facility

On December 22, 2011, we entered into the Revolving Credit Facility, which matures in December 2016. After giving effect to the issuance of the Outstanding Notes and the use of proceeds therefrom, the Revolving Credit Facility provides us with the ability to borrow up to \$200.0 million with sub-limits of up to \$50.0 million for letters of credit and up to \$25.0 million for swingline advances, subject to the terms and conditions specified in the Revolving Credit Facility. Under certain circumstances the borrowing capacity under the Revolving Credit Facility may be increased by

up to an additional \$100.0 million. Our actual borrowing capacity under the Revolving Credit Facility is limited by our ability to comply with the financial ratios described below under “—Covenants.” As of December 31, 2012, based on our RC Leverage Ratio, we had the ability to borrow an additional \$92.3 million under the facility.

#### Guarantees and Security

Our obligations under the Revolving Credit Facility are guaranteed by our wholly-owned U.S. subsidiaries. In general, our borrowings and other obligations under our Revolving Credit Facility and related loan documents, and the guaranty obligations of the guarantors, are secured, subject to certain exceptions, by substantially all of our and the guarantors tangible and intangible assets (including, without limitation, helicopters).

#### Interest

Borrowings under our Revolving Credit Facility bear interest at a rate per annum equal to, at our election, either a “base rate” or LIBOR, as defined, plus an applicable margin. The “base rate” is defined as the highest of: (a) the Prime Rate, as defined; (b) the Federal Funds Effective Rate, as defined, plus 50 basis points; or (c) a daily LIBOR for a one-month interest period, as defined, plus the difference between the Applicable Margin for LIBOR Advances, as defined, and the Applicable Margin for Base Rate Advances, as defined. The applicable margin is based on our ratio of funded debt to EBITDA, as defined, and ranges from 100 to 200 basis points on the “base rate” margin and 210 to 335 basis points on the LIBOR margin. The applicable margin as of December 31, 2012, was 160 basis points on the “base rate” margin and 285 basis points on the LIBOR margin. In addition we are required to pay a quarterly commitment fee based on the average unfunded portion of the committed amount at a rate based on our ratio of funded debt to EBITDA, as defined, that ranges from 25 to 70 basis points. As of December 31, 2012 the commitment fee was 50 basis points.

#### Covenants

Our Revolving Credit Facility contains a number of affirmative and negative covenants, including limitations on the incurrence of additional indebtedness, liens, asset sales, distributions, mergers, consolidations, investments, transactions with affiliates, negative pledges, compliance with certain material documents, acquisitions, change of control, ERISA events, perfection and priority of collateral, solvency, and matters related to helicopters (including covenants related to registration and de-registration events, purchase of additional helicopters, visitation rights and maintenance and repair, and loss, destruction or requisition). Generally, dividends on our common stock may be declared and paid quarterly provided we are in compliance with the various covenants of our Revolving Credit Facility. In addition, the dividend amount in the case of our common stock, may not exceed 20% of our net income for the previous four consecutive quarters.

Our Revolving Credit Facility requires us to maintain certain financial ratios, including a minimum interest coverage ratio of 3.0 to 1.0; maximum RC Leverage Ratio of 5.0 to 1.0 (increased from 4.0 to 1.0 as a result of the issuance of the Outstanding Notes); a maximum funded debt to the value of all owned helicopters ratio of 60%; a minimum of the aggregate value of mortgaged helicopters, accounts receivable and inventory to funded debt of 120%; and a minimum of the aggregate value of U.S. registered helicopters of 60% of the aggregate value of all mortgaged helicopters. We are also required to maintain a maximum secured debt to EBITDA ratio of 2.5 to 1.0 (decreased from 3.0 to 1.0 as of December 31, 2012).

#### Events of Default

The Revolving Credit Facility contains events of default including: nonpayment of principal, interest or other amounts when due; inaccuracy in any material respect of the representations and warranties made by us or the guarantors; defaults in the performance of specified covenants; cross-defaults with certain other indebtedness; certain judgments are made or ordered; the occurrence of certain bankruptcy or insolvency events; and the occurrence of a Change of Control or Material Adverse Change (as defined in the Revolving Credit Agreement).

Generally, upon the occurrence and during the continuance of an event of default under the Revolving Credit Facility, the lenders' obligations to make the facility available ceases and the lenders may, by notice to us, terminate their commitments and declare all loans and other obligations under the facility immediately due and payable. A bankruptcy or insolvency event of default causes all loans under the facility automatically to become due and payable. Following the occurrence of an event of default, the administrative agent for the benefit of the lenders may take possession of and/or sell the collateral securing the borrowing and other obligations of us and the guarantors under the facility.

#### Notes

For a description of the Outstanding Notes and Exchange Notes, see “Description of Exchange Notes.”

Short and Long-Term Liquidity Requirements

We anticipate that we will generate positive cash flows from operations and that these cash flows will be adequate to meet our working capital requirements. During the year ended December 31, 2012, our cash provided by operations was \$13.9 million. To support our capital expenditure program and/or other liquidity requirements, we may use operating cash flow, cash balances or proceeds from sales of assets, issue debt or equity, borrow under our Revolving Credit Facility or any combination thereof.

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Our availability of long-term financing is dependent upon our ability to generate operating profits sufficient to meet our requirements for working capital, capital expenditures and a reasonable return on investment. We believe that earning such operating profits will permit us to maintain our access to favorably priced financing arrangements. Management will continue to closely monitor our liquidity and the credit markets.

#### Off-Balance Sheet Arrangements

On occasion, we and our partners will guarantee certain obligations on behalf of our joint ventures. As of December 31, 2012, we had no such guarantees in place.

#### Contractual Obligations and Commercial Commitments

The following table summarizes our contractual obligations and other commercial commitments and their aggregate maturities as of December 31, 2012 (in thousands):

	Payments Due By Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	After 5 Years
	(in thousands)				
Contractual Obligations:					
Long-term Debt <sup>(1)</sup>	\$446,745	\$20,971	\$65,818	\$82,456	\$277,500
Capital Purchase Obligations <sup>(2)</sup>	134,800	13,840	79,333	41,627	—
Operating Leases <sup>(3)</sup>	20,123	2,538	4,740	3,859	8,986
Purchase Obligations <sup>(4)</sup>	3,775	3,775	—	—	—
Other <sup>(5)</sup>	131	101	30	—	—
	\$605,574	\$41,225	\$149,921	\$127,942	\$286,486

(1) Maturities of our borrowings and interest payments pursuant to such borrowings are based on contractual terms.

Capital purchase obligations represent commitments for the purchase of property and equipment as of December 31, 2012. Such commitments relate to orders we had placed as of December 31, 2012 for 11 new helicopters, consisting of one AW139 medium helicopter, five AW169 light twin helicopters and five AW189

(2) medium helicopters. Of the total unfunded capital commitments commitments, \$128.3 million may be terminated without further liability other than liquidated damages of \$3.3 million in the aggregate. These commitments are not recorded as liabilities on our consolidated balance sheet as of December 31, 2012, as we had not yet received the goods or taken title to the property. The AW139 helicopter was delivered in 2013, and the AW189 helicopters are scheduled to be delivered in 2014 and 2015. Delivery dates for the AW169 helicopters have yet to be determined.

(3) Operating leases primarily include leases of helicopters and other property that have a remaining term in excess of one year.

Purchase obligations primarily include purchase orders for helicopter inventory and maintenance as of

(4) December 31, 2012. These commitments are for goods and services to be acquired in the ordinary course of business and are fulfilled by our vendors within a short period of time.

(5) Other primarily includes deferred compensation arrangements.

#### Quantitative and Qualitative Disclosures about Market Risk

We have entered into and settled positions in Euro-based forward currency exchange contracts designated as fair value hedges for capital purchase commitments. As of December 31, 2012, there were no forward currency exchange contracts designated as fair value hedges as all of the contracts matured or were dedesignated and we settled those contracts with SEACOR. As of December 31, 2012, we had capital purchase commitments of €101.7 million (\$134.4 million). An adverse change of 10% in the underlying foreign currency exchange rate would increase the U.S. Dollar equivalent of the non-hedged purchase commitment by \$13.4 million.

We maintained cash balances of €6.2 million as of December 31, 2012. An adverse change of 10% in the underlying foreign currency exchange rate would reduce net income by \$0.8 million.

We had \$50.0 million of LIBOR-based variable rate borrowings under the Revolving Credit Facility as of December 31, 2012. The average borrowing rate under the facility at December 31, 2012 was 2.9%. A 10% increase in LIBOR would result in additional annual interest expense of \$10,000, net of tax.





As of December 31, 2012, excluding debt outstanding under our Revolving Credit Facility, we had \$33.1 million of variable rate debt due in 2015. These instruments bear a variable interest rate that resets every three months and is computed as the three-month LIBOR rate at the date of each reset plus 260 basis points. As of December 31, 2012, the interest rate on these borrowings was 2.91%. A 10% increase in the underlying LIBOR would raise the rate to 2.94%, reflecting a corresponding increase to gross interest expense of \$7,000. In addition, as of December 31, 2012, we had interest rate swap agreements with a notional value of \$31.8 million. These agreements call for us to pay a fixed interest rate ranging from 1.67% to 1.83% and receive interest payments based on LIBOR. As of December 31, 2012, we had a liability of \$1.0 million having marked to market our positions in these interest rate swap agreements.

#### Effects of Inflation

Our operations expose us to the effects of inflation. In the event that inflation becomes a significant factor in the world economy, inflationary pressures could result in increased operating and financing costs

#### Critical Accounting Policies and Estimates

**Use of Estimates.** The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. 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 revenues and expenses during the reporting periods. Such estimates include those related to allowance for doubtful accounts, useful lives of property and equipment, impairments, income tax provisions and certain accrued liabilities. Actual results could differ from those estimates and those differences may be material.

**Revenue Recognition.** We recognize revenue when it is realized or realizable and earned. Revenue is realized or realizable and earned when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price to the buyer is fixed or determinable, and collectability is reasonably assured. Revenue that does not meet these criteria is deferred until the criteria are met.

We charter the majority of our helicopters primarily through master service agreements, subscription agreements, day-to-day charter arrangements and contract-leases. Master service agreements and subscription agreements require incremental payments above a fixed monthly fee based on flight hours flown. These agreements have fixed terms ranging from one month to five years, and generally may be canceled upon 30 days' notice. Day-to-day charter arrangements call for either a combination of a daily fixed fee plus a charge based on hours flown or an hourly rate. Services provided under contract-leases can include only the equipment, or can include the equipment, logistical and maintenance support, insurance and personnel, or a combination thereof. Fixed monthly fee revenues are recognized ratably over the contract term. Usage or hourly based revenues are recognized as hours are flown.

Our air medical services are provided under contracts with hospitals that typically include either a fixed monthly and hourly rate structure or a fee per completed flight. Fixed monthly revenues are recognized ratably over the contract term while per-hour or per-flight based revenues are recognized as hours are flown or flights are completed. Most contracts with hospitals are longer-term, but offer either party the ability to terminate with less than six month's notice. We operate some air medical contracts pursuant to which we collect a fee per flight.

With respect to flightseeing activities, we allocate block space to cruise lines and sell seats directly to customers with revenues recognized as the services are performed. Our FBO sells fuel on an ad-hoc basis and those sales are recognized at the time of fuel delivery.

**Trade Receivables.** Customers are primarily major integrated and independent exploration and production companies, hospitals, international helicopter operators and the U.S. government. Customers are typically granted credit on a short-term basis and related credit risks are considered minimal. We routinely review our trade receivables and make provisions for probable doubtful accounts; however, those provisions are estimates and actual results could differ from those estimates and those differences may be material. Trade receivables are deemed uncollectible and removed from accounts receivable and the allowance for doubtful accounts when collection efforts have been exhausted.

**Derivative Instruments.** We account for derivatives through the use of a fair value concept whereby all of our derivative positions are stated at fair value in the accompanying consolidated balance sheets. Realized and unrealized gains and losses on derivatives not designated as hedges are reported in the accompanying consolidated statements of operations as derivative gains (losses), net. Realized and unrealized gains and losses on derivatives designated as fair value hedges are recognized as a corresponding increase or decrease in the fair value of the underlying hedged item to

the extent they are effective, with any ineffective portion reported in the accompanying consolidated statements of operations as derivative gains (losses), net.

Inventories. Inventories, which consist primarily of spare parts and fuel, are stated at the lower of cost (using the average cost method) or market. We record write-downs, as needed, to adjust the carrying amount of inventories to the lower of cost or market.

Property and Equipment. Equipment, stated at cost, is depreciated using the straight-line method over the estimated useful life of the asset to an estimated salvage value. With respect to helicopters, the estimated useful life is typically based upon a newly built asset being placed into service and represents the point at which it is typically not justifiable for us to continue to operate the asset in the same or similar manner. From time to time, we may acquire older assets that have already exceeded our useful life policy, in which case we depreciate such assets based on our best estimate of remaining useful life.

As of December 31, 2012, the estimated useful life (in years) of the Company's categories of new property and equipment was as follows:

Helicopters (estimated salvage value at 40% of cost)	15
Machinery, equipment and spares	5-7
Buildings and leasehold improvements	10-30
Furniture, fixtures, vehicles and other	3-5

We review the estimated useful lives and salvage values of our fixed assets on an ongoing basis. Effective July 1, 2011, we changed the estimated useful life and salvage value for helicopters from 12 to 15 years and 30% to 40%, respectively, due to improvements in new helicopter models that continue to increase their long-term value and make them viable for operation over a longer period of time. For the year ended December 31, 2011, the change in estimate increased operating income by \$7.6 million, net income by \$4.9 million and basic and diluted earnings per share by \$0.48. For the year ended December 31, 2012, the change in estimate increased operating income by \$18.0 million, net income by \$11.7 million and basic and diluted earnings per share by \$0.48.

Equipment maintenance and repair costs and the costs of routine overhauls and inspections performed on helicopter engines and major components are charged to operating expense as incurred. Expenditures that extend the useful life or improve the marketing and commercial characteristics of equipment as well as major renewals or improvements to other properties are capitalized.

We engage a number of third-party vendors to maintain the engines and certain components on some of our helicopter models under programs known as "power-by-hour" maintenance contracts. These programs require us to pay for the maintenance service ratably over the contract period, typically based on actual flight hours. Power-by-hour providers generally bill monthly based on hours flown in the prior month, the costs being expensed in the period in which flight hours are flown. In the event we place a helicopter in a program after a maintenance period has begun, it may be necessary to pay an initial buy-in charge based on hours flown since the previous maintenance event. The buy-in charge is normally recorded as a pre-paid expense and amortized as an operating expense over the remaining power-by-hour contract period. If a helicopter is sold or otherwise removed from a program before the scheduled maintenance work is carried out, we may be able to recover part of our payments to the power-by-hour provider, in which case we record a reduction to operating expense when we receive the refund.

We also incur repairs and maintenance expense through vendor arrangements whereby we obtain repair quotes and authorize service through a repair order process. Under these arrangements, we record the repairs and maintenance cost as the work is completed. As a result, the timing of repairs and maintenance may result in operating expenses varying substantially when compared with a prior year or prior quarter if a disproportionate number of repairs, refurbishments or overhauls for components not covered under power-by-hour arrangements are performed during a period.

Certain interest costs incurred during the construction of equipment are capitalized as part of the assets' carrying values and are amortized over such assets' estimated useful lives.

Impairment of Long-Lived Assets. We perform an impairment analysis on long-lived assets used in operations when indicators of impairment are present. If the carrying value of the assets is not recoverable, as determined by the estimated undiscounted cash flows, the carrying value of the assets is reduced to fair value. Generally, fair value is determined using valuation techniques, such as expected discounted cash flows or appraisals, as appropriate.

Impairment of 50% or Less Owned Companies. We perform regular reviews of each investee's financial condition, the business outlook for its products and services, and its present and projected results and cash flows. When an investee has experienced consistent declines in financial performance or difficulties in raising capital to continue operations, and when we expect the decline to be other-than-temporary, the investment is written down to fair value. Actual

results may vary from estimates due to the uncertainties regarding the projected financial performance of investees, the severity and expected duration of declines in value and the available liquidity in the capital markets to support the continuing operations of the investees in which we have investments.

**Income Taxes.** Our results are included in the consolidated U.S. federal income tax return of SEACOR. SEACOR's policy for allocation of U.S. federal income taxes requires its subsidiaries to compute their provision for U.S. federal income taxes on a separate company basis and settle with SEACOR. Net operating loss benefits are settled with SEACOR on a current

basis and are used in the consolidated U.S. federal income tax return to offset taxable profits of other affiliates. For all periods presented, the total provision for income taxes included in the consolidated statements of operations would remain as currently reported if we were not eligible to be included in the consolidated U.S. federal income tax return of SEACOR. Deferred income tax assets and liabilities have been provided in recognition of the income tax effect attributable to the book and tax basis differences of assets and liabilities reported in the accompanying consolidated financial statements. Deferred tax assets or liabilities are provided using the enacted tax rates expected to apply to taxable income in the periods in which they are expected to be settled or realized. Interest and penalties relating to uncertain tax positions are recognized in interest expense and administrative and general, respectively, in the accompanying consolidated statements of operations. We record a valuation allowance to reduce our deferred tax assets if it is more likely than not that some portion or all of the deferred tax assets will not be realized.

## BUSINESS

### General

We are one of the largest helicopter operators in the world and the longest serving helicopter transport operator in the U.S., which is our primary area of operations. In the year ended December 31, 2012, approximately 56% and 15% of our total operating revenues were earned in the U.S. Gulf of Mexico and Alaska, respectively. We also provide helicopters and related services to third-party helicopter operators in other countries. In addition to our U.S. customers, we currently have customers in Brazil, Canada, India, Indonesia, Mexico, Norway, Spain, Sweden, the United Kingdom and Uruguay. Our helicopters are primarily used to transport personnel to, from and between offshore installations, drilling rigs and platforms.

The primary users of our helicopter services are major integrated and independent oil and gas companies, including Anadarko, Shell and Petrobras America and the U.S. government. In the years ended December 31, 2012 and 2011, approximately 64% and 54% of our operating revenues, respectively, were derived from helicopter services, including emergency search and rescue services, provided to clients primarily involved in oil and gas activities. In addition to serving the oil and gas industry, we provide helicopters under contract-lease, air medical services, firefighting support and Alaska flightseeing tours, among other activities. Historically, our operations have primarily served the U.S. offshore oil and gas industry. We have initiated efforts to reduce our dependence on that market and take advantage of the mobility and versatility of our helicopters in order to expand into other geographic regions.

In recent years, we have developed helicopter contract-leasing opportunities to enter developing international markets. We contract-lease to third parties and foreign affiliates. We typically own a 50% interest in the foreign affiliates and their financial results are not consolidated with our financial results. These third parties and affiliates in turn provide helicopter services to clients in their local markets. Under our contract-lease arrangements, operational responsibility is normally assumed by the lessee, which results in lower investment costs for overseas infrastructure. In certain countries, where we believe it is beneficial to access the local market for offshore helicopter support, such as Brazil, we have entered into joint venture relationships.

In Alaska we operate an FBO at Ted Stevens Anchorage International Airport, leasing storage space and selling fuel and other services to a diverse group of general aviation companies and large corporations. In addition, we operate light and medium helicopters on the North Slope and around Prudhoe Bay in support of oil and gas exploration, development and production activities and inland in support of firefighting activities. We also operate light helicopters in a flightseeing operation, primarily in support of the cruise line industry providing passengers with glacier and dog-sled tours from Juneau and Denali.

We provide a number of additional services through joint ventures that complement our core chartering and contract-leasing activities. We hold a 50% interest in our Dart joint venture, which is a sales and manufacturing organization based in Canada that engineers and manufactures after-market helicopter parts and accessories for sale to helicopter manufacturers and operators and distributes parts and accessories on behalf of other manufacturers. We also hold a 50% interest in Era Training, a joint venture based in Lake Charles, Louisiana, that provides instruction, flight simulator and other training to our employees, pilots working for third parties, other helicopter companies, including our competitors, and government agencies.

### Competitive Strengths

We believe the following are our key competitive strengths:

**Blended operating and contract-leasing business model**—We believe, based on our industry experience and understanding of the business models of our competitors, the combination of operating helicopters and contract leasing helicopters to other operators is a distinctive business model in the helicopter services industry. We believe our operating business in the U.S. provides a critical competitive benefit when offering helicopters to operators outside the U.S. because our U.S. operations are able to serve as a support center for non-U.S. clients. Our contract-leasing activities, which accounted for approximately 22% and 28% of our revenues in the years ended December 31, 2012 and 2011, respectively, enable us to reach new geographic markets, achieve more stable cash flow, create diverse uses for our helicopters and help maintain higher utilization than would otherwise be feasible. In addition, we can penetrate these markets without the cost associated with setting up a full service, proprietary operation. Unlike financial leasing entities, we can work with clients that need helicopters for relatively short-term

contracts. We also offer operational support,

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training, maintenance and access to our inventory of spare parts. We believe this blended business model allows for a more efficient deployment of our capital resources.

**Our diverse and modern fleet**—We have one of the largest U.S.-based helicopter fleets and one of the largest fleets of helicopters operating on a global basis. We own or lease 12 different models of helicopters, including heavy, medium, light twin engine and light single engine helicopters. As of December 31, 2012, we had placed orders for 11 new helicopters. We believe our size allows us to purchase helicopters and spare parts on attractive terms. Since 2004, we have invested over \$900.0 million to purchase over 120 helicopters and have sold or otherwise divested 80

helicopters, allowing us to upgrade our fleet's capabilities and reduce the average age of our owned fleet to 11 years.

**Asset ownership model**—We generally prefer to own, rather than lease, our helicopters to take advantage of attractive return potential provided by the significant level of value retention maintained by helicopters. As of December 31, 2012, we owned 175 helicopters, either directly or via joint venture, representing 93% of our total fleet. Helicopter components are replaced on a regular basis after a certain number of flight hours, meaning that we are regularly installing new components to maintain our fleet. Helicopters have extended useful lives with various uses across multiple end markets, and generally retain a significant amount of their value over their useful lives. Since SEACOR's acquisition of Era Aviation, Inc. in 2004, we have sold over 70 helicopters for aggregate sale proceeds that exceeded original acquisition costs by over \$25.0 million and for an aggregate gain of more than \$50.0 million over book value at the time of sale. In contrast, a number of our key competitors lease, rather than own, a significant portion of their helicopters, and we believe our competitors are increasingly utilizing this leasing strategy.

**Long-term customer relationships**—We have strong, longstanding relationships with many of our key oil and gas industry customers and international clients, such as Anadarko, Shell and Petrobras America. We also have a long-term relationship with the BSEE, a division of the U.S. Department of the Interior, which accounted for 9.4% and 7.2% of revenues during the years ended December 31, 2012 and 2011, respectively. Effective February 2012, we entered into a new contract with BSEE with an initial term of five years that is subject to annual renewal. We believe that our level of service, our technologically advanced fleet and our focus on safety have helped us establish and maintain our long-term customer relationships. As a result of these relationships, we believe that we are able to compete effectively for new business from our customers as they grow and expand their helicopter services needs.

**High quality workforce**—We have a highly skilled workforce. Our pilots average over 6,800 hours of flight experience, and a significant number of them are qualified to operate more than one type of helicopter. Our mechanics average over 16 years of experience and receive ongoing training from both helicopter manufacturers and our in-house team of professional instructors.

**Strong, experienced leadership team**—Our senior management team has a broad range of domestic and international experience in the aviation industry. We believe this team has a proven track record of managing assets through market cycles and identifying, acquiring and integrating assets while maintaining efficient operations. Our management team has also been successful in maintaining strong relationships with our customers

#### Our Strategy

Our goal is to be a leading, cost effective global provider of helicopter transport and related services. The following are potential opportunities which we regularly review:

**Expand into new and growing geographic markets**—We believe there are significant opportunities in offshore oil and gas markets outside of the U.S., and we continually seek to access these growth markets. In July 2011, we acquired an interest in Aeróleo, a Brazilian company servicing the Brazilian offshore oil and gas industry and to which we contract-lease helicopters and provide support services. We also have working relationships with operators in Africa, Asia and Australia. We believe that several of these markets are underserved by larger multinational helicopter operators and, as a result, provide us with opportunities for growth.

**Further develop contract-leasing opportunities**—We believe contract-leasing helps to provide a source of revenues and cash flow and access to emerging, international oil and gas markets. We believe customers look to us for helicopter contract-leasing because of our modern, efficient fleet, with a selection of helicopter models to meet their needs. We intend to continue to develop and grow our participation in international markets, where the fundamentals for helicopter demand are favorable, particularly to service offshore deepwater installations and new areas of exploration. We believe that the market for contract-leasing will continue to grow as smaller operators in developing areas prefer



the limited financial commitments of contracting equipment over purchasing, which has become increasingly difficult for them given the reduction in capital made available from financial institutions to these smaller operators. Under certain circumstances, we may elect to establish our own operations or acquire operating certificates if we believe there is sufficient opportunity in a market to warrant the cost and effort of us offering and overseeing a full-service operation.

Continue to expand and upgrade our versatile fleet—We regularly review our asset portfolio by assessing market conditions and changes in our customers' demand for different helicopter models. We buy, sell and lease out equipment in the ordinary course of our business. As offshore oil and gas drilling and production move to deeper water in most parts of the world, we believe more heavy and medium helicopters may be required in the future. We believe our strong relationships with the OEM's will help us maintain an asset base suitable for use within our own operations and for contract-leasing to other operators. In addition, we intend to continue to pursue opportunities to realize value from our fleet's versatility by shifting assets between markets when circumstances warrant.

Continue to selectively diversify sources of earnings and cash flow—Where attractive opportunities exist, we seek to diversify into related markets. One of our joint ventures, Dart, engineers and manufactures after-market helicopter parts and accessories for sale to helicopter manufacturers and operators and distributes parts and accessories on behalf of other manufacturers. Another joint venture, Era Training, provides instruction, flight simulator and other training to our employees, pilots working for other helicopter operators, including our competitors, and government agencies.

Pursue joint ventures and strategic acquisitions—Over the last few years, in addition to expanding and diversifying our fleet, we have grown our business and entered new markets through joint ventures. Since 2004, we have entered into six joint ventures and partnering arrangements, including Aeróleo, Dart, Era Do Brazil LLC, Era Training, Heli-Union Era Australia Pty Ltd. and Lake Palma. We regularly seek to identify potential joint venture opportunities, as well as pursue strategic acquisitions when available. For instance, in 2007, we acquired the air medical services operations of Keystone Helicopter Corporation, which we successfully integrated into our operations.

We will continue to build upon the expertise, relationships and buying power in our operating businesses to develop other business opportunities and sources of revenue.

#### Equipment and Services

We own and operate three classes of helicopters:

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