GULFSTREAM INTERNATIONAL GROUP INC
Form S-1/A
December 13, 2007

As filed with the Securities and Exchange Commission on December 13, 2007
Registration No. 333-144363

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 9
to
Form S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933
Gulfstream International Group, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**4512**	**20-3973956**
(State or other jurisdiction of Incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification No.)*

3201 Griffin Road, 4th Floor
Fort Lauderdale, Florida 33312
(954) 985-1500
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

David F. Hackett
Chief Executive Officer
Gulfstream International Group, Inc.
3201 Griffin Road, 4th Floor
Fort Lauderdale, Florida 33312
(954) 985-1500
(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o

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

If this Form is a post-effective amendment filed pursuant to Rule 462(c) 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. o

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. o

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant 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 of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Amount to be Registered**	**Proposed Maximum Offering Price per Unit**	**Proposed Maximum Aggregate Offering Price(1)(2)**	**Amount of Registration Fee(3)**
Common stock, par value $0.01	920,000	$10.00	$9,200,000	$282.44

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933.

(2) Includes shares that may be purchased by the underwriters to cover over-allotments, if any.

(3) The Registrant previously paid a registration fee of $458.97.

Subject to Completion, dated December 13, 2007.

800,000 Shares

Common Stock

This is an initial public offering of shares of common stock of Gulfstream International Group, Inc. All of the shares of common stock are being sold by the Company.

Prior to this offering, there has been no public market for our common stock. It is currently estimated that the initial public offering price per share will be between $8.00 and $10.00. Our common stock has been approved for listing on the American Stock Exchange under the symbol GIA .

See Risk Factors on page 8 to read about factors you should consider before buying shares of the common stock.

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

	Per Share	**Total**
Initial public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to Gulfstream	$	$

To the extent that the underwriters sell more than 800,000 shares of common stock, the underwriters have a 30-day option to purchase up to an additional 120,000 shares from the Company at the initial public offering price less the underwriting discount.

The underwriters are offering the shares on a firm commitment basis and expect to deliver the shares against payment in New York, New York on , 2007.

Taglich Brothers, Inc.

Prospectus dated , 2007.

You should rely only on the information contained in this prospectus or to which we have referred you. We have not, and the underwriters have not, authorized anyone else to provide you with different or additional information. This prospectus may only be used where it is legal to sell these securities. This prospectus is not an offer to sell or a solicitation of an offer to buy securities in any circumstances in which the offer or solicitation is unlawful. The information in this prospectus may only be accurate on the date of this prospectus and is subject to change after such date.

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Through and including , 2007 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer s obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and does not contain all of the information you should consider before buying shares in this offering. You should read the entire prospectus carefully, including the sections entitled Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and the related notes included elsewhere in this prospectus, before making an investment decision. Unless indicated otherwise, the information contained in this prospectus: (i) assumes an offering price of $9.00 per share, which is the midpoint of the expected offering price range; (ii) reflects a 2-for-1 stock split of our common stock effected in May 2007; (iii) does not reflect any exercise of outstanding common stock warrants into shares of our common stock, which is described under Description of Capital Stock Warrants ; (iv) does not reflect any exercise of common stock warrants issuable to designees of the underwriters in connection with this offering which is described under Description of Capital Stock Underwriters Warrants ; and (v) assumes that the underwriters do not exercise their over-allotment option to purchase up to 120,000 additional shares in the offering.

Gulfstream International Group, Inc.

We are a holding company that operates two independent subsidiaries: Gulfstream International Airlines, Inc. (Gulfstream) and Gulfstream Training Academy, Inc. (the Academy).

Gulfstream is a Fort Lauderdale, Florida-based commercial airline currently operating more than 200 scheduled flights per day, serving eleven destinations in Florida and ten destinations in the Bahamas. Our fleet consists of 27 Beechcraft 1900D, 19-seat, turbo-prop aircraft (B1900Ds) and eight Embraer Brasilia EMB-120, 30-seat, turbo-prop aircraft (EMB-120s). We operate under a number of cooperative marketing relationships with major airlines through agreements known as code share agreements. Our primary agreement is with Continental Airlines (Continental). We are also party to code share agreements with United Airlines (United), Northwest Airlines (Northwest) and Copa Airlines of Panama. In addition to the daily scheduled flights, Gulfstream also offers frequent charter flights within our geographic operating region, including flights to Cuba.

The Academy provides flight training services to licensed commercial pilots. The Academy s principal program is our First Officer Program, which allows participants to receive a Second-In-Command type rating in approximately four months. Having a Second-In-Command type rating allows pilots to fly as first officers on commercial flights. Following receipt of this rating, pilots typically spend up to 250 hours flying as a first officer at Gulfstream. By attending the Academy, pilots are able to enhance their ability to secure a permanent position with a commercial airline. The Academy s graduates are typically hired by various regional airlines, including Gulfstream. In 2006, 78 students entered the First Officer Program.

Our business started with the formation of Gulfstream in 1988. Gulfstream began as an airline offering on-demand charter service. In 1990, Gulfstream initiated scheduled commercial service by offering flights from Miami to several locations in the Bahamas. Following the introduction of turbo-prop air service in 1994, Gulfstream signed several code share agreements with major carriers, including one with Continental, which is our principal alliance partner.

In December 2005, the Company was formed by a group of investors to acquire Gulfstream and the Academy. In March 2006, we acquired approximately 89% of G-Air Holding, Inc. (G-Air), which owned approximately 95% of Gulfstream at that time, and 100% of the Academy, which held the remaining 5% of Gulfstream. We subsequently acquired the remaining shares of G-Air. Prior to our acquisition of Gulfstream, Continental Airlines assisted Gulfstream from time to time with financial transactions and aircraft acquisitions, and today holds a warrant to purchase 10% of Gulfstream s outstanding shares.

For our fiscal year ended December 31, 2006, our pro forma revenue and net income were $105.1 million and $1.0 million, respectively. Airline passenger revenue accounted for approximately 94% of our revenue for this period. For the nine months ended September 30, 2007, our pro forma revenue and net income were $86.7 million and $1.9 million, respectively. Pro forma revenue and net income for the nine month period ended September 30, 2007 are not indicative of our full-year operations because our full-year operations are impacted by seasonality fluctuations. Our strongest seasonal period is from February to June. Revenue and net income amounts for 2006 are derived from our pro forma financial data as set forth in Unaudited Pro Forma Financial Statements.

Our Competitive Strengths

We attribute our success to the following competitive strengths:

Long-standing code share agreements with multiple major airlines. Gulfstream has long-standing code share agreements with Continental, United and Northwest. We believe that utilizing such agreements enhances our ability to generate revenue from both local and connecting traffic. We also believe that through our alliances, we are able to control costs by contracting for reservations, ground handling and other services at lower costs.

Well positioned in the Bahamas market. We are a leading carrier to the Bahamas and serve more destinations in the Bahamas than any other U.S. airline. We believe that our focus on the Bahamian market allows us to identify new market opportunities and develop those opportunities more efficiently than new market entrants.

Diverse route network and utilization of small aircraft. We have connecting hubs in several key Florida cities, which enable us to establish multiple flight crew and maintenance bases that reduce costs and enhance reliability. In addition, our mix of 19-seat and 30-seat aircraft and mix of business and leisure passengers enhances our ability to align aircraft capacity with market demand, while maintaining our ability to provide competitive flight frequencies.

We offer reliable, quality service. We are consistently among the highest-ranked regional airlines in the U.S. in terms of reliability and have received the FAA s highest level of recognition for maintenance training, the Diamond Award, for seven consecutive years.

The Academy has a unique first officer program. We believe the Academy has established a strong reputation for quality instruction. In addition, the Academy provides Gulfstream with a reliable and cost-effective source of first officers and pilots.

Our Strategy

Our business strategy is to utilize small-capacity aircraft to target markets that are unserved or underserved by competing airlines. Small capacity aircraft allow for lower costs per flight, and enable us to operate profitably with fewer passengers per flight than airlines operating larger equipment.

Utilize turboprop aircraft to selectively expand the number of markets we serve. We use 19- and 30-passenger turboprop aircraft that have substantially lower acquisition costs and operating costs and offer greater operational flexibility than other types of commercial aircraft. We intend to profitably grow our route system by adding unserved or underserved short haul city pairs with low passenger volume utilizing this type of aircraft. We are actively seeking opportunities to grow by adding new routes, aircraft, alliance partners, or by acquiring other regional airlines. These opportunities will likely include operating in areas away from our current Florida base.

Use of code share agreements. By having code share agreements with multiple major airlines and other airlines, we are able to increase our revenue per flight by accessing several sources of connecting passengers relative to what would be available within a single code share partnership arrangement. Our code share agreements also provide the opportunity to contract for services at lower costs, as well as to gain access to airport and other facilities, relative to what we would be able to do independently.

Increase enrollment at the Academy. We seek to increase enrollment at the Academy through implementation of various marketing initiatives, including increasing cooperation with other regional airlines and primary flight training centers, developing closer integration with accredited higher education institutions offering two- and four-year degrees and offering training services to other regional airlines operating similar aircraft types.

We face risks in operating our business, including risks that may prevent us from achieving our business objectives or that may adversely affect our business, financial condition and operating results. You should consider these risks before investing in our company. Risks relating to our business include:

- we may not be able to compete successfully in the highly competitive airline industry, which is characterized by low profit margins and high fixed costs,
- we are highly dependent on the Bahamas market and a decrease in demand for air travel to the Bahamas would adversely impact our business,
- we may not be able to maintain our code share relationships with Continental and our other code share partners,
- we rely on B1900D and EMB-120 turboprop aircraft and our operations would be adversely affected if the expense of maintaining or operating either type of aircraft type increased materially or if the FAA grounded either type of aircraft,
- aircraft fuel constitutes approximately 23-24% of our operating expenses and our profits may decline due to an increase in the price of aircraft fuel,
- the loss of key personnel could adversely impact our business, and
- we may not successfully implement our plans to expand our operations beyond the Florida and Bahamas markets.

For a discussion of the significant risks associated with our business, our industry and investing in our common stock, you should read the section entitled Risk Factors beginning on page 8 of this prospectus.

Company Information

We were incorporated in Delaware in December 2005. Our principal executive offices are located at 3201 Griffin Road, Fort Lauderdale, Florida 33312, and our telephone number is (954) 985-1500. Our website address is www.gulfstreamair.com. Information contained on our website is not incorporated by reference into and does not form any part of this prospectus. As used in this prospectus, unless the context requires otherwise, references to the Company and Group refer to Gulfstream International Group, Inc.; references to Gulfstream refer to Gulfstream International Airlines, Inc.; references to the Academy refer to Gulfstream Training Academy, Inc.; references to G-Air refer to G-Air Holdings Corp., Inc., the former parent company of Gulfstream, which was merged into GIA Holdings Corp., Inc. in March 2007; references to GIA refer to GIA Holdings Corp, Inc., the parent company of Gulfstream and references to we , our and us, refer to Gulfstream International Group, Inc. and either or both of Gulfstream or the Academy.

Certain monetary amounts, percentages and other figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated may not be the arithmetic aggregation of the percentages that precede them.

This prospectus may refer to trademarks and trade names of other organizations, including those of our code share partners.

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THE OFFERING

Common stock offered	800,000 Shares
Common stock to be outstanding after the offering	2,839,460 Shares
Use of proceeds	Assuming an initial offering price of $9.00 per share, we estimate that the net proceeds to us from this offering will be approximately $5,124,000, after deducting underwriting discounts and commissions and estimated offering expenses. We expect to use the net proceeds from this offering to fully redeem our 12% subordinated debentures totaling $3,320,000. The remaining proceeds will be used to acquire additional aircraft, to refinance existing aircraft, or for general working capital purposes. See Use of Proceeds on page 21.
Risk factors	See Risk Factors and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock
Dividend policy	We do not anticipate paying any dividends on our common stock in the foreseeable future.
American Stock Exchange Symbol	GIA

The number of shares of our common stock referred to above that will be outstanding immediately after completion of this offering is based on 2,039,460 shares of our common stock outstanding as of September 30, 2007. This number does not include, as of September 30, 2007:

- 46,480 shares of common stock issuable upon the exercise of outstanding warrants, at an exercise price of $5.00 per share;
- 210,324 shares of common stock issuable upon exercise of stock options at an exercise price equal to $5.00 per share;
- up to an additional 139,676 shares of our common stock reserved for issuance under our Stock Incentive Plan; and
- 64,000 shares of common stock issuable upon exercise of the warrants to be issued to designees of the managing underwriter in connection with this offering at an exercise price equal to 120% of the public offering price of this offering.

We have agreed to issue an additional 120,000 shares if the underwriters exercise their over-allotment option in full, which we describe in Underwriting beginning on page 94. If the underwriters exercise this option in full, 2,959,460 shares of common stock will be outstanding after this offering.

SUMMARY HISTORICAL AND PRO FORMA FINANCIAL DATA

The results of operations presented herein for all periods prior to our acquisition of Gulfstream and the Academy are referred to as the results of operations of the predecessor. The results of operations presented herein for all periods subsequent to the acquisition are referred to as the results of operations of the successor. As a result of the acquisition, the results of operations of the predecessor are not comparable to the results of operations of the successor.

The following table sets forth summary financial data for the nine-month periods ended September 30, 2006 and 2007. The summary financial data as of and for the nine-month periods ended September 30, 2006 and 2007 are unaudited. The unaudited pro forma summary data for the nine-month period ended September 30, 2006 is based on the historical financial statements of the Company and our predecessor. The summary financial data as of and for the nine-month periods ended September 30, 2006 and 2007 have been adjusted to give effect to the following transactions:

1. The acquisition of Gulfstream and the Academy, which was closed on March 14, 2006, as if it occurred on January 1, 2006.

2. The sale of 1,640,000 shares of common stock issued as part of the financing for the acquisition, which occurred on March 14, 2006, as if it occurred on January 1, 2006.

3. The Company plans on redeeming the $3.32 million subordinated debentures issued as part of the financing of the acquisition with proceeds from the offering. The issuance of 518,345 shares of common stock needed to redeem the subordinated debentures was given effect as if it occurred on January 1, 2006. The number of shares to be issued gives effect to the underwriting discount and estimated other offering costs (approximately $2.60 per share).

The pro forma adjustments are based upon available information and certain assumptions that we believe are reasonable. The pro forma data does not purport to represent what our results would actually have been had the sale in fact occurred as of January 1, 2006. See Unaudited Pro forma Financial Statements at page P-1 for pro forma adjustments and explanations.

	Predecessor January 1, 2006 to March 14, 2006	Successor March 15, 2006 to September 30, 2006	Pro Forma Nine Months Ended September 30, 2006	Pro Forma Successor Nine Months Ended September 30, 2007	Percent Change 2006 to 2007
	(In thousands, except per share data)				
Revenue					
Airline passenger revenue	$ 20,264	$ 55,871	$ 76,135	$ 81,246	6.7%
Academy, charter and other revenue	1,103	3,329	4,432	5,429	22.5%
Total Revenue	21,367	59,200	80,567	86,675	7.6%
Operating Expenses					
Flight operations	2,462	7,189	9,651	11,020	14.2%

Aircraft fuel	4,203	13,535	17,738	18,933	6.7%
Aircraft rental	1,300	3,381	4,681	4,835	3.3%
Maintenance	3,843	11,846	15,689	17,857	13.8%
Passenger service	4,798	12,102	16,900	17,830	5.5%
Promotion & sales	1,561	4,603	6,164	5,977	(3.0%)
General and administrative	1,011	2,483	3,536	3,987	12.8%
Depreciation and amortization	503	1,880	2,552	2,802	9.8%
Total Operating Expenses	19,681	57,019	76,911	83,241	8.2%
Income (loss) from operations	1,686	2,181	3,656	3,434	(6.1%)
Non-Operating Income and (Expense)					
Interest (expense)	(158)	(713)	(605)	(500)	(17.4%)
Other income (expense)	(5)	185	180	155	(13.9%)
Income before taxes	1,523	1,653	3,231	3,089	(4.4%)
Provision for income taxes	523	577	1,121	1,172	4.5%

	Predecessor January 1, 2006 to March 14, 2006	Successor March 15, 2006 to September 30, 2006	Pro Forma Nine Months Ended September 30, 2006	Pro Forma Successor Nine Months Ended September 30, 2007	Percent Change 2006 to 2007
	(In thousands, except per share data)				
Income before minority interest	1,000	1,076	2,110	1,917	(9.1%)
Minority interest		(11)	(11)		
Net income	$ 1,000	$ 1,065	$ 2,099	$ 1,917	(8.7%)
Net income per share:					
Basic			$ 0.83	$ 0.75	
Diluted			$ 0.76	$ 0.67	
Shares used in calculating net income per share:					
Basic and diluted			2,517,724	2,552,897	

The following table sets forth the predecessor s summary historical data for the years ended December 31, 2004, 2005 and 2006. The unaudited pro forma summary data for the year ended December 31, 2006 is based on the Company s summary financial data from March 15, 2006 to December 31, 2006 and those of our predecessor from January 1, 2006 to March 14, 2006.

The summary financial data as of and for the year ended December 31, 2006 has been adjusted to give effect to the following transactions:

1. The acquisition of Gulfstream and the Academy, which was closed on March 14, 2006, as if it occurred on January 1, 2006.

2. The sale of 1,640,000 shares of common stock issued as part of the financing for the acquisition, which occurred on March 14, 2006, as if it occurred on January 1, 2006.

3. The Company plans on redeeming the $3.32 million subordinated debentures issued as part of the financing of the acquisition with proceeds from the offering. The issuance of 518,345 shares of common stock needed to redeem the subordinated debentures was given effect as if it occurred on January 1, 2006. The number of shares to be issued gives effect to the underwriting discount and estimated other offering costs (approximately $2.60 per share).

The pro forma adjustments are based upon available information and certain assumptions that we believe are reasonable. The pro forma data does not purport to represent what our results would actually have been had the sale in fact occurred as of January 1, 2006. See Unaudited Pro forma Financial Statements at page P-1 for pro forma adjustments and explanations.

Predecessor		Successor
	Period January 1,	Period March 15,

	Year Ended December 31, 2004	Year Ended December 31, 2005	2006 to March 14, 2006	2006 to December 31, 2006	Proforma 2006
	(In thousands, except per share data)				
Revenue					
Airline passenger revenue	$ 66,274	$ 87,983	$ 20,264	$ 78,290	$ 98,554
Academy, charter and other revenue	6,063	4,022	1,103	5,400	6,503
Total Revenue	72,337	92,005	21,367	83,690	105,057
Operating Expenses					
Flight operations	8,881	11,169	2,462	10,727	13,189
Aircraft fuel	11,115	20,544	4,203	19,356	23,559
Acraft rent	6,470	6,827	1,300	4,891	6,191
Maintenance	14,668	17,220	3,843	17,394	21,237
Passenger service	16,597	20,390	4,798	17,373	22,171
Promotion & sales	6,434	7,530	1,561	6,359	7,920

	Predecessor			Successor	
	Year Ended December 31,		Period January 1, 2006 to March 14,	Period March 15, 2006 to December 31,	Proforma
	2004	2005	2006	2006	2006
	(In thousands, except per share data)				
General and administrative	5,656	4,561	1,011	3,763	4,816
Depreciation and amortization	485	2,355	503	2,726	3,398
Total Operating Expenses	70,306	90,596	19,681	82,589	102,481
Income (loss) from operations	2,031	1,409	1,686	1,101	2,576
Non-Operating Income and (Expense)					
Interest expense	(153)	(699)	(158)	(954)	(720)
Other income (expense)	135	220	(5)	180	175
Income before taxes	2,013	930	1,523	327	2,031
Provision for income taxes	170	230	523	137	729
Income before minority interest	1,843	700	1,000	190	1,302
Minority interest				(5)	(5)
Net income	$ 1,843	$ 700	$ 1,000	$ 185	$ 1,297
Net income per share:					
Basic				$ 0.11	$ 0.51
Diluted				$ 0.08	$ 0.47
Shares used in calculating net income per share:					
Basic and diluted				1,680,480	2,524,361

	September 30, 2007	
	Actual	As Adjusted(1)
	(In thousands)	
Cash and cash equivalents	$ 3,268	$ 5,105
Total assets	38,912	40,748
Long-term debt, including current portion	11,721	8,433
Engine return liability, including current portion	3,956	3,956
Total stockholders equity	9,877	15,001

(1)

Adjusted to give effect to this offering and the application of the proceeds assuming net proceeds of approximately $5.1 million, of which approximately $3.3 million is used to fully redeem our 12% subordinated debentures and the remainder is used for general working capital purposes. For further information, see Use of Proceeds on page 21.

RISK FACTORS

An investment in our common stock is risky. You should carefully consider the following risks, as well as the other information contained in this prospectus, before investing. If any of the following risks actually occurs, our business, business prospects, financial condition, cash flow and results of operations could be materially and adversely affected. In this case, the trading price of our common stock could decline, and you might lose part or all of your investment.

Risks Related To Our Industry

The airline industry is unpredictable.

The airline industry has experienced tremendous challenges in recent years and will likely remain volatile for the foreseeable future. Among other factors, the financial challenges faced by major carriers, including Delta Airlines, United Airlines and Northwest Airlines, and increased hostilities in the Middle East and other regions have significantly affected, and are likely to continue to affect, the U.S. airline industry. These conditions have resulted in declines and shifts in passenger demand, increased insurance costs, volatile fuel prices, increased government regulations and tightened credit markets, all of which have affected, and will continue to affect, the operations and financial condition of participants in the industry, including us, major carriers (including our code share partners), competitors and aircraft manufacturers. These industry developments raise substantial risks and uncertainties which will affect us, major carriers (including our code share partners), competitors and aircraft manufacturers in ways that we currently are unable to predict.

The airline industry is subject to the impact of terrorist activities or warnings.

The terrorist attacks of September 11, 2001 and their aftermath negatively impacted the airline industry in general, including our operations. In particular, the primary effects experienced by the airline industry included a substantial loss of passenger traffic and revenue. While airline passenger traffic and revenue have recovered since the terrorist attacks of September 11, 2001, additional terrorist attacks could have a similar or even more pronounced effect. Even if additional terrorist attacks are not launched against the airline industry, there will be lasting consequences of the September 11, 2001 attacks, including increased security and insurance costs, increased concerns about future terrorist attacks, increased government regulation and airport delays due to heightened security. Additional terrorist attacks or warnings of such attacks, and increased hostilities or prolonged military involvement in the Middle East or other regions, could negatively impact the airline industry, and result in decreased passenger traffic and yields, increased flight delays or cancellations associated with new government mandates, as well as increased security, fuel and other costs. There can be no assurance that these events will not harm the airline industry generally or our operations or financial condition in particular.

Our operations may be adversely impacted by increased security measures mandated by regulatory authorities.

Because of significantly higher security and other costs incurred by airports since September 11, 2001, many airports significantly increased their rates and charges to air carriers, including us, and may do so again in the future. On November 19, 2001, the U.S. Congress passed, and the President signed into law, the Aviation and Transportation Security Act, also referred to as the Aviation Security Act. This law federalized substantially all aspects of civil aviation security and created the Transportation Security Administration (TSA) to which the security responsibilities previously held by the Federal Aviation Administration (FAA) were transitioned. The TSA is an agency of the Department of Homeland Security. The Department of Homeland Security and the TSA and other agencies within the Department of Homeland Security have implemented numerous security measures, including the passing of the

Aviation Security Act, that affect airline operations and costs, and are likely to implement additional measures in the future. The Department of Homeland Security has announced greater use of passenger data for evaluating security measures to be taken with respect to individual passengers, expanded use of federal air marshals on flights (thus displacing revenue passengers), investigating a requirement to install aircraft security systems (such as active devices on commercial aircraft as countermeasures against portable surface to air missiles) and expanded cargo and baggage screening. Funding for airline and airport security required under the Aviation Security Act is provided in part by a $2.50 per segment passenger security fee for flights departing from the U.S., subject to a $10 per roundtrip cap; however, airlines are responsible for costs incurred to meet security requirements beyond those provided by the TSA. There is no assurance this fee will not be raised in the future as the TSA s costs exceed the revenue it receives from these fees. Similarly, we could be adversely affected by any implementation of stricter security measures by the Bahamian government. We cannot provide assurance that additional security requirements or security-related fees enacted in the future will not adversely affect us financially.

The airline industry is heavily regulated.

All interstate airlines are subject to regulation by the Department of Transportation (the DOT), the FAA and other governmental agencies. Regulations promulgated by the DOT primarily relate to economic aspects of air service. The FAA requires operating, air worthiness and other certificates; approval of personnel who may engage in flight, maintenance or operation activities; record keeping procedures in accordance with FAA requirements; and FAA approval of flight training and retraining programs. We cannot predict whether we will be able to comply with all present and future laws, rules, regulations and certification requirements or that the cost of continued compliance will not have a material adverse effect on our operations. We incur substantial costs in maintaining our certifications and otherwise complying with the laws, rules and regulations to which we are subject. A decision by the FAA to ground, or require time-consuming inspections of or maintenance on, all or any of our aircraft for any reason may have a material adverse effect on our operations. In addition to state and federal regulation, airports and municipalities enact rules and regulations that affect our operations. From time to time, various airports throughout the country have considered limiting the use of smaller aircraft, such as our aircraft, at such airports. The imposition of any limits on the use of our aircraft at any airport at which we operate could have a material adverse effect on our operations. Because we operate only two types of aircraft and have our operations centered at Fort Lauderdale Airport, we are particularly susceptible to any such limitations.

The FAA may change its method of collecting revenues.

The FAA funds its operations largely through a tax levied on all users of the system based on ticket sales as well as a tax on fuel. As the airline industry changes, the trust fund that provides funding for the FAA s capital accounts and all or some portion of its operations has experienced an increase in its costs without a corresponding rise in its revenue such that in its fiscal 2004, the FAA s costs exceeded its revenues by more than $4 billion. Further, the existing authority for the current FAA taxing system expired on September 30, 2007. As a result, the FAA has discussed eliminating or amending the current tax system and implementing user fees that could cause us to incur potentially significant additional expenses. If the FAA implements a user fee or otherwise increases its tax rate, we may not be able to pass this increased expense on to our customers. Such an expense could have a material adverse impact on our ability to conduct business.

A Senate draft version of the FAA Reauthorization Bill has proposed a $25 per-flight fee be charged on all flights, regardless of aircraft size. The recently passed House version of the Bill does not include such a fee. There can be no assurance that the final version of the Reauthorization Bill would exempt small commercial aircraft such as those operated by Gulfstream from these new charges.

The airline industry is characterized by low profit margins and high fixed costs.

The airline industry is characterized generally by low profit margins and high fixed costs, primarily for personnel, debt service and rent. The expenses of an aircraft flight do not vary significantly with the number of passengers carried and, as a result, a relatively small change in the number of passengers or in pricing could have a disproportionate effect on an airline s operating and financial results. Accordingly, a minor shortfall in our expected revenue levels could harm our business.

The airline industry is highly competitive.

In general, the airline industry is highly competitive. Gulfstream not only competes with other regional airlines, some of which are owned by or operated as code share partners of major airlines, but we also face competition from low cost carriers and network airlines on many of our routes. One of our primary competitors in the Bahamas market, Bahamasair, is owned by the government of the Bahamas and receives substantial subsidies to fund operating losses. The receipt of these subsidies may reduce the airline s requirement to take necessary actions to improve profitability, including raising prices to offset fuel costs. Gulfstream also competes with alternative forms of transportation, such as charter aircraft, automobiles, commercial and private boats and trains.

Barriers to entry in most of Gulfstream s markets are limited, and some of Gulfstream s competitors are larger and have significantly greater financial and other resources. Moreover, federal deregulation of the industry allows competitors to rapidly enter markets and to quickly discount and restructure fares. The airline industry is particularly susceptible to price discounting because airlines incur only nominal costs to provide service to passengers occupying otherwise unsold seats.

Risks Related To Our Business

We will have substantial fixed obligations.

As of September 30, 2007, we had $11.7 million of debt. In addition, we have annual lease payments of approximately $6.7 million per year on our fleet of 27 B1900D aircraft as well as a liability for the return of engines borrowed from the lessor of $4.3 million over the next several years. We believe we have sufficient cash to fund our operations for the next twelve months, excluding our seasonal cash requirements. Our weakest seasonal period typically occurs between August and December each year. In fact, recently, we estimated that if the net proceeds anticipated by this offering were not available to us by approximately November 15, 2007, we would be required to secure additional short-term financing to cover our additional cash requirements during this seasonally weak period. Although this ultimately proved unnecessary, there can be no assurance that our operations will generate sufficient cash flow to service our debt and lease obligations on a longer-term basis. The size of our debt and lease obligations could negatively affect our financial condition, results of operations and the price of our common stock.

We would be adversely affected by the loss of key personnel.

Our success is dependent upon the continued services of our management team. Our executives have substantial experience and expertise in our business and have made significant contributions to our growth and success. The loss of one of our executives or any other key employees (including the senior management team of Gulfstream and the Academy) could adversely affect our business, financial condition or results of operations. We do not maintain key-man life insurance on our management team.

We may experience difficulty finding, training and retaining employees.

Gulfstream and the Academy are labor-intensive businesses. The airline industry has from time to time experienced a shortage of qualified personnel, specifically pilots and maintenance technicians. Should the turnover of employees, particularly pilots and maintenance technicians, sharply increase, the result will be significantly higher training costs than otherwise would be necessary. Recently, it has become increasingly difficult to attract and retain employees in our industry in South Florida. There can be no assurance that Gulfstream or the Academy will be able to recruit, train and retain the qualified employees that we need from time to time. In addition, Gulfstream has been dependent on the Academy as a source of new pilots. Gulfstream s flights are operated by a pilot and a first officer. A substantial portion of the first officers employed by Gulfstream are supplied by the Academy. Should there be a shortage of new pilots from the Academy, Gulfstream would likely incur significantly higher training costs and labor expenses.

Expansion of operations could result in operating losses.

We are actively seeking opportunities to grow by adding new routes, aircraft, alliance partners, or by acquiring other regional airlines. These opportunities will likely include operating in areas away from our current Florida base. A material increase in the scope or scale of our operations could lead to integration difficulties, which could result in short- and/or long-term operating losses.

We will incur significant costs as a result of operating as a public company.

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, as well as the requirements applicable to listing on the American Stock Exchange, have required changes in corporate governance practices of public companies. We expect these regulations and requirements to increase our legal and financial compliance costs and to make some activities more time-consuming and costly. For example, as a result of being a public company, we will be required to create additional board committees. We will incur additional costs associated with our public company reporting requirements. As a public company, we also expect that it will be more expensive for us to obtain director and officer liability insurance and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our board of directors or as executive officers. If we are unable to effectively adjust our cost structure to address a significant increase in our legal, accounting and other expenses, our sales level and profitability could be harmed and our operations could be materially adversely affected.

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud and, as a result, our business could be harmed and current and potential stockholders could lose confidence in us, which could cause our stock price to fall.

We will be performing the system and process evaluation and testing (and any necessary remediation) required to comply with the management certification and auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, which we expect will first apply to us for our fiscal year ending December 31, 2008. As a result, we expect to incur substantial additional expenses and diversion of management s time. We cannot be certain as to the timing of completion of our evaluation, testing and remediation actions or their effect on our operations since there is presently no precedent available by which to measure compliance adequacy. If we are not able to implement the requirements of Section 404 in a timely manner or with adequate compliance, we may not be able to accurately report our financial results or prevent fraud and might be subject to sanctions or investigation by regulatory authorities such as the SEC or the American Stock Exchange. Any such action could harm our business or investors confidence in us, and could cause our stock price to fall.

Risks Related To Gulfstream

Gulfstream is dependent on our code share relationships.

Gulfstream depends on relationships created by code share agreements with Continental, United and Northwest for a significant portion of our revenues. Currently, passengers that have connected from Continental, United and Northwest account for approximately 22%, 8% and 7% of our passenger revenue, respectively. Additionally, virtually all of our local, or non-connecting, traffic is booked through Continental s reservation system. Any material modification to, or termination of, our code share agreements with any of these partners could have a material adverse effect on our financial condition and the results of operations. Each of the code share agreements contains a number of grounds for termination by our partners, including failure to meet specified performance levels. Further, these agreements limit our ability to enter into code share agreements with other airlines.

Gulfstream s code share partners may expand their direct operation of regional jets, thus limiting the expansion of our relationships with them. A decision by any of Gulfstream s code share partners to phase out Gulfstream s contract-based code share relationships or enter into similar agreements with one or more of

Gulfstream s competitors could have a material adverse effect on Gulfstream s business, financial condition or results of operations.

Also, our code share partners may be restricted in increasing the level of business that they conduct with Gulfstream, thereby limiting our growth. Union scope clauses at major airlines may limit or prohibit certain types of code share operations, including those by Gulfstream.

Gulfstream is dependent on the financial strength of our code share partners.

Gulfstream is directly affected by the financial and operating strength of its code share partners. In the event of a decrease in the financial or operational strength of any of the code share partners, such partner may be unable to make the payments due to Gulfstream under the code share agreement. It is possible that if any of the code share partners file for bankruptcy, Gulfstream s code share agreement with such partner may not be assumed in bankruptcy and could be modified or terminated. Two of our code share partners, United Airlines and Northwest Airlines, have recently emerged from Chapter 11 reorganization.

We operate our code share relationships as revenue-sharing arrangements.

Under the revenue sharing, or pro rate, arrangements that we have in place with our code share partners, we bear substantially all costs associated with our flights. Because we are responsible for such costs, factors such as rising fuel costs, increases in operating expenses and decreases in ticket prices or passenger loads could cause our profits to decrease and could have a material adverse effect on our financial condition or results of operations.

The availability of additional and/or replacement code share partners is limited and airline strategic consolidations could have an impact on operations in ways yet to be determined.

The airline industry has undergone substantial consolidation, and it may in the future undergo additional consolidation. Other developments include domestic and international code share alliances between major carriers, such as the SkyTeam Alliance, that includes Delta Airlines, Continental and Northwest, among others. Any additional consolidation or significant alliance activity within the airline industry could limit the number of potential partners with whom Gulfstream could enter into code share relationships and materially adversely affect our relationship with our current code share partners.

There is no assurance that our relationship with our code share partners would survive in the event that any such code share partner merges with another airline.

Similarly, the bankruptcy or reorganization of one or more of our competitors may result in rapid changes to the identity of our competitors in particular markets, a substantial reduction in the operating costs of our competitors or the entry of new competitors into some or all of the markets we serve. We are unable to predict exactly what effect, if any, changes in the strategic landscape might have on our business, financial condition and results of operations.

There are constraints on our ability to establish new operations to provide airline service to major airlines other than our code share partners.

Our code share agreement with Continental requires that we seek their consent prior to establishing new code share agreements, subject to limited exceptions, as well as prior to acquiring another regional carrier. In the absence of such consent, we would have to establish a new operating subsidiary, separate from Gulfstream, which would require a substantial expenditure of management time and Company resources.

Additionally, pursuant to our code share agreement with Northwest, we may only provide airline service to other major airlines using aircraft certificated as having (1) less than 60 seats and (2) a maximum gross takeoff weight of less than 70,000 pounds (or such greater seat or weight limits as may be established under Northwest s collective bargaining agreement with its pilots).

Fluctuations in fuel costs could adversely affect our operating expenses and results.

Aircraft fuel constitutes a significant portion of our total operating expenses (approximately 23% for the year ended December 31, 2005 and approximately 24% for the year ended December 31, 2006). The price of aircraft fuel is unpredictable and has increased significantly in recent periods based on events outside of our control, including geopolitical developments, regional production patterns and environmental concerns. Because of the effect of these events on the price and availability of aircraft fuel, the cost and future availability of fuel cannot be predicted with any degree of certainty. We cannot assure you increases in the price of fuel can be offset by higher revenue. We carry limited fuel inventory and we rely heavily on our fuel suppliers. We cannot assure you we will always have access to adequate supplies of fuel in the event of shortages or other disruptions in the fuel supply. Price escalations or reductions in the supply of aircraft fuel will increase our operating expenses and could cause our operating results and net income to decline. Additionally, price escalations or reductions in the supply of aircraft fuel could result in the curtailment of our service. Some of our competitors may be better positioned to obtain fuel in the event of a shortage.

Our business is subject to substantial seasonal and cyclical volatility.

Gulfstream s business is subject to substantial seasonality, primarily due to leisure and holiday travel patterns, particularly in the Bahamas. We experience the strongest demand from February to July, and the weakest demand from August to October, during which period we typically suffer operating losses. As a result, our operating results for a quarterly period are not necessarily indicative of operating results for an entire year, and historical operating results are not necessarily indicative of future operating results. Our results of operations generally reflect this seasonality. Our operating results are also impacted by numerous other cycles and factors that are not necessarily seasonal. These factors include the extent and nature of fare changes and competition from other airlines, changing levels of operations, national and international events, fuel prices and general economic conditions, including inflation. Because a substantial portion of both personal and business airline travel is discretionary, the industry tends to experience adverse financial results in general economic downturns.

Any inability to acquire and maintain additional compatible aircraft or engines would increase our operating costs and could harm our profitability.

Our fleet currently consists of B1900D turboprop aircraft and EMB-120 turboprop aircraft, each equipped with two engines. Although our management believes there is an adequate supply of such aircraft and engines available at reasonable prices and terms to meet our current needs, we are unable to predict how long these conditions will continue. Any increase in demand for these aircraft or engines could restrict our ability to obtain additional aircraft, engines and spare parts. Because neither of the aircraft we operate are in active production, we may be unable to obtain additional suitable aircraft, engines or spare parts on satisfactory terms or at the time needed for our operations or for the implementation of our growth plan. Further, as fuel costs increase or remain at elevated levels, the demand for highly fuel-efficient turboprop aircraft may also increase. This increase in demand could cause a shortage in the supply of reasonably priced turboprop aircraft. Such a decrease could adversely affect our ability to expand our fleet or to replace outdated aircraft, which in turn could hinder our growth or reduce our revenues.

Maintenance expenses for Gulfstream s fleet could increase.

Gulfstream s fleet consists of aircraft that were delivered from 1990 to 1996. As the age of our aircraft increases, additional resources may be required to sustain their reliablility levels. There can be no assurance that such additional resources will not be material.

Any inability to extend the lease terms of our existing aircraft or obtain financing for additional aircraft could adversely affect our operations.

We finance our aircraft through either operating lease financing or secured debt. Most of our existing fleet of B1900Ds are leased from the manufacturer pursuant to a lease agreement that expires in 2010. We have the option to extend the leases for up to 15 aircraft from six to 24 months after the expiration period; however, there can be no assurance that this lease agreement can be extended further on reasonable terms. If we are unable to extend these leases, we also have the option to purchase up to 21 of these aircraft; however, we may not be able to secure financing on acceptable terms, if at all. Further, neither the B1900D nor the EMB-120 is currently produced by their manufacturers and there is currently a limited supply of these aircraft. If we are unable to obtain replacement aircraft on economically reasonable terms, our business could be materially adversely affected.

The airline industry has been subject to a number of strikes which could adversely affect our business.

The airline industry has been negatively impacted by a number of labor strikes. Any new collective bargaining agreement entered into by other regional carriers may result in higher industry wages and add increased pressure on Gulfstream to increase the wages and benefits of our employees. Furthermore, since each of Gulfstream s code share partners is a significant source of revenue, any labor disruption or labor strike by the employees of any one of Gulfstream s code share partners could have a material adverse effect on our financial condition or results of operations.

Competitors or new market entrants may introduce smaller aircraft or direct hub flights, which could reduce our competitive advantage.

We operate relatively small aircraft on short flight routes, which enables us to maintain a low cost structure, giving us a competitive advantage over other airlines. If new market entrants or existing competitors were to introduce smaller aircraft into the marketplace, their costs may be lower than ours, allowing them to gain a competitive advantage. In addition, competitors could introduce new direct flights from their hubs to our key cities which could reduce the competiveness of our Florida connecting points.

Several aircraft manufacturers have developed a new line of very light jets, commonly referred to as VLJ s, which cost substantially less than existing corporate aircraft. New companies, including DayJet Corporation, which is also based in South Florida, have ordered hundreds of VLJ s with the goal of developing a new industry segment of air taxis that offer services at a low cost to passengers. DayJet has announced that it will be targeting many of the cities served by Gulfstream. If DayJet launches this air taxi segment, or if others implement similar business models, Gulfstream could experience a loss of passengers and a resulting decline in revenues. Gulfstream could also be forced to lower prices to compete with DayJet and others and could suffer economic losses as a result.

Gulfstream flies and depends upon only two aircraft types, and would be adversely affected if the FAA were to ground either of our fleets.

Gulfstream s fleet consists of 27 B1900D turboprop aircraft and eight EMB-120 turboprop aircraft. The FAA requires operating, air worthiness and other certificates; approval of personnel who may engage in flight, maintenance or operation activities; record keeping procedures in accordance with FAA requirements; and FAA approval of flight training and retraining programs. We cannot predict whether we will be able to comply with all present and future laws, rules, regulations and certification requirements or that the cost of continued compliance will not have a material adverse effect on our operations. We incur substantial costs in maintaining our current certifications and otherwise complying with the laws, rules and regulations to which we are subject. A decision by the FAA to ground or require additional time-consuming inspections of or maintenance on either the B1900D or EMB-120 or any of our aircraft for any reason may have a material adverse effect on the operations of Gulfstream.

Gulfstream is at risk of losses and adverse publicity stemming from any accident involving our aircraft.

While Gulfstream has never had a fatal crash over our history, it is possible that one or more of our aircraft may crash or be involved in an accident in the future, causing death or injury to individual air travelers and our employees and destroying the aircraft. An accident or incident involving one of Gulfstream s aircraft could involve significant potential claims of injured passengers and others, as well as repair or replacement of a damaged aircraft and our consequential temporary or permanent loss of service. In the event of an accident, our liability insurance may not be adequate to offset the exposure to potential claims and we may be forced to bear substantial losses from the accident. Substantial claims resulting from an accident in excess of related insurance coverage would harm our operational and financial results. Moreover, any aircraft accident or incident, even if fully insured, could cause a public perception that Gulfstream s operations are less safe or reliable than other airlines, which could result in a material reduction in passenger revenues.

If Gulfstream is forced to relocate our Fort Lauderdale maintenance base, we may not be able to operate as successfully.

The lease for Gulfstream s principal maintenance facility, located at Hollywood-Fort Lauderdale International Airport, expires at the end of May 2008, but may be extended by Broward County for periods of one year each, not to exceed a total of two years. Broward County is considering an improvement to the Hollywood-Fort Lauderdale International Airport that could result in a teardown of Gulfstream s maintenance hangar. Gulfstream is currently in negotiations regarding an extension of the lease and a subsequent alternative location for a successor maintenance hangar on the airfield. If Gulfstream is forced to relocate its Fort Lauderdale maintenance operations, it may be prohibitively expensive to relocate and/or construct a maintenance hangar. Gulfstream may not be able to operate as efficiently or successfully from any other location. In addition, it is possible that Gulfstream would be unable to secure a suitable alternative location for our maintenance hangar. Were this to occur, we may be forced to outsource our airplane maintenance for a period of time, which would substantially increase our maintenance costs and cause us significant operational disruptions.

Hurricanes and other adverse weather conditions could adversely affect Gulfstream s business.

Our routes in Florida and the Bahamas are particularly susceptible to the impact of hurricanes. In the event that a hurricane were to threaten one of our departure locations, we may be forced to cancel flights and/or relocate our fleet, either of which would cause us to lose revenues. Related storm damage could also affect telecommunications capability, causing interruptions to our operations. A hurricane could cause markets such as the Florida Keys and the Bahamas to sustain severe damage to their tourist destinations and thus cause a longer-term decrease in the number of persons traveling on our routes.

Additionally, during periods of fog, ice, low temperatures, hurricanes, storms or other adverse weather conditions, flights may be cancelled or significantly delayed. A significant interruption or disruption in service due to adverse weather or otherwise, could result in the cancellation or delay of a significant portion of Gulfstream s flights and, as a result, could have a severe impact on our business, operations and financial performance.

Gulfstream may experience labor disruptions or an increase in labor costs.

All of Gulfstream s permanent pilots are represented by International Brotherhood of Teamsters Airline Division Local 747, commonly known as the Teamsters. Our collective bargaining agreement with our pilots expires in 2009. In addition, our flight attendants have voted to be represented by the International Association of Machinists and Aerospace Workers (IAM), and we are currently engaged in negotiations with IAM. Although we have never had a work interruption or stoppage and we believe our relations with our union and non-union employees are generally good, Gulfstream is subject to risks of work interruption or stoppage and/or may incur additional administrative expenses associated with union representation of our employees. Any sustained work stoppages could adversely affect Gulfstream s ability to fulfill our obligations under our code share agreements and could have a material adverse effect on our financial condition and results of operations.

Additionally, labor costs constitute a significant percentage of our total operating costs. Our labor costs normally constitute approximately 23% of our total operating costs. Any new collective bargaining agreements entered into by other airlines may also result in higher industry wages and increased pressure on us to increase the wages and benefits of our employees. Future agreements with our employees unions may be on terms that are not economically as attractive as our current agreements nor comparable to agreements entered into by our competitors. Any future agreements may increase our labor costs or otherwise adversely affect us. Additionally, we cannot assure you that the compensation rates that we have assumed will correctly reflect the market for our non-union employees, or that there will not be future unionization of our currently nonunionized groups, which could adversely affect our costs.

Our business is heavily dependent on the Bahamas markets and a reduction in demand for air travel to this market would harm our business.

Almost half of our scheduled flights have the Bahamas as either their destination or origin and our revenue is linked primarily to the number of tourists and other passengers traveling to and from the Bahamas. Bahamian tourism levels are affected by, among other things, the political and economic climate in the Bahamas main tourism markets, the availability of hotel accommodations, promotional spending by competing destinations, the popularity of the Bahamas as a tourist destination relative to other vacation options, and other global factors, including natural disasters or negative publicity due to safety and security. No assurance can be given that the level of passenger traffic to the Bahamas will not decline in the future. A decline in the level of Bahamas passenger traffic could have a material adverse effect on our results of operations and financial condition.

New passport requirements may cause a decrease in the number of travelers from the U.S. to the Bahamas.

In 2005, the United States issued a proposed Western Hemisphere Travel Initiative which would require United States citizens to have a passport or other accepted identity document to travel to or from certain countries or areas that were previously exempt, such as the Caribbean, including the Bahamas. The proposal was implemented in January 2007 for all United States citizens traveling to or from these destinations by air and sea and is expected to be implemented as of December 31, 2007 for all travel by land border crossings. If our United States passengers visiting the Bahamas do not have passports, these regulations could have a negative impact on our bookings; however, to date, the actual impact on the Company s revenues is unclear.

The current regulation of travel to Cuba is subject to political conditions and a change in the current restrictions could impair our ability to provide flights or minimize our competitive advantage.

Pursuant to a services agreement that we have entered into with Gulfstream Air Charter, Inc. (GAC), we provide the use of our aircraft, flight crews and other services to GAC for its operation of charter flights to Cuba, in exchange for which we receive 75% of the income generated by such charter flights. GAC s flights to Cuba depend on political conditions prevailing from time to time in Cuba and the United States. Currently, GAC is one of a limited number of operators who provide flights from the United States to Cuba. If relations between the United States and Cuba worsen, these flights may be prohibited entirely and we may lose significant revenues due to GAC s inability to operate these flights. Conversely, if relations between the United States and Cuba significantly improve, demand for access to Cuba could increase dramatically, causing the market for flights from the United States to Cuba to be flooded with new entrants. In either scenario, our business, financial condition and results of operations could be materially and negatively affected.

Cuba s status as a state sponsor of terrorism could impact the sustainability and growth of the Company s flights to Cuba.

Cuba is listed as a state sponsor of terrorism by the U.S. Department of State, and as such, GAC s flights to Cuba are subject to any restrictions that may be imposed as a result of such designation. GAC could be subjected to regulations and requirements that could increase its costs of operating flights to Cuba, restrict the number or manner of flights it operates to Cuba or prohibit such flights entirely. The Company s business, financial condition and results of operations could be materially and negatively affected by further restrictions, or prohibitions, on doing business in Cuba as a country designated as a state sponsor of terrorism.

We rely on third parties to provide us with facilities and services that are integral to our business and can be withdrawn on short notice.

We have entered into agreements with third-party contractors, including other airlines, to provide certain facilities and services required for our operations, such as certain maintenance, ground handling, baggage services and ticket counter space. We will likely need to enter into similar agreements in any new markets we decide to serve. All of these agreements are subject to termination upon short notice. The loss or expiration of these contracts, the loss of FAA certification by our outside maintenance providers or any inability to renew our contracts or negotiate contracts with other providers at comparable rates could harm our business. Our reliance upon others to provide essential services on our behalf also gives us less control over costs and over the efficiency, timeliness and quality of contract services.

Aviation insurance is a critical safeguard of our financial condition and it might become difficult to obtain adequate insurance at a reasonable rate in the future.

We believe that our insurance policies are of types customary in the industry and in amounts we believe are adequate to protect us against material loss. It is possible, however, that the amount of insurance we carry will not be sufficient to protect us from material loss. Some aviation insurance could become unavailable, available only for reduced amounts of coverage, or available only at substantially higher rates, which could result in our failing to comply with the levels of insurance coverage required by our code share agreements, our other contractual agreements or applicable government regulations. Additionally, war risk coverage or other insurance might cease to be available to our vendors or might only be available for reduced amounts of coverage.

Risks Related To the Academy

A decrease in demand for regional airline pilots could adversely impact the Academy s ability to attract and retain students.

We believe that the employment of our graduates is essential to our ability to attract and retain students. In the event that regional airline industry demand for pilots decreases significantly, it would have a detrimental impact on the ability of our graduates to gain employment, which could have an adverse effect on enrollment.

The value of the Academy could be diminished if other airlines lower their required minimum flight hours.

Academy students are pilots who hold commercial, multi-engine and instrument ratings who are qualified to operate commercial flights but who seek to enhance their marketability by logging additional training and flight hours. The Academy offers pilots the opportunity to log flight hours more quickly than the traditional time-building method of flight instructing. If the airlines who hire Academy graduates were to reduce the number of logged hours that they require new pilots to have, the value of the Academy could be diminished and the Academy could suffer decreased enrollment and a loss of revenues.

The inability to finance tuition costs could adversely affect the Academy s enrollment.

Most of our students depend upon some form of third-party financing to finance part or all of the cost of tuition. This type of financing is only available from limited sources. The inability of prospective students to obtain third-party financing could adversely affect our ability to attract and retain students.

Workplace error by graduates of the Academy could expose us to legal action.

Many of the pilots that graduate from the Academy are ultimately employed by airlines other than Gulfstream. In the event of an accident caused by one of the graduates of the Academy, it is possible that the Academy could be named as a defendant in any lawsuit that may arise. There can be no assurance that our insurance policy will be adequate to cover the potential losses from any such claims.

Risks Related To Our Common Stock

We do not pay cash dividends on our capital stock, and we do not anticipate paying any cash dividends in the future.

We have never paid cash dividends on our capital stock and do not have current plans to do so. Instead, we will likely retain our future earnings to fund the development and growth of our business. As a result, capital appreciation, if any, of our common stock will likely be your sole source of gain for the foreseeable future.

Our certificate of incorporation and bylaws, and Delaware law contain provisions that could discourage a takeover.

Our certificate of incorporation and bylaws and Delaware law contain provisions that might enable our management to resist a takeover. As described in Description of Capital Stock Anti-Takeover Provisions of Delaware Law and Charter Provisions , these provisions may:

- discourage, delay or prevent a change in the control of our company or a change in our management;
- adversely affect the voting power of holders of common stock; and
- limit the price that investors might be willing to pay in the future for shares of our common stock.

Sales of a substantial number of shares of our common stock in the public market after this offering, or the perception that they may occur, may depress the market price of our common stock.

Sales of substantial amounts of our common stock in the public market following this offering, or the perception that substantial sales may be made, could cause the market price of our common stock to decline. These sales might also make it more difficult for us to sell equity securities at a time and price that we deem appropriate. The lock-up agreements delivered by our executive officers, directors and some of our stockholders who beneficially own more than 5% of our common stock provide that Taglich Brothers, Inc., in its sole discretion, may release those parties, at any time or from time to time and without notice, from their obligation not to dispose of shares of common stock for a period of 180 days after the date of this prospectus. Taglich Brothers, Inc. has no pre-established conditions to waiving the terms of the lock-up agreements, and any decision by it to waive those conditions would depend on a number of factors, which may include market conditions, the performance of the common stock in the market and our financial condition at that time.

After this offering, we will have outstanding 2,839,460 shares of common stock, based upon shares of common stock outstanding as of December 7, 2007, which assumes no exercise of the underwriters over-allotment option and no exercise of outstanding options or warrants. This includes the shares we are selling in this offering, which may be resold in the public market immediately. The remaining 71.9%, or 2,039,460 shares, of our total outstanding shares will become available for resale in the public market as shown in the chart below. As restrictions on resale end, the market price could drop significantly if the holders of these restricted shares sell them or are perceived by the market as intending to sell them.

Number of Shares/% of Total Outstanding	Date of Availability for Resale into Public Market
1,205,460/42.5%	90 days after the effective date of this prospectus due to the requirements of the federal securities laws.

834,000/29.4%	180 days after the date of this prospectus due to an agreement these stockholders have with the underwriters.

However, the underwriters can waive this restriction and allow these stockholders to sell their shares at any time. For a more detailed description, see Shares Eligible for Future Sale.

New investors in our common stock will experience immediate and substantial book value dilution after this offering.

The initial public offering price of our common stock will be substantially higher than the pro forma net tangible book value per share of the outstanding common stock immediately after the offering. Based on our net tangible book value as of September 30, 2007, if you purchase our common stock in this offering you will pay more for your shares than the amounts paid by existing stockholders for their shares and you will suffer immediate dilution of approximately $7.31 per share in pro forma net tangible book value. In the past, we have issued warrants to acquire common stock at prices significantly below the initial public offering price. As of December 7, 2007, 46,480 shares of our common stock were issuable upon the exercise of outstanding warrants, at an exercise price of $5.00 per share, and 210,324 shares of common stock were issuable upon exercise of stock options outstanding as of December 7, 2007, at an exercise price of $5.00 per share and up to an additional 139,676 shares of our common stock were reserved for issuance under our Stock Incentive Plan. As a result of this dilution, investors purchasing stock in this offering may receive significantly less than the full purchase price that they paid for the shares purchased in this offering in the event of a liquidation. See Dilution for a detailed discussion of the dilution new investors will incur in this offering.

We intend to file a registration statement on Form S-8 to register the shares reserved for issuance under our Stock Incentive Plan. The registration statement will become effective when filed, and, subject to applicable lock-up agreements, these shares may be resold without restriction in the public marketplace. See Shares Eligible For Future Sale.

Our future operating results may be below securities analysts or investors expectations, which could cause our stock price to decline.

We may be unable to generate significant revenues or grow at the rate expected by securities analysts or investors. In addition, our costs may be higher than we, securities analysts or investors expect. If we fail to generate sufficient revenues or our costs are higher than we expect, our results of operations will suffer, which in turn could cause our stock price to decline.

Our operating results in any particular period may not be a reliable indication of our future performance. In some future quarters, our operating results may be below the expectations of securities analysts or investors. If this occurs, the price of our common stock will likely decline.

Potential investors could be prohibited from investing, or choose not to invest, in our common stock because we provide services to a company that operates flights to Cuba.

Cuba has been identified as a state sponsor of terrorism by the U.S. Department of State. Some potential investors, including certain state sponsored pension funds or trust funds, may be prohibited from investing, or may choose not to invest, in companies that do business with or in countries designated as sponsors of terrorism. Additionally, unrestricted potential investors may choose not to invest in our common stock based solely or in part on the fact that we provide services to GAC, a company that operates flights to Cuba. The exclusion of such investors may limit the market for shares of our common stock or negatively impact the development of an active trading market for our common stock.

Our common stock has not been publicly traded, and the price of our common stock could fluctuate substantially.

Before this offering, there has been no public market for shares of our common stock. An active public trading market may not develop after completion of this offering or, if developed, may not be sustained. The price of the shares of common stock sold in this offering will not necessarily reflect the market price of the common stock after this offering. The market price for the common stock after this offering will be affected by a number of factors, including:

- actual or anticipated variations in our results of operations or those of our competitors;

changes in earnings estimates or recommendations by securities analysts or our failure to achieve analysts earnings estimates; and

developments in our industry.

The liability of our officers and directors is limited.

Our certificate of incorporation limits the liability of directors to the maximum extent permitted by Delaware law. Delaware law provides that directors of a corporation will not be personally liable for monetary damages for breach of their fiduciary duties as directors, except liability for:

any breach of their duty of loyalty to the corporation or its stockholders;

acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

unlawful payments of dividends or unlawful stock repurchases or redemptions; or

any transaction from which the director derived an improper personal benefit.

This limitation of liability does not apply to liabilities arising under the federal securities laws and does not affect the availability of equitable remedies such as injunctive relief or rescission.

Our certificate of incorporation and bylaws also provide that we will indemnify our directors, officers, employees and agents for damages arising in connection with their actions in such capacities, subject to certain limitations as set forth in the bylaws.

There is no pending litigation or proceeding involving any of our directors, officers, employees or agents where indemnification will be required or permitted. We are not aware of any pending or threatened litigation or proceeding that might result in a claim for indemnification.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including the sections entitled Prospectus Summary, Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations and Business, contains forward-looking statements. These statements relate to, among other things:

our business strategy;

our value proposition;

the market opportunity for our services, including expected demand for our services;

information regarding the replacement, deployment, acquisition and financing of certain numbers and types of aircraft, and projected expenses associated therewith;

costs of compliance with FAA regulations, Department of Homeland Security regulations and other rules and acts of Congress;

- the ability to pass taxes, fuel costs, inflation, and various expenses to our customers;
- certain projected financial obligations;
- our estimates regarding our capital requirements; and
- any of our other plans, objectives, expectations and intentions contained in this prospectus that are not historical facts.

These statements, in addition to statements made in conjunction with the words expect, anticipate, intend, plan, believe, seek, estimate and similar expressions, are forward-looking statements. These statements relate to future events or our future financial performance and only reflect management s expectations and estimates. The following is a list of factors, among others, that could cause actual results to differ materially from the forward-looking statements:

- changing external competitive, business conditions or budgeting in certain market segments and industries;
- changes in our code share relationships;
- an increase in competition along the routes we operate;
- availability and cost of funds for financing new aircraft;
- unexpected changes in weather conditions;
- our ability to profitably manage our turbo-prop fleet;
- adverse reaction and publicity that might result from any accidents;
- changes in general and/or regional economic conditions;
- changes in fuel price or fuel supplies;
- our relationship with employees;
- the impact of current or future laws;
- additional terrorist attacks;
- Congressional investigations and governmental regulations affecting the airline industry and our operations; and
- consumer unwillingness to incur greater costs for flights.

You should read this prospectus completely and with the understanding that our actual results may be materially different from what we expect. We undertake no duty to update these forward-looking statements after the date of this prospectus, even though our situation may change in the future. We qualify all of our forward-looking statements by these cautionary statements.

MARKET AND INDUSTRY DATA

Some of the market and industry data and other statistical information used throughout this prospectus are based on independent industry publications, government publications or other published independent sources, including the Department of Transportation, the FAA and the Regional Airline Association. Some data are also based on our good faith estimates, which are derived from our review of internal surveys, as well as the independent sources referred to above.

USE OF PROCEEDS

We estimate the net proceeds from the sale of the shares of common stock we are offering will be approximately $5.1 million. If the underwriters fully exercise the over-allotment option, the net proceeds will be approximately

$6.1 million. Net proceeds are what we expect to receive after we pay the underwriting discount and other estimated expenses of this offering.

We plan to use approximately $3.3 million of the proceeds to fully redeem our 12% subordinated debentures, which mature on March 14, 2009. The remaining proceeds from this offering will be used for general working capital purposes, which may include the acquisition of additional aircraft or the refinancing of existing aircraft.

Pending our use of the proceeds, we intend to invest the net proceeds of this offering primarily in short-term, investment grade, interest-bearing instruments.

DIVIDEND POLICY

Since our formation, we have not paid cash dividends on our capital stock and we do not anticipate paying any cash dividends in the foreseeable future. We anticipate that we will retain any earnings to support operations and to finance the growth and development of our business. Additionally, we are party to several agreements that limit our ability to pay dividends. Under our credit facilities, we are prohibited from declaring dividends without the prior consent of our lender. Gulfstream is permitted under its primary aircraft lease agreement to pay dividends only if its average cash position after paying the dividend would equal or exceed $4,000,000 over the prior twelve month period. In addition, in the event that Gulfstream declares a dividend, Gulfstream has an obligation under the warrant held by Continental to pay Continental cash in an amount equal to what Continental would have been entitled to had it exercised its warrant immediately prior to such dividend. Any future determination relating to our dividend policy will be made at the discretion of our board of directors and will depend on a number of factors, including future earnings, capital requirements, financial conditions, future prospects and other factors that the board of directors may deem relevant.

CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2007:

on an actual basis; and

on a pro forma as adjusted basis reflecting the sale of 800,000 shares of our common stock at a public offering price of $9.00 per share, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

	September 30, 2007	
	Actual	**as Adjusted(1)**
	(In thousands)	
Short term debt, including current portion of long-term debt	$ 2,152	$ 2,152
Long-term debt, excluding current portion		
Senior Term Debt, net of current portion	6,281	6,281
12% Subordinated Debentures	3,287	
Total long term debt	9,568	6,281
Stockholders equity		
Common stock, par value $0.01 per share, shares authorized 15,000,000, issued 2,039,460 actual; 2,839,460 as adjusted	20	28
Additional paid-in capital	7,931	13,047
Common stock warrants	61	61
Retained Earnings	1,865	1,865
Total stockholders equity	9,877	15,001
Total Capitalization	$ 21,597	$ 23,434

(1) Adjusted to give effect to this offering and the application of the proceeds, as described in Use of Proceeds on page 21.

The table above does not include:

120,000 shares of our common stock subject to the underwriters over-allotment option;

46,480 shares of our common stock issuable upon the exercise of warrants outstanding as of September 30, 2007, at an exercise price of $5.00 per share;

210,324 shares of common stock issuable upon exercise of stock options outstanding as of September 30, 2007, at an exercise price of $5.00 per share;

up to an additional 139,676 shares of our common stock reserved for issuance under our Stock Incentive Plan; and

64,000 shares of common stock issuable upon exercise of warrants to be issued to designees of the underwriters in connection with this offering, at an exercise price equal to 120% of the public offering price of this offering.

DILUTION

If you invest in our common stock, your interest will be diluted immediately to the extent of the difference between the public offering price per share of our common stock and the pro forma net tangible book value per share of our common stock after this offering. Our historical net tangible book value as of September 30, 2007 was ($333,071), or ($0.16) per share, based on 2,039,460 shares of common stock outstanding as of September 30, 2007. Historical net tangible book value per share represents the amount of our total tangible assets reduced by the amount of our total liabilities and divided by the actual number of shares of common stock outstanding.

After giving effect to our sale of 800,000 shares of common stock offered by this prospectus at a public offering price of $9.00 per share and after deducting underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma net tangible book value will be $4,790,929, or $1.69 per share. This represents an immediate increase in pro forma net tangible book value of $1.85 per share to existing stockholders and an immediate dilution in pro forma net tangible book value of $7.31 per share to new investors. Dilution in historical net tangible book value per share represents the difference between the amount per share paid by purchasers of shares of our common stock in this offering and the net tangible book value per share of our common stock immediately afterwards. The following table illustrates this per share dilution.

Public offering price per share		$ 9.00
Net tangible book value before this offering	$ (0.16)	
Increase per share attributable to new investors	1.85	
Pro forma net tangible book value per share after this offering		1.69
Dilution per share to new investors		$ 7.31

If the underwriters exercise their over-allotment option to purchase additional shares in this offering in full, our pro forma net tangible book value after the offering will be $5,784,529, or $1.95 per share, representing an immediate increase in pro forma net tangible book value of $2.11 per share to our existing stockholders and an immediate dilution in pro forma net tangible book value of $7.05 per share to new investors purchasing shares in this offering.

The following table sets forth, as of September 30, 2007, the number of shares of common stock purchased from us, the total consideration paid and average price per share paid by existing stockholders and by the new investors, before deducting underwriting discounts and commissions and estimated offering expenses payable by us, using a public offering price of $9.00 per share.

	Shares Purchased		**Total Consideration**		**Average Price per Share**
	Number	**Percent**	**Amount**	**Percent**	
Existing stockholders	2,039,460	71.8%	$ 8,517,300	54.2%	$ 4.18
New investors	800,000	28.2%	7,200,000	45.8%	$ 9.00
Total	2,839,460	100.0%	$ 15,717,300	100.0%	$ 5.54

If the underwriters exercise their over-allotment option in full, our existing stockholders would own 68.9% and our new investors would own 31.1% of the total number of shares of our common stock outstanding after this offering.

The tables above are based on 2,039,460 shares of common stock issued and outstanding as of December 7, 2007. These tables do not include:

120,000 shares of our common stock subject to the underwriters over-allotment option;

46,480 shares of common stock issuable upon the exercise of warrants outstanding as of September 30, 2007 at an exercise price of $5.00 per share;

210,324 shares of common stock issuable upon exercise of stock options outstanding as of September 30, 2007, at an exercise price of $5.00 per share;

up to an additional 139,676 shares of our common stock reserved for issuance under our Stock Incentive Plan; and

64,000 shares of common stock issuable upon exercise of warrants to be issued to designees of the underwriters in connection with this offering, at an exercise price equal to 120% of the public offering price of this offering.

Assuming exercise of all of our outstanding warrants and options but excluding warrants to be issued to designees of the underwriters (which are anti-dilutive), the pro forma net tangible book value per share after this offering and excluding the underwriters over-allotment option, would be increased to $1.96 per share and the dilution per share to new investors would be $7.04 per share, the number of shares purchased by existing stockholders would be increased to 2,296,264, or 74.2% of total shares purchased, and the total consideration would be increased to $9,801,320, or 57.7% of total consideration.

In addition, we may choose to raise additional capital due to market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. To the extent that additional capital is raised through the sale of equity or convertible debt securities, the issuance of these securities could result in further dilution to our stockholders.

SELECTED HISTORICAL AND PRO FORMA FINANCIAL DATA

The following selected historical and pro forma financial data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations following this section and our financial statements and related notes included in the back of this prospectus. The results of operations presented herein for all periods subsequent to the acquisition are referred to as the results of operations of the successor. As a result of the acquisition, the results of operations of the predecessor are not comparable to the results of operations of the successor.

The following table sets forth selected financial data as of and for the nine-month periods ended September 30, 2006 and 2007 and for the years ended December 31, 2002, 2003, 2004, 2005 and 2006. The selected financial data as of and for the nine-month periods ended September 30, 2006 and 2007 and the pro forma year ended December 31, 2006 are unaudited. The selected financial data as of and for the years ended December 31, 2004, 2005, the period from January 1 through March 14, 2006 and the period from March 15, 2006 through December 31, 2006 were derived from the predecessor s and our audited financial statements. The selected financial data as of and for the years ended December 31, 2002 and 2003 are unaudited. Gulfstream and the Academy, as they existed prior to their acquisition by us, are collectively referred to as the predecessor. The consolidated financial information of Gulfstream, the Academy and us as we existed on and after March 15, 2006 is referred to as the successor. The predecessor audited financial statements as of December 31, 2004 and 2005 and for the period from January 1, 2006 through March 14, 2006 and our audited financial statements as of December 31, 2006 and for the period from March 15, 2006 through December 31, 2006 are included in the back of this prospectus. The historical results are not necessarily indicative of the operating results to be expected in any future period.

The summary financial data for the nine months ended September 30, 2006 and 2007 and the pro forma year ended December 31, 2006 has been adjusted to give effect to the following transactions:

1. The acquisition of Gulfstream and the Academy, which was closed on March 14, 2006, as if it occurred on January 1, 2006.

2. The sale of 1,640,000 shares of common stock issued as part of the financing for the acquisition, which occurred on March 14, 2006, as if it occurred on January 1, 2006.

3. The Company plans on redeeming the $3.32 million subordinated debentures issued as part of the financing of the acquisition with proceeds from the offering. The issuance of 518,345 shares of common stock needed to redeem the subordinated debentures was given effect as if it occurred on January 1, 2006. The number of shares to be issued gives effect to the underwriting discount and estimated other offering costs (approximately $2.60 per share).

	Predecessor	Successor	Pro Forma	Pro Forma Successor	
	January 1, 2006 to March 14, 2006	March 15, 2006 to September 30, 2006	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Percent Change 2006 to 2007
	(In thousands, except per share data)				

Revenue	$ 21,367	$ 59,200	$ 80,567	$ 86,675	7.6%
Operating expenses	19,681	57,019	76,911	83,241	8.2%
Income from operations	1,686	2,181	3,656	3,434	(6.1%)
Non-Operating income and (expense)	(163)	(528)	(425)	(345)	(18.8%)
Income before taxes	1,523	1,653	3,231	3,089	(4.4%)
Provision for income taxes	523	577	1,121	1,172	4.5%
Income before minority interest	1,000	1,076	2,110	1,917	(9.1%)
Minority interest		(11)	(11)		
Net income	$ 1,000	$ 1,065	$ 2,099	$ 1,917	(8.7%)

	Predecessor January 1, 2006 to March 14, 2006	Successor March 15, 2006 to September 30, 2006	Pro Forma Nine Months Ended September 30, 2006	Pro Forma Successor Nine Months Ended September 30, 2007	Percent Change 2006 to 2007
	(In thousands, except per share data)				
Net income per share:					
Basic		$ 0.68	$ 0.83	$ 0.75	
Diluted		$ 0.60	$ 0.76	$ 0.67	
Shares used in calculating net income per share:					
Basic and diluted		1,564,621	2,517,724	2,552,897	
Operating Data:					
Available seat miles (000 s)(1)			217,504	222,063	2.1%
Revenue passenger miles (000 s)(2)			129,319	133,086	2.9%
Passenger load factor(3)			59.5%	59.9%	0.8%
Average yield per revenue passenger mile(4)			$ 0.589	$ 0.610	3.7%
Average passenger fare			$ 114.77	$ 120.66	5.1%
Fuel cost per gallon (incl taxes & fees)			$ 2.21	$ 2.21	

(1) Passenger seats available multiplied by miles flown.

(2) The number of revenue miles flown by passengers.

(3) Revenue passenger miles divided by available seat miles.

(4) The average amount one passenger pays to fly one mile.

	Predecessor					Successor		Percent Change	
	Year Ended December 31,				Period January 1, 2006 to March 14, 2006	Period March 15, 2006 to December 31, 2006	Pro Forma 2006	2004 to 2005	2005 to 2006
	2002 (Unaudited)	2003 (Unaudited)	2004	2005					
	(In thousands, except per share data)								
evenue	$ 59,052	$ 61,015	$ 72,337	$ 92,005	$ 21,367	$ 83,690	105,057	27.2%	14.2
perating Expenses	62,196	58,681	70,306	90,596	19,681	82,589	102,481	28.9%	13.1

come (loss) from erations	(3,144)	2,334	2,031	1,409	1,686	1,101	2,576	(30.6%)	82.8
on-Operating come and xpense)	(3,124)	(2,414)	(18)	(479)	(163)	(774)	(545)	2561.1%	13.8
ain on xtinguishment of ebt		36,957							
come (loss) before xes	(6,268)	36,877	2,013	930	1,523	327	2,031	(53.8%)	118.4
ovision for income xes	(2,359)	250	170	230	523	137	729	35.3%	217.0
come (loss) before inority interest	(3,909)	36,627	1,843	700	1,000	190	1,302	(62.0%)	86.0
inority interest						(5)	(5)		
et income (loss)	$ (3,909)	$ 36,627	$ 1,843	$ 700	$ 1,000	$ 185	$ 1,297	(62.0%)	85.3

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	Predecessor					Successor		Percent Change	
	Year Ended December 31,				Period January 1, 2006 to March 14, 2006	Period March 15, 2006 to December 31, 2006	Pro Forma 2006	2004 to 2005	2005 to 2006
	2002 (Unaudited)	2003 (Unaudited)	2004	2005					
	(In thousands, except per share data)								
et income er share:									
asic						$ 0.11	$ 0.51		
iluted						$ 0.08	$ 0.47		
hares used n calculating et income er share asic and iluted						1,680,480	2,524,361		
nnual perating tatistics unaudited):									
vailable eat miles 000 s)	180,713	180,217	202,662	280,555			290,161	38.4%	3.4%
evenue assenger iles (000 s)	111,403	105,713	122,852	160,861			168,939	30.9%	5.0%
assenger ad factor	61.6%	58.7%	60.6%	57.3%			58.2%	(5.4%)	1.5%
verage yield er revenue assenger ile	$ 0.508	$ 0.535	$ 0.539	$ 0.547			$ 0.583	1.4%	6.7%
verage assenger are	$ 86.99	$ 96.72	$ 100.27	$ 105.10			$ 114.13	4.8%	8.6%
uel cost per allon (incl axes & fees)	$ 0.90	$ 0.99	$ 1.33	$ 1.90			$ 2.18	42.9%	14.7%

As of December 31,

Predecessor **Successor** **As of September 30,**

	2002 (unaudited)	2003 (unaudited)	2004	2005	2006	2007
			(In thousands)			
Working Capital Deficit	$ (21,153)	$ (7,004)	$ (11,822)	$ (5,856)	$ (7,742)	$ (10,222)
Property and Equipment, net	539	1,113	8,113	9,910	14,542	18,017
Total Assets	11,328	13,129	19,975	23,601	36,980	38,912
Long-Term Debt, net of current portion	28,179	2,566	4,721	7,492	9,523	9,568
Total Stockholders Equity (Deficit)	(42,252)	(2,607)	(2,178)	(3,156)	8,020	9,877

	September 30, 2007	
	Actual	As Adjusted(1)
	(In thousands)	
Cash and cash equivalents	3,268	5,105
Total assets	38,912	40,748
Long-term debt, including current portion	11,721	8,433
Engine return liability, including current portion	3,956	3,956
Total stockholders equity	9,877	15,001

(1) Adjusted to give effect to this offering and the application of the proceeds, as described in Use of Proceeds on page 21.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations in conjunction with the audited financial statements and the notes to those statements included elsewhere in this prospectus. The discussion and analysis throughout this report contains certain forward-looking terminology such as believes, anticipates, will, and intends or comparable terminology. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. Potential purchasers of the Company s securities are cautioned not to place undue reliance on such forward-looking statements, which are qualified in their entirety by the cautions and risks described herein. See Forward-Looking Statements at the front of this report. You should specifically consider the various risk factors identified in this prospectus that could cause actual results to differ materially from those anticipated in these forward-looking statements.

Overview

The Company operates a scheduled airline, schedule and on-demand charter services and a flight training academy for commercial pilots.

The Company s most significant market opportunity relates to the fact that it currently operates in and has targeted future expansion in unserved and underserved short haul markets, which is a growing opportunity for two principal reasons. Many smaller markets are being abandoned by major carriers, as they shift their focus increasingly to international markets and away from domestic markets and hubs. In addition, many smaller markets are also being abandoned by regional airlines, as they continue to gravitate toward larger jet aircraft in the 70-100 seat range, and away from smaller turboprop aircraft. As a result, the Company will continue to seek opportunities to grow in the expanding number of smaller underserved or unserved markets that are suitable for its fleet of small-capacity aircraft.

One of the Company s most significant challenges relates to pilot availability within a very competitive environment. The Academy s strong reputation for quality instruction assists Gulfstream to compete effectively for pilots by providing a reliable and cost-effective source of pilots and first officers. Other significant challenges and risks relate to securing cost-effective maintenance resources, as the average age of the Company s aircraft fleet increases, as well as increases and volatility in the price of aircraft fuel, which accounts for 23-24% of our operating expenses.

Each of the Company s business components is described below.

Airline

We began providing air charter service in 1988, and have provided scheduled passenger service in Florida and the Bahamas since 1990. We signed our first major code share agreement with United Airlines in 1994. In 1997, Gulfstream entered into a cooperative alliance and code share agreement with Continental and has since operated as a Continental Connection carrier. We also have code share agreements with United, Northwest, and Copa Airlines. We estimate that over 60% of our revenue is derived from local point to point traffic within Florida and the Bahamas, with connecting traffic from our code-share partners and other carriers destined primarily for the Bahamas making up the balance. Continental is our largest connecting partner, with passengers connecting to and from Continental flights providing approximately 22% of our revenue.

The financial arrangements between regional airlines and their code share partners typically involve either a fixed-fee per departure or revenue pro-rate arrangement. All of our code share agreements provide for pro-rate revenue sharing, while most other publicly traded regional airlines operate either primarily or exclusively under fixed fee agreements.

Under a typical revenue pro-rate agreement, such as those we have in place, the two airlines negotiate a specific proration formula, which allocates a total ticket value between the two carriers, generally based on factors such as weighted mileage, relative published fares or fixed rates per passenger depending on fare class.

In such a revenue sharing arrangement, increased profits are realized as ticket prices and passenger loads increase and, correspondingly, decreased profits are realized as ticket prices and passenger loads decrease.

Revenue generated by the airline is classified in our statement of operations as Airline Passenger Revenue.

Cuba and Other Charter Revenue

Cuba Operations. Gulfstream Air Charter, Inc. (GAC), a related company which is owned by Thomas L. Cooper, operates charter flights between Miami and Havana. GAC is licensed by the Office of Foreign Assets Control of the U.S. Department of the Treasury as a carrier and travel service provider for charter air transportation between designated U.S. and Cuban airports.

Pursuant to a services agreement between Gulfstream and GAC dated August 8, 2003 and amended on March 14, 2006, Gulfstream provides use of its aircraft, flight crews, the Gulfstream name, insurance, and service personnel, including passenger, ground handling, security, and administrative. Gulfstream also maintains the financial records for GAC. Pursuant to the March 14, 2006 amended agreement, Gulfstream receives 75% of the income generated by GAC s Cuban charter operation. Prior to March 14, 2006, Gulfstream received all of the income generated up to a cumulative total of $1 million, and then 75% thereafter.

Income provided under the service agreement is reported in the statement of operations as Academy, charter and other revenue, and amounted to $888,887 for 2006 and $530,772 for the first nine months of 2007. The Company considered the applicability of FASB Interpretation No. 46 (revised December 2003). *Consolidation of Variable Interest Entities*, (FIN 46) to the accounting by the Company of the services agreement between its wholly-owned subsidiary, GIA, and the Cuba charter business (Cuba Charter) operated by GAC. The Company concluded that compliance with the consolidation or disclosure requirements of FIN 46 as it relates to Cuba Charter would not materially impact the consolidated financial statements of the Company. Therefore, the Company concluded that further consideration of FIN 46 was unnecessary. However, the Company will review the applicability of FIN 46 at each reporting period.

In addition to the Cuba revenue described above, our charter revenues are principally derived from on-demand charter services, sub-service flying for other scheduled airlines and a 15-year agreement with a government subcontractor, subject to two-year renewals, to operate daily flights between West Palm Beach and Andros Town, Bahamas. Revenue and related expenses associated with Gulfstream s charter activity are reported gross as charter revenue and within the appropriate expense category of the Company s statement of operations.

Academy

The Academy offers training programs for pilots holding commercial multi-engine instrument certifications and at least 190 hours of flying time. Pilots with these ratings are qualified to fly commercial airplanes, but are often unable to find positions with airlines without additional training and flying time. The Academy enhances its students career prospects by providing them with the training and experience necessary to obtain pilot positions with commercial airlines.

Traditionally, pilots have worked as flight instructors for up to two years to gain this additional training and flying time. The Academy offers an alternative to this traditional means of gathering additional experience. By enrolling in one of the Academy s programs, students are able to more quickly accumulate the qualifications demanded by the commercial airlines. The Academy graduates have also experienced a high success rate in completing training at airlines, which translates into cost savings for the airlines.

The Academy enrolled 78 students in 2006, virtually all of whom were hired by airlines after graduation, including those hired by Gulfstream.

The Academy s training facility in Fort Lauderdale has several ground school classrooms, a series of flight training devices used for procedural training and cockpit familiarization, as well as two non-motion flight simulators, one of which is a Beechcraft 1900. The Academy contracts for full-motion flight simulators at facilities in Atlanta, Georgia and Orlando, Florida, which are needed for full FAA certification of the pilots.

The Academy s revenues are included as other revenue in our results of operations, and its expenses are included in general and administrative expenses.

Results of Operations

The results of operations presented herein for all periods prior to our acquisition of Gulfstream and the Academy on March 14, 2006 are referred to as the results of operations of the predecessor. The results of operations presented herein for all periods subsequent to the acquisition are referred to as the results of operations of the successor. Pro forma financial results for the nine months ended September 30, 2006 and the year ended December 31, 2006 include our results for the periods from March 15, 2006 to September 30, 2006 and to December 31, 2006, respectively, combined with the results of our predecessor from January 1, 2006 to March 14, 2006, adjusted to give effect to our March 14, 2006 acquisition as though it had occurred on January 1, 2006. See Unaudited Pro Forma Financial Statements at page P-1 for pro forma adjustments and explanations. As a result of the acquisition, the results of operations of the predecessor are not comparable to the results of operations of the successor. Such presentation does not comply with generally accepted accounting principles and is being made solely to explain changes in the results of operations for the periods presented in the financial statements.

Comparative Nine-Month Periods Ended September 30, 2007 and 2006

The following table sets forth the Company s financial results for the nine-month periods ended September 30, 2007 and 2006.

	Predecessor January 1, 2006 to March 14, 2006	Successor March 15, 2006 to September 30, 2006	Pro Forma Nine Months Ended September 30, 2006	Pro Forma Successor Nine Months Ended September 30, 2007	Percent Change 2006 to 2007
	(In thousands)				
Revenue					
Airline passenger revenue	$ 20,264	$ 55,871	$ 76,135	$ 81,246	6.7%
Academy, charter and other revenue	1,103	3,329	4,432	5,429	22.5%
Total Revenue	21,367	59,200	80,567	86,675	7.6%
Operating Expenses					
Flight operations	2,462	7,189	9,651	11,020	14.2%
Aircraft fuel	4,203	13,535	17,738	18,933	6.7%
Aircraft rental	1,300	3,381	4,681	4,835	3.3%
Maintenance	3,843	11,846	15,689	17,857	13.8%
Passenger service	4,798	12,102	16,900	17,830	5.5%
Promotion & sales	1,561	4,603	6,164	5,977	(3.0%)
General and administrative	1,011	2,483	3,536	3,987	12.8%
Depreciation and amortization	503	1,880	2,552	2,802	9.8%
Total Operating Expenses	19,681	57,019	76,911	83,241	8.2%
Income from operations	1,686	2,181	3,656	3,434	(6.1%)
Non-Operating Income and (Expense)					
Interest (expense)	(158)	(713)	(605)	(500)	(17.4%)
Other income (expense)	(5)	185	180	155	(13.9%)
Income before taxes	1,523	1,653	3,231	3,089	(4.4%)
Provision for income taxes	523	577	1,121	1,172	4.5%
Income before minority interest	1,000	1,076	2,110	1,917	(9.1%)
Minority interest		(11)	(11)		
Net income	$ 1,000	$ 1,065	$ 2,099	$ 1,917	(8.7%)

Operating Statistics. The following table sets forth our major operational statistics and the percentage-of-change for the periods identified below.

	Predecessor January 1, 2006 to March 14, 2006	Successor March 15, 2006 to September 30, 2006	Pro Forma Nine Months Ended September 30, 2006	Pro Forma Successor Nine Months Ended September 30, 2007	Percent Change 2006 to 2007
Operating Statistics (unaudited):					
Available seat miles (000 s)			217,504	222,063	2.1%
Revenue passenger miles (000 s)			129,319	133,086	2.9%
Revenue passengers carried			663,395	673,365	1.5%
Departures flown			53,486	53,710	0.4%
Passenger load factor			59.5%	59.9%	0.8%
Average yield per revenue passenger mile			$ 0.589	$ 0.610	3.7%
Revenue per available seat miles			$ 0.350	$ 0.366	4.5%
Operating costs per available seat mile			$ 0.354	$ 0.379	7.2%
Average passenger fare			$ 114.77	$ 120.66	5.1%
Average passenger trip length (miles)			195	198	1.5%
Aircraft in service (end of period)			34	34	0.0%
Fuel cost per gallon (incl taxes & fees)			$ 2.21	$ 2.21	0.0%

Net Income. The Company s consolidated net income for the nine months ended September 30, 2007 was $1.9 million compared to net income of $2.1 million for the same period of 2006. Factors relating to the change in net income are discussed below.

Operating Income. The following table identifies the respective operating profit contribution from each of our operating components.

	Predecessor January 1, 2006 to March 14, 2006	Successor March 15, 2006 to September 30, 2006	Pro Forma Nine Months Ended September 30, 2006	Pro Forma Successor Nine Months Ended September 30, 2007	Percent Change 2006 to 2007
	(In thousands)				
Airline and charter	$ 1,877	$ 3,467	$ 5,175	$ 6,326	22.2%
Academy	219	160	379	1	(99.7%)
Cuba charter, net	172	556	728	531	(27.1%)

Total earnings from operations	2,268	4,183	6,282	6,858	9.2%
General and administrative	(582)	(2,002)	(2,626)	(3,424)	30.4%
Income from operations	$ 1,686	$ 2,181	$ 3,656	$ 3,434	(6.1%)

Consolidated operating income for the nine months ended September 30, 2007 was $3.4 million compared to $3.7 million for the same period of 2006. The decrease in operating income was primarily the result of reduced profits from the Academy and Cuban charter, and increased general and administrative expenses, partially offset by increased operating income from our airline operations. The increase in operating income in our airline operations was due to higher passenger fares and the addition of new charter operations, offset by increased expenses for flight operations and maintenance.

Operating Revenues. Consolidated revenues increased to $86.7 million for the nine months ended September 30, 2007 from $80.6 million for the same period of 2006. This represented an increase of 7.5%

over the prior year. The following table identifies the respective revenue contribution from each of our operating components.

	Predecessor January 1, 2006 to March 14, 2006	Successor March 15, 2006 to September 30, 2006	Pro Forma Nine Months Ended September 30, 2006	Pro Forma Successor Nine Months Ended September 30, 2007	Percent Change 2006 to 2007
		(In thousands)			
Revenue					
Airline passenger revenue	$ 20,264	$ 55,871	$ 76,135	$ 81,246	6.7%
Charter and other revenue	283	2,132	2,415	4,334	79.5%
Cuba charter, net	172	556	728	531	(27.1%)
Academy	906	1,703	2,609	2,786	6.8%
Intercompany revenue elimination	(258)	(1,062)	(1,320)	(2,221)	(68.3%)
Total Revenue	$ 21,367	$ 59,200	$ 80,567	$ 86,145	6.9%

Airline Passenger Revenue. Passenger revenue increased 6.7% to $81.2 million for the nine months ended September 30, 2007 from $76.1 million for the same period of 2006. This increase was primarily driven by a 3.7% increase in yield per revenue passenger mile and an increase of 2.1% in available seat miles. The increase in yield per revenue passenger mile reflected an industry-wide improvement in the pricing environment, which we believe was largely in response to substantially higher fuel prices.

Charter, Cuba Operations and Other Revenue. Revenues from charter, Cuba operations and other operations increased 54.8% to $4.9 million for the nine months ended September 30, 2007 from $3.1 million for the same period of 2006 due principally to our commencement of a new charter service for a government subcontractor. Under our agreement with this subcontractor, we operate approximately two daily round-trip flights between West Palm Beach and Andros Town, Bahamas with two B1900Ds we have leased to support the operation. We initiated service under this contract in June 2006, and this contract generated $1.0 million of incremental charter revenue through September 2007 compared to the same period last year.

Academy Revenue. Revenue from the Academy increased 6.8% to $2.8 million for the nine months ended September 30, 2007 from $2.6 million for the same period last year. The year-over-year revenue increase marks a turn-around from revenue declines experienced for the past eighteen months. These declines began in late 2005 as reductions in minimum flight hours required for pilot applicants by several regional airlines made pilot applicant recruiting more difficult, and the sales and marketing activities within the Academy were reduced. In January 2006, a former salesman of the Academy formed a business that the Company believes competes directly with the Academy for student pilots. Thereafter, the former President of the Academy resigned his position and the Company believes he became affiliated with the alleged competing business. As a result, enrollment at the Academy declined significantly throughout 2006 and continued during the first quarter of 2007. The Academy has initiated a lawsuit against these former employees, alleging violation of non-competition and fiduciary obligations. The defendants, including the Academy s former President, subsequently filed a counterclaim against the Academy based upon lost earnings and breach of contract.

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Airline Operating Expenses. The following table presents Gulfstream Airline operating expenses for the nine-month periods ended September 30, 2007 and 2006:

	Predecessor January 1, 2006 to March 14, 2006	Successor March 15, 2006 to September 30, 2006	Pro Forma Nine Months Ended September 30, 2006	Pro Forma Nine Months Ended September 30, 2007	Percentage of Airline Revenue Nine Months Ended September 30, 2006	Percentage of Airline Revenue Nine Months Ended September 30, 2007	Percent Change 2006 to 2007
	(In thousands)						
Flight operations	$ 2,462	$ 7,189	$ 9,651	$ 11,020	12.7%	13.6%	14.2%
Aircraft fuel	4,203	13,535	17,738	18,933	23.3%	23.3%	6.7%
Aircraft rental	1,300	3,381	4,681	4,835	6.1%	6.0%	3.3%
Maintenance	3,843	11,846	15,689	17,857	20.6%	22.0%	13.8%
Passenger service	4,798	12,102	16,900	17,830	22.2%	21.9%	5.5%
Promotion & sales	1,561	4,603	6,164	5,977	8.1%	7.3%	(3.0%)
Depreciation and amortization	503	1,880	2,552	2,802	3.4%	3.4%	9.8%
	$ 18,670	$ 54,536	$ 73,375	$ 79,254	96.4%	97.5%	8.0%

Flight Operations. Major components of flight operations expense include salaries for pilots, instructors, flight attendants and other operations personnel. Flight operations expenses increased to $11.0 million, or 13.6% of airline revenue, for the nine months ended September 30, 2007 from $9.7 million, or 12.7% of airline passenger revenue, for the same period last year. The increase in flight operations expenses as a percentage of airline revenue was primarily due to increased salaries and wages, which increased to 9.3% of airline revenue during the first nine months of 2007 compared to 8.5% for the same period in 2006.

Salaries and wages were higher in 2007 due to several factors: the year-over-year impact of a new collective bargaining agreement in the second quarter of 2006; recent inefficient flight schedules combined with maintenance related delays and cancellations, which led to a decrease in the efficiency of our flight crews during the second quarter of 2007, our peak seasonal period; and overtime, training and related costs resulting from increased pilot attrition.

We have recently improved the efficiency of our flight schedules. We have also overlapped the June 2006 anniversary of the collective bargaining related pay increases. As a result, year-over-year increases in our flight operations expenses as a percentage of revenue lessened significantly beginning in the second half of 2007.

Aircraft Fuel. Aircraft fuel expenses increased to $18.9 million for the nine months ended September 30, 2007 from $17.7 million for the same period last year, principally due to an increase in aircraft hours flown.

Aircraft Rent. Aircraft rent is related to the lease costs associated with the rental of our 27 B-1900D aircraft. Aircraft rent expense increased as the result of leasing two additional B-1900D aircraft, offset by the absorption of aircraft rent expense within charter operations as a result of increased charter flying. The improvement as a percent of airline revenue reflects the fixed nature of this expense in the context of the improving revenue environment that existed during the first nine months of 2007.

Maintenance and repairs expense. Major components of maintenance and repairs expense include salaries and wages, materials and expenses incurred from third party service providers required to maintain our aircraft. Maintenance increased to $17.9 million, or 22.0% of airline revenue, for the nine months ended September 30, 2007 from $15.7 million, or 20.6% of airline revenue for the same period last year. Total maintenance cost per flight hour increased by 9.0% to $363 in 2007 from $333 in 2006. The Company has increased compensation rates to improve retention of maintenance personnel, increased the number of maintenance personnel, and opened a new maintenance facility in West Palm Beach, Florida, to ensure continued fleet reliability.

Passenger Service. Major components of passenger service expense include ground handling services, airport counter and gate rentals, wages paid to our airport employees, passenger liability insurance, security and miscellaneous passenger-related expenses. Passenger service expense increased 5.5% to $17.8 million, or 21.9% of airline revenue, for the nine months ended September 30, 2007 from $16.9 million, or 22.2% of airline revenue, for the same period last year. Decreased passenger service expense as a percentage of airline revenue was due to the leveraging effect on our expenses that resulted from capacity additions and increases in revenue yield during the nine months ended September 30, 2007.

Promotion and Sales. Major components of promotion and sales expense include credit card commissions, travel agent commissions and reservation system fees. Promotion and sales expense decreased 3.0% to $6.0 million for the nine months ended September 30, 2007 from $6.2 million for the same period last year. Promotion and sales expense decreased as a percentage of airline revenue to 7.4% for the nine months ended September 30, 2007 from 8.1% of airline revenue for the same period last year. Most of this improvement as a percentage of airline revenue was due to the impact of higher average fares.

Depreciation and amortization expense. Depreciation and amortization expense increased 9.8% to $2.8 million for the nine months ended September 30, 2007 from $2.6 million for the same period last year. The increase in the first nine months of 2007 was due primarily to the additional depreciation resulting from the increased cost of engine overhaul events related to our owned EMB-120 aircraft. The increased cost of the engine overhauls are depreciated based on actual engine hours flown.

General and Administrative and Academy Operating Expense. Our consolidated general and administrative expenses include the expenses of the Academy, as set forth in the following table.

	Predecessor	**Successor**	**Pro Forma**	**Pro Forma Successor**