

GULFSTREAM INTERNATIONAL GROUP INC
Form 10-Q
November 16, 2009

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **September 30, 2009**

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____ to _____

Commission file number **001-33884**

GULFSTREAM INTERNATIONAL GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

20-3973956

(IRS Employee Identification No.)

3201 Griffin Road, 4th Floor, Fort Lauderdale, Florida 33312

(Address of principal executive offices)

(954) 985-1500

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

Yes No

Number of outstanding shares of the registrant's par value \$0.01 common stock, as of November 16, 2009: 3,464,661.

GULFSTREAM INTERNATIONAL GROUP, INC.

QUARTERLY REPORT ON FORM 10-Q

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PART I. FINANCIAL INFORMATION**ITEM 1.****FINANCIAL STATEMENTS****GULFSTREAM INTERNATIONAL GROUP, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****(In \$ thousands, except share data)**

	December 31, 2008	As of September 30, 2009 (Unaudited)
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,215	\$ 650
Accounts receivable	4,205	3,680
Expendable parts	1,194	1,171
Prepaid expenses	648	556
Total Current Assets	9,262	6,057
Property and Equipment		
Flight equipment	3,366	3,596
Other property and equipment	1,373	1,518
Less accumulated depreciation	(1,946)	(2,455)
Total Property and Equipment	2,793	2,659
Intangible assets, net	3,778	3,582
Deferred tax assets	2,032	3,438
Other assets	1,505	1,408
Total Assets	\$ 19,370	\$ 17,144
Liabilities and Stockholders' Equity (Deficit)		
Current Liabilities		
Accounts payable and accrued expenses	\$ 9,566	\$ 9,990
Accounts payable - restructured, current portion	2,761	2,627
Long-term debt, current portion	529	650
Engine return liability, current portion	2,432	1,231
Air traffic liability	1,491	1,004

Deferred tuition revenue	728	982
Total Current Liabilities	17,507	16,484
Long Term Liabilities		
Accounts payable, restructured, net of current portion	988	559
Long-term debt, net of current portion	2,850	2,516
Engine return liability, net of current portion	461	
Warrant liability	2,229	2,610
Total Liabilities	24,035	22,169
Stockholders' Equity (Deficit)		
Common stock (par value \$0.01, 15,000,000 shares authorized, 2,959,600 issued and outstanding)	30	30
Additional paid-in capital	13,088	12,981
Common stock warrants	252	252
Accumulated deficit	(17,721)	(18,288)
Accumulated other comprehensive loss	(314)	
Total Stockholders' Equity (Deficit)	(4,665)	(5,025)
Total Liabilities & Stockholders' Equity (Deficit)	\$ 19,370	\$ 17,144

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

GULFSTREAM INTERNATIONAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2009	2008	2009
Operating Revenues				
Passenger revenue	\$ 16,754	\$ 12,946	\$ 72,105	\$ 46,713
Academy, charter and other revenue	4,312	6,579	11,268	20,087
Total Operating Revenues	21,066	19,525	83,373	66,800
Operating Expenses				
Flight operations	2,824	3,815	10,211	10,642
Aircraft fuel	7,083	3,537	25,332	10,319
Maintenance	5,317	5,635	18,870	16,610
Passenger and traffic service	4,898	4,865	17,595	14,725
Aircraft rent	1,468	1,428	4,701	4,651
Promotion and sales	1,463	1,124	5,588	3,720
General and administrative	1,655	1,773	5,499	5,401
Depreciation and amortization	280	296	2,472	876
Impairment charge on assets held for sale	496		4,963	
Total Operating Expenses	25,484	22,473	95,231	66,944
Operating profit (loss)	(4,418)	(2,948)	(11,858)	(144)
Non-operating (expense) income				
Interest expense	(104)	(527)	(406)	(1,667)
Interest income	14		34	2
Other (expense) income	(11)	(54)	(23)	(169)
Total non-operating (expense) income	(101)	(581)	(395)	(1,834)
	(4,519)	(3,529)	(12,253)	(1,978)

**Profit (loss) before income
tax provision (benefit)**

Income tax provision
(benefit)

Net profit (loss)	\$	(4,078)	\$	(3,529)	\$	(8,909)	\$	(567)
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Net Income (Loss) per
share:

Basic	(1.38)	\$	(1.19)	(3.01)	\$	(0.19)
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Diluted	(1.38)	\$	(1.19)	(3.01)	\$	(0.25)
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Shares used in calculating
net income (loss) per share
(in thousands):

Basic	2,959	2,959	2,956	2,959
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Diluted	2,959	2,959	2,956	2,959
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The accompanying notes are an integral part of these consolidated financial statements.

GULFSTREAM INTERNATIONAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2008	2009
Cash flows from operating activities:		
Net income (loss)	\$ (8,909)	\$ (567)
Adjustment to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Impairment charge on assets held for sale	4,963	
Depreciation and amortization	2,594	876
Deferred income tax provision (benefit)	(3,344)	(1,411)
Amortization of deferred finance costs		901
Stock-based compensation	38	85
Write-off of unamortized overhaul costs	573	
Amortization of warrant discount	8	195
Provision for bad debts		10
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	(206)	515
Decrease (increase) in expendable parts	(624)	23
Decrease (increase) in prepaid expense	76	92
Decrease (increase) in due from affiliates	640	
Decrease (increase) in other assets	(57)	(119)
Increase (decrease) in accounts payable & accrued exps.	(2,906)	424
Increase (decrease) in accounts payable - restructured		(564)
Increase (decrease) in deferred revenue	(9)	(233)
Increase (decrease) in engine return liability	(435)	(1,662)
Net cash provided by (used in) operating activities	(7,598)	(1,435)
Cash flows from (used in) investing activities:		
Acquisition of property and equipment	(2,448)	(528)
Net Proceeds from sale of equipment	12,365	
Net cash provided by (used in) investing activities	9,917	(528)
Cash flows from (used in) financing activities:		

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Proceeds from borrowings	6,100	
Change in fair value of open fuel hedge contracts		314
Proceeds from issuance of common stock	858	
Repayments of debt	(9,027)	(916)
Payment of debt issuance costs	(699)	
Net cash provided by (used in) financing activities	(2,768)	(602)