ERA GROUP INC.
Form 10-K
March 09, 2018

United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

ANNUAL REPORT
PURSUANT TO SECTIONS 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
(Mark one)
ýANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017
OR
¨TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 001-35701
Era Group Inc.
(Exact name of Registrant as Specified in Its Charter)

Delaware	72-1455213
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
818 Town & Country Blvd., Suite 200 Houston, Texas	77024
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code (713) 369-4700
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ¨ Yes ý No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ¨ Yes ý No
Indicate by check mark whether the registrant (1) has 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 such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ý 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). ý Yes ¨ No
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý

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 definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨	Accelerated filer ý	Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨	Emerging growth company ý

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
¨ Yes ý No

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ý

The aggregate market value of the voting stock of the registrant held by non-affiliates as of June 30, 2017 was $187,657,092. The total number of shares of Common Stock, par value $0.01 per share, outstanding as of March 5, 2018 was 21,319,150. The Registrant has no other class of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2018 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended December 31, 2017 are incorporated herein by reference in Part III of this Annual Report on Form 10-K.

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements concerning management’s expectations, strategic objectives, business prospects, anticipated performance and financial condition and other similar matters involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of results to differ materially from any future results, performance or achievements discussed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include, among others:

- the Company’s dependence on, and the cyclical and volatile nature of, offshore oil and gas exploration, development and production activity, and the impact of general economic conditions and fluctuations in worldwide prices of and demand for oil and natural gas on such activity levels;
- the Company’s reliance on a limited number of customers and the reduction of its customer base as a result of bankruptcies or consolidation;
- risks that the Company’s customers reduce or cancel contracted services or tender processes or obtain comparable services through other forms of transportation;
- the Company’s dependence on U.S. government agency contracts that are subject to budget appropriations;
- cost savings initiatives implemented by the Company’s customers;
- risks inherent in operating helicopters;
- the Company’s ability to maintain an acceptable safety record and level of reliability;
- the impact of increased United States (“U.S.”) and foreign government regulation and legislation, including potential government implemented moratoriums on drilling activities;
- the impact of a grounding of all or a portion of the Company’s fleet for extended periods of time or indefinitely on the Company’s business, including its operations and ability to service customers, results of operations or financial condition and/or the market value of the affected helicopters;
- the Company’s ability to successfully expand into other geographic and aviation service markets;
- risks associated with political instability, governmental action, war, acts of terrorism and changes in the economic condition in any foreign country where the Company does business, which may result in expropriation, nationalization, confiscation or deprivation of the Company’s assets or result in claims of a force majeure situation;
- the impact of declines in the global economy and financial markets;
- the impact of fluctuations in foreign currency exchange rates on the Company’s asset values and cost to purchase helicopters, spare parts and related services;
- risks related to investing in new lines of aviation service without realizing the expected benefits;
- risks of engaging in competitive processes or expending significant resources for strategic opportunities, with no guaranty of recoupment;
- the Company’s reliance on a limited number of helicopter manufacturers and suppliers;
- the Company’s ongoing need to replace aging helicopters;
- the Company’s reliance on the secondary helicopter market to dispose of used helicopters and parts;
- the Company’s reliance on information technology;
- the impact of allocation of risk between the Company and its customers;
- the liability, legal fees and costs in connection with providing emergency response services;
- adverse weather conditions and seasonality;
- risks associated with the Company’s debt structure;
- the Company’s counterparty credit risk exposure;
- the impact of operational and financial difficulties of the Company’s joint ventures and partners and the risks associated with identifying and securing joint venture partners when needed;
- conflict with the other owners of the Company’s non-wholly owned subsidiaries and other equity investees;
- adverse results of legal proceedings;

- risks associated with significant increases in fuel costs;
- the Company's ability to obtain insurance coverage and the adequacy and availability of such coverage;
- the Company's ability to remediate the material weakness in its internal controls over financial reporting described in "Item 9A. Controls and Procedures" of this Annual Report;
- the possibility of labor problems;
- the attraction and retention of qualified personnel;
- restrictions on the amount of foreign ownership of the Company's common stock; and
- various other matters and factors, many of which are beyond the Company's control.

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It is not possible to predict or identify all such factors. Consequently, the foregoing should not be considered a complete discussion of all potential risks or uncertainties. The words “estimate,” “project,” “intend,” “believe,” “plan” and similar expressions are intended to identify forward-looking statements. Forward-looking statements speak only as of the date of the document in which they are made. The Company disclaims any obligation or undertaking to provide any updates or revisions to any forward-looking statement to reflect any change in the Company’s expectations or any change in events, conditions or circumstances on which the forward-looking statement is based. The forward-looking statements in this Annual Report on Form 10-K should be evaluated together with the many uncertainties that affect the Company’s businesses, particularly those discussed in greater detail in Part I, Item 1A, “Risk Factors” and Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Annual Report on Form 10-K.

PART I
ITEM 1. BUSINESS
General
Unless the context indicates otherwise, the terms "we," "our," "ours," "us" and the "Company" refer to Era Group Inc. and its consolidated subsidiaries. "Era Group" refers to Era Group Inc., incorporated in 1999 in Delaware. "Common Stock" refers to the common stock, par value $0.01 per share, of Era Group. The Company's fiscal year ended on December 31, 2017.
We are one of the largest helicopter operators in the world and the longest serving helicopter transport operator in the U.S., which is our primary area of operations. Our helicopters are primarily used to transport personnel to, from and between offshore oil and gas production platforms, drilling rigs and other installations. In the years ended December 31, 2017, 2016 and 2015, approximately 62%, 62% and 66%, respectively, of our total operating revenues were earned in the U.S. Gulf of Mexico. In the same periods, approximately 34%, 31% and 21%, respectively, of total operating revenues were earned in international locations. We currently have customers in Argentina, Brazil, Colombia, the Dominican Republic, India and Suriname.
The primary users of our helicopter services are international, independent and major integrated oil and gas exploration, development and production companies. Our customers include Anadarko Petroleum Corporation ("Anadarko"), Petroleo Brasileiro S.A. ("Petrobras") and the Bureau of Safety and Environmental Enforcement ("BSEE"), a U.S. government agency. In the years ended December 31, 2017, 2016 and 2015, approximately 91%, 88% and 78%, respectively, of our operating revenues were derived from helicopter services, including emergency response services, provided to customers primarily engaged in offshore oil and gas exploration, development and production activities and U.S. government agencies that oversee these activities. Accordingly, our results of operations are, to a large extent, tied to the level of offshore exploration, development and production activity by oil and gas companies in the Americas, including the U.S. Gulf of Mexico and Brazil. In addition to serving the oil and gas industry, we provide utility services to support firefighting, mining, power line and pipeline survey activities, among other activities.
We also lease helicopters to third parties and foreign affiliates and, in some cases, provide services such as logistical and maintenance support, training and flight and maintenance crews in addition to the helicopters. These third parties and affiliates in turn provide helicopter services to customers in their local markets, many of which include oil and gas exploration, development and production companies. Under these leasing arrangements, operational responsibility is typically assumed by the lessee, eliminating, in large part, the need to incur the investment costs for direct support infrastructure in the location the helicopters are utilized.
In certain countries where we believe it is beneficial to access the local market for offshore helicopter support, we conduct our operations through subsidiaries, strategic alliances with foreign partners or through entities structured as joint ventures with local shareholders. In Brazil, we hold a 50% economic and 20% voting interest in Aeróleo Taxi Aéreo S/A ("Aeróleo"), a helicopter transport service provider to the offshore oil and gas industry based in Rio de Janeiro, Brazil. Aeróleo is consolidated in our financial statements as it is a variable interest entity of which we are the primary beneficiary. In Colombia, we hold a 75% interest in Sicher Helicopters SAS ("Sicher"), a leading helicopter operator based in Bogota, Colombia with a strong presence in the existing onshore oil and gas market. Sicher is also consolidated in our financial statements.
We provide additional services through joint ventures that complement our core helicopter operating and leasing activities. We hold a 50% interest in our Dart Holding Company Ltd. ("Dart") joint venture, which is a sales and manufacturing organization based in Canada that engineers and manufactures after-market helicopter parts and accessories for sale to helicopter manufacturers and operators and distributes parts and accessories on behalf of other manufacturers. We also hold a 50% interest in Era Training Center LLC ("Era Training"), a joint venture based in Lake Charles, Louisiana, which provides classroom instruction, flight simulator and other training to our employees.
Era Group's principal executive office is located at 818 Town & Country Blvd., Suite 200, Houston, Texas 77024, and its telephone number is (713) 369-4700. Era Group's website address is www.erahelicopters.com. The reference to Era Group's website is not intended to incorporate the information on the website into this Annual Report on Form 10-K.
Emerging Growth Company

On January 31, 2013, SEACOR Holdings Inc. (“SEACOR”) completed the spin-off of Era Group (the “Spin-off”), and we are now an independent company with our Common Stock traded on the New York Stock Exchange (“NYSE”) under the symbol “ERA.” We are an “Emerging Growth Company,” as defined in the Jumpstart Our Business Startups Act (the “JOBS Act”), and are eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. These include, but are not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002 ("the Sarbanes-Oxley Act"), reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and obtaining stockholder approval of any golden parachute payments. Unless our public float exceeds $700 million or our annual revenues exceed $1 billion before then, we will cease to be an emerging growth company no later than December 31, 2018.

Segment and Geographic Information

We have determined that our operations comprise a single segment. Helicopters are mobile and versatile assets and, as a result, may be utilized in any of our service lines as business needs dictate. Financial data for geographic areas is reported in Note 13 of the Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K.

Our Strategy

Our goal is to be the most efficient helicopter operator in the industry and to pursue additional business opportunities that leverage our strengths. Our operational, commercial and capital allocation strategies to achieve this goal are as follows:

Be the preferred provider of helicopter services in the Americas. The primary focus of our business operations is the provision of safe, reliable and efficient helicopter services to our valued customers. We believe our customers consider safety and reliability as the two primary attributes required of their helicopter service providers. We are a founding member of HeliOffshore Ltd. ("HeliOffshore"), a global offshore helicopter industry safety association, and we continue to maintain a leadership role in the organization, which uses cross-industry cooperation as a platform for enhancing the industry's overall strong safety record by sharing best practices, developing and applying advanced technology and encouraging common global flight standards. Amongst the helicopter service operators who meet their safety and reliability requirements, we believe customers usually make their selection of a provider based on aircraft availability, quality and location of facilities, customer service and pricing. We maintain 19 bases of operations in the Americas to support our customer needs, including a 35-acre super base in Houma, Louisiana that is one of the premier heliports servicing the Gulf of Mexico offering state of the art technology, security screening and passenger processing and comfort to our passengers and employees. We maintain a close partnership with our customers to better enable us to anticipate their needs, enhance customer service, better manage our fleet utilization and inform our capital allocation decisions.

Continue to upgrade our versatile helicopter fleet to enhance fleet utilization and facilitate fleet management. We are one of the largest helicopter operators in the world, operating a diverse and technologically advanced fleet of helicopters. We seek to enhance our fleet through the acquisition of new helicopter models and the installation of newer and safer technologies. An integral part of our fleet strategy is premised upon maintaining well-qualified and well-trained maintenance, ground and flight crews to service our fleet. We regularly review our asset portfolio by assessing market conditions and our customers' demand for different helicopter models. We buy, sell and lease our equipment in the ordinary course of our business. We believe our strong relationships with the helicopter original equipment manufacturers ("OEMs") help us maintain an asset base suitable for use within our own operations and for a variety of leasing solutions to other operators. We have ordered and maintain options on a number of new helicopters from the OEMs. During 2017, we took delivery of one new S92 heavy helicopter. As of December 31, 2017, we have orders to take delivery of one S92 helicopter, five heavy AW189 helicopters and five AW169 light twin helicopters. These new helicopter models enhance our fleet diversity and better enable us to meet customers' needs. In order to maintain the flexibility required to address changing industry and market conditions that impact the supply and demand for our services and our customer needs, we retain the ability to terminate a significant portion of our commitments to purchase new helicopters subject to specified minimal liquidated damages.

Pursue additional leasing opportunities. We believe the various leasing solutions that we offer to other helicopter operators permit us to monetize demand from end markets that we may not otherwise have access to without a further investment in infrastructure and/or operations. There is intense competition in the leasing market with the introduction and expansion of specialized helicopter leasing companies. We believe customers look to us for a variety of leasing solutions because of our fleet diversity, including selection of light, medium and heavy helicopters to meet customer needs, and our ability as an operator to provide related services such as training, maintenance support and temporary ground and flight crews, which differentiates us from the financial leasing companies. During 2017, we began leasing helicopters and providing related support services to a new customer that provides helicopter emergency medical services in the U.S.

Expand into new and growing geographic markets. We believe there are significant opportunities in markets outside of the U.S., and we selectively seek to access these growth markets. In addition to our 50% economic interest in Aeróleo in Brazil and 75% interest in Sicher in Colombia, we continue to develop relationships in targeted markets that we believe are underserved by larger multinational helicopter operators, may benefit from our unique offering of services and expertise and provide us with opportunities for growth. As we seek to grow our business, we regularly evaluate new opportunities and entry into new markets through operating contracts, leases, acquisitions, joint venture investments and alliances with other industry participants.

Maximize shareholder value. We proactively manage our fleet as a portfolio of assets, and we plan our capital allocation with a focus on achieving business growth and improving rates of return, taking into careful account our balance sheet, liquidity and risk management. We continuously evaluate and optimize our fleet utilization, and as helicopters come off of current contracts or are replaced by newer models, we assess our future opportunities for such helicopters against our ability to recover our remaining investments in the secondary helicopter market. When appropriate, we may divest helicopters when such actions provide the highest expected shareholder return and often upgrade our fleet by reinvesting the proceeds in newer helicopters, such as the S92 and AW189 helicopter models. In addition, we pursue opportunities that leverage our fleet's versatility by shifting assets between markets when circumstances warrant.

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

Equipment and Services

We own and operate three classes of helicopters:

- Heavy helicopters, which have twin engines and a typical passenger capacity of 16 to 19, are primarily used in support of the deepwater offshore oil and gas industry, frequently in harsh environments or in areas with long distances from shore, such as those in the U.S. Gulf of Mexico, Brazil, Australia and the North Sea. Heavy helicopters are also used to support emergency response search and rescue ("SAR") operations.
- Medium helicopters, which have twin engines and a typical passenger capacity of 11 to 12, are primarily used to support the offshore oil and gas industry, emergency response services, utility services and corporate uses.
- Light helicopters, which may have single or twin engines and a typical passenger capacity of five to nine, are used to support a wide range of activities, including the shallow water oil and gas industry, utility services, tourism and corporate uses.

As of December 31, 2017, we owned or leased a total of 132 helicopters, consisting of 16 heavy helicopters, 47 medium helicopters, 29 light twin engine helicopters and 40 light single engine helicopters. We had commitments to purchase 11 new helicopters consisting of one S92 helicopter, five AW189 helicopters, and five AW169 helicopters. The S92 and AW189 helicopters are scheduled to be delivered in 2018 through 2019. Delivery dates for the AW169 helicopters have not been determined. In addition, we have outstanding options to purchase up to an additional ten AW189 helicopters. If these options were exercised, the helicopters would be delivered in 2019 and 2020.

As of December 31, 2017, 105 of our helicopters were located in the U.S. and 27 were located in foreign jurisdictions. The following table identifies the types of helicopters that comprise our fleet and the number of those helicopters in our fleet as of December 31, 2017. "Owned" are those helicopters owned by us. "Leased-in" are those helicopters leased-in under operating leases.

As of December 31, 2017	Owned	Leased-in	Total	Max. Pass.(1)	Cruise Speed (mph)	Approx. Range (miles)	Average Age(2) (years)
Heavy:							
S92	3	—	3	19	175	620	2
H225	9	—	9	19	162	582	8
AW189	4	—	4	16	173	490	1
	16	—	16				
Medium:							
AW139	36	—	36	12	173	426	8
S76 C+/C++	5	—	5	12	161	348	11
B212	6	—	6	11	115	299	39
	47	—	47				
Light—twin engine:							
A109	7	—	7	7	161	405	12
EC135	13	2	15	7	138	288	9
EC145	2	—	2	9	150	336	9
BK117	—	2	2	9	150	336	n/a
BO105	3	—	3	4	138	276	28
	25	4	29				
Light—single engine:							
A119	14	—	14	7	161	270	11
AS350	26	—	26	5	138	361	21
	40	—	40				
Total Fleet	128	4	132				13

(1) In typical configuration for our operations.
(2) Reflects the average age of helicopters that are owned by us.

The management of our fleet involves a careful evaluation of the expected demand for helicopter services across global markets and the types of helicopters needed to meet this demand. As offshore oil and gas exploration, development and production globally moves to deeper water, more heavy and medium helicopters and newer technology helicopters may be required. Our orders and options to purchase helicopters are primarily for heavy helicopters. These capital commitments reflect our effort to meet customer demand for helicopters suitable for the deepwater market.

Heavy and medium helicopters fly longer distances at higher speeds and can carry heavier payloads than light helicopters and are usually equipped with sophisticated avionics permitting them to operate in more demanding weather conditions and difficult climates. Heavy and medium helicopters are most commonly used for crew changes on large offshore production facilities and drilling rigs servicing the oil and gas industry.

In the U.S., we provide and operate helicopters under contracts using a Federal Aviation Administration ("FAA") issued Part 135 Air Operator's Certificate ("AOC") for a variety of activities, primarily offshore oil and gas exploration, development and production, emergency response services, utility services and until recently provided flightseeing tours. For operating contracts, we are required to provide a complete support package including flight crews, helicopter maintenance and management of flight operations.

In international markets, local regulatory requirements may require us to conduct our operations using another operator's AOC through strategic alliances with foreign partners or through non-wholly owned entities with local shareholders. When we lease helicopters to customers that operate them on their AOC, our customers generally handle all the operational support except where our contracts require us to provide limited operational support, which may consist of helicopter maintenance, logistical support, personnel and/or training.

Markets

Our current principal markets for our transportation and emergency response services to the offshore oil and gas exploration, development and production industry are in the U.S. Gulf of Mexico, Brazil, Suriname, Colombia and Alaska. In addition, we currently have customers in Argentina, the Dominican Republic and India.

Demand for helicopters in support of offshore oil and gas exploration, development and production, both in the U.S. and internationally, is affected by the level of offshore exploration and drilling activities. Activity levels in the offshore oil and gas industry, in turn, are affected by prevailing oil and gas prices, expectations about future prices, price volatility and long-term trends in oil and gas prices. Historically, the prices for oil and gas and, consequently, the level of activity in the offshore oil and gas industry, have been volatile and subject to wide fluctuations in response to changes in the supply of and demand for oil and gas, market uncertainty and a variety of additional factors beyond our control, such as:

- customer assessments of offshore drilling prospects compared with land-based opportunities, including oil sands and shale formations;
- customer assessments of cost, geological opportunity and political stability in host countries;
- worldwide supply of and demand for oil and natural gas;
- the price and availability of alternative fuels;
- the ability of The Organization of Petroleum Exporting Countries (“OPEC”) to set and maintain production levels and pricing;
- the level of production of non-OPEC countries;
- the relative exchange rates for the U.S. dollar; and
- various U.S. and international government policies regarding exploration and development of oil and gas reserves.

U.S. Markets. We are one of the largest suppliers of helicopter services in the U.S. Gulf of Mexico, which is a major offshore oil and gas exploration, development and production region and one of the largest oil and gas aviation markets in the world. We operate from 11 bases in this region. Our client base in the U.S. Gulf of Mexico consists primarily of international, independent and major integrated oil and gas companies and the U.S. government. In addition to the quality and location of our operating bases, our strengths in this region include our advanced proprietary flight-following systems, our maintenance operations and our emergency response services.

We have two operating bases in Alaska, where we provide support for independent and major integrated oil and gas companies along the North Slope, and support for inland utility operations. Despite the remote location of our Alaskan bases, they are strategically located to provide services to our customers. These bases frequently include crew accommodations, hangars and fuel systems, all of which can be otherwise difficult or expensive to secure and maintain in such remote locations.

International Markets. We actively market our services globally and currently have customers in Argentina, Brazil, Colombia, the Dominican Republic, Suriname and India.

Brazil. Brazil has one of the largest deepwater offshore exploration, development and production areas in the world. In 2011, we acquired a 50% economic interest and 20% voting interest in Aeróleo. Aeróleo currently operates from a network of four operating bases located strategically in Brazil. Aeróleo’s main customer is Petrobras.

Colombia. Sicher provides helicopter services to Colombia’s existing onshore and expanding offshore oil and gas market.

Suriname. We provide helicopter services to seismic and exploration and production companies in support of Suriname’s offshore oil and gas market.

India. In India, we lease helicopters and provide logistics and spare parts support to an operator serving the offshore oil and gas industry.

Latin America. In addition to our operations in Brazil, Colombia and Suriname, we lease helicopters and provide logistics and other support to operators in Argentina and the Dominican Republic.

Seasonality

A significant portion of our operating revenues and profits related to oil and gas exploration, development and production activity is dependent on actual flight hours. The fall and winter months have fewer hours of daylight, particularly in Alaska, and flight hours are generally lower at these times. Prolonged periods of adverse weather in the fall and winter months, coupled with the effect of fewer hours of daylight, can adversely impact operating results. In general, the months of December through February in the U.S. Gulf of Mexico and October through April in Alaska have more days of adverse weather conditions than the other months of the year. In the U.S. Gulf of Mexico, June through November is tropical storm season. During a tropical storm, we are unable to operate in the area of the storm. However, flight activity may increase immediately before and after a storm due to the evacuation and return of offshore workers. Our Alaska flightseeing operations were also seasonal with activity occuring only from late May until early September, and our firefighting support activities follow a similar seasonal pattern. There is less seasonality in our dry-leasing and emergency response services.

Customers and Contractual Arrangements

Our principal customers in the markets in which we operate are international, independent and major integrated oil and gas exploration, development and production companies. In the U.S. Gulf of Mexico, we also provide helicopter transportation services to BSEE and, in Alaska, until recently we provided flightseeing services to cruise line passengers. Our leasing customers are typically other helicopter operators that operate our leased helicopters under their AOCs and retain the operating risk. These companies in turn provide helicopter transportation services primarily to oil and gas companies. As of December 31, 2017, approximately 4% of our helicopters were utilized in support of these leasing activities.

During the year ended December 31, 2017, our top ten customers accounted for 84% of total revenues. During the years ended December 31, 2017 and December 31, 2016, each of Anadarko, Petrobras and BSEE accounted for 10% or more of our total revenues. During the year ended December 31, 2015, each of Anadarko and BSEE accounted for 10% or more of our total revenues.

We charter the majority of our helicopters primarily through master service agreements, subscription agreements, day-to-day charter arrangements, fixed-term noncancelable contracts and dry-leases. Master service agreements and subscription agreements typically require a fixed monthly fee plus incremental payments based on flight hours flown. These agreements have fixed terms ranging from one month to five years and generally may be canceled without penalty upon 30-90 days' notice. Generally, these contracts do not commit our customers to acquire specific amounts of services or minimum flight hours and permit our customers to decrease the number of helicopters under contract with a corresponding decrease in the fixed monthly payments without penalty. Day-to-day charter arrangements require either a rate for each hour flown with a minimum number of hours to be charged or a daily fixed fee plus an hourly rate based on hours flown. The rate structure, as it applies to our contracts with oil and gas customers, typically contains terms that limit our exposure to changes in fuel costs. Leases generally run from one to five years and may contain early cancellation provisions. Under these leases, we may provide only the equipment or provide additional services such as logistical and maintenance support, training services and flight and maintenance crews. With respect to flightseeing tours, block space on helicopters is allocated to cruise lines and seats are sold directly to customers.

Competitive Conditions

The helicopter industry is highly competitive. There are, however, factors that provide advantages and in some instances barriers to entry, particularly customer certification and access to appropriate facilities in strategic locations. Customers tend to rely heavily on existing relationships and seek operators with established safety records and knowledge of the operating environment.

We are one of the largest helicopter operators in the world with principal operations in the U.S. Gulf of Mexico, Brazil, Suriname, Colombia and Alaska. In the U.S. Gulf of Mexico, we have many competitors, the three largest being Bristow Group Inc. ("Bristow"), PHI, Inc. ("PHI") and Rotorcraft Leasing Company LLC. Some oil and gas customers in the U.S. Gulf of Mexico operate their own helicopter fleets in addition to smaller companies that offer services similar to ours. In Alaska, we compete against a large number of relatively small operators. In international markets, we have several major competitors depending on the region. Our primary competitors in Brazil consist of Lider Aviação Holding S.A., OMNI Táxi Aéreo Ltda., and Brazilian Helicopter Services Taxi Aéreo Ltda.

In most instances, an operator must have an acceptable safety record, demonstrated reliability and suitable equipment to bid for work. Among bidders meeting these criteria, customers typically make their final choice based on helicopter preference, aircraft availability, the quality and location of operating bases, customer service and price.

Our leasing business competes against financial leasing companies such as Lease Corporation International (Aviation) Limited ("LCI"), Lobo Leasing Limited ("Lobo"), Macquarie Rotocraft Leasing Limited ("Macquarie"), Milestone Aviation Group Limited ("Milestone") and Waypoint Leasing Limited ("Waypoint").

Risks of Foreign Operations

We have activities worldwide, and for the years ended December 31, 2017, 2016 and 2015, 34%, 31%, and 21%, respectively, of our operating revenues were derived from foreign activities.

Foreign operations are subject to inherent risks, which, if they materialize, could have a material adverse effect on our financial position and our results of operations. See Item 1A. Risk Factors - “We are subject to political, economic and regulatory risks associated with our international operations” for more information.

Government Regulation

Regulatory Matters. Our operations are subject to significant federal, state and local regulations in the U.S., as well as international treaties and conventions and the laws of foreign jurisdictions where we operate our equipment or where the equipment is registered or operated. Our results of operations are dependent upon our ability to maintain compliance with all applicable laws in the jurisdictions in which we operate.

In the U.S. we hold the status of an air carrier under the relevant provisions of Title 49 of the United States Transportation Code (“Transportation Code”) and engage in the operating and leasing of helicopters in the U.S. and, as such, we are subject to various statutes and regulations. We are governed principally by the regulations of the United States Department of Transportation (“DOT”), including Part 298 registration as an On-Demand Air Taxi Operator, and the regulations of the FAA applicable to an FAA Part 135 Air Taxi certificate holder. Among other things, the DOT regulates our status as an air carrier, including our U.S. citizenship. The FAA regulates our flight operations and, in this respect, has jurisdiction over our personnel, helicopters, ground facilities and certain technical aspects of our operations. In addition to the FAA, the National Transportation Safety Board is authorized to investigate our helicopter accidents (if any) and to recommend improved safety standards. We are also subject to the Communications Act of 1934, as amended, because of the use of radio facilities in our operations.

Helicopters operating in the U.S. are subject to registration, and their owners are subject to citizenship requirements under the Federal Aviation Act. This Act generally requires that before a helicopter may be legally operated in the U.S., it must be owned by citizens of the U.S., which, in the case of a corporation, means a corporation: (i) organized under the laws of the U.S. or of a state, territory or possession thereof, (ii) of which at least 75% of its voting interests are owned or controlled by persons who are “U.S. citizens” (as defined in the Federal Aviation Act and regulations promulgated thereunder), and (iii) of which the president and at least two-thirds of the board of directors and managing officers are U.S. citizens. We have adopted provisions in our amended and restated Certificate of Incorporation to ensure compliance with the regulations of the FAA.

In Brazil, an operator must be licensed by the National Agency for Civil Aviation. Under applicable Brazilian law, in order to maintain its license, an operator must have Brazilian officers and be controlled by nationals of Brazil, meaning at least 80% of the operator’s voting shares are held by Brazilian nationals. The majority holder of voting shares in Aeróleo is a Brazilian national and therefore this subsidiary is currently controlled within the meaning of Brazil licensing requirements. Our ability to conduct our helicopter operating business in Brazil is dependent on our ability to maintain Aeróleo’s AOC.

In Colombia, the Civil Aviation Authority, Aerocivil, is the governmental entity which regulates the Air transportation in the country. Operators must be approved by this entity and regulated under the RAC (Colombian Aviation Regulations). Operators must have an Operations Certificate issued by the Aerocivil complying with all the regulatory matters and subject to frequent revisions and monitoring. Sicher operates under its Operations Certificate, issued since August 2008, and additionally is the only helicopter company in the country certified and operating under FAA regulations which allows it to operate U.S. registered helicopters.

We are subject to state and local laws and regulations including, but not limited to, significant state regulations for our emergency response services. In addition, our international operations, primarily helicopter leasing and our joint ventures, are required to comply with the laws and regulations in the jurisdictions in which they conduct business.

Environmental Compliance. Our business is subject to international and U.S. federal, state and local laws and regulations relating to environmental protection and occupational safety and health, including laws and regulations that govern the discharge of oil and pollutants into navigable waters. If we fail to comply with these environmental laws and regulations, administrative, civil and criminal penalties may be imposed, and we may become subject to regulatory enforcement actions in the form of injunctions and cease and desist orders. We may also be subject to civil claims arising out of a pollution event. These laws and regulations may expose us to strict, joint and several liability for the conduct of or conditions caused by others or for our own acts even though these actions were in compliance with all applicable laws and regulations at the time they were performed. To date, such laws and regulations have not had a material adverse effect on our business, financial condition and results of operations.

These laws include the federal Water Pollution Control Act, also known as the Clean Water Act, which imposes restrictions on the discharge of pollutants to the navigable waters of the U.S. In addition, because our operations generate and, in some cases, involve the transportation of hazardous wastes, we are subject to the federal Resource Conservation and Recovery Act, which regulates the use, generation, transportation, treatment, storage and disposal of certain hazardous and non-hazardous wastes. Under the Comprehensive Environmental Response, Compensation and Liability Act, referred to as CERCLA or the Superfund law, and certain comparable state laws, strict, joint and several liability can be imposed without regard to fault or the legality of the original conduct on certain classes of persons that contributed to the release of a hazardous substance into the environment. These persons include the owner and operator of a contaminated site where a hazardous substance release occurred and any company that transported, disposed of or arranged for the transport or disposal of hazardous substances, even from inactive operations or closed facilities that have been released into the environment. In addition, neighboring landowners or other third parties may file claims for personal injury, property damage and recovery of response cost. We own, lease, or operate properties and facilities that, in some cases, have been used for industrial activities for many years. Hazardous substances, wastes, or hydrocarbons may have been released on or under the properties owned or leased by us, or on or under other locations where such substances have been taken for disposal. In addition, some of these properties have been operated by third parties or by previous owners whose treatment, storage and disposal or release of such substances was not under our control. These properties and the substances disposed or released on them may be subject to CERCLA and analogous state laws. Under such laws, we could be required to remove previously disposed substances and wastes, remediate contaminated property, or perform remedial activities to prevent future contamination.

In addition, our customers in the oil and gas exploration, development and production industry are affected by environmental laws and regulations that restrict their activities and may result in reduced demand for our services.

We believe that our operations are currently in material compliance with all environmental laws and regulations. We do not expect that we will be required to make capital expenditures in the near future that are material to our financial position or operations to comply with environmental laws and regulations; however, because such laws and regulations are frequently changing and may impose stricter requirements, we cannot predict the ultimate cost of complying with these laws and regulations.

We manage exposure to losses from the above-described laws and regulations through our efforts to use only well-maintained, well-managed and well-equipped facilities and equipment and our development of safety and environmental programs, including our insurance program. We believe these efforts will be able to accommodate all reasonably foreseeable environmental regulatory changes. There can be no assurance, however, that any future laws, regulations or requirements or that any discharge or emission of pollutants by us will not have a material adverse effect on our business, financial position and our results of operations.

Safety, Industry Hazards and Insurance

The safety of our passengers and the maintenance of a safe working environment for our employees is our number one operational priority. We believe we have a strong safety culture throughout our organization that is sponsored by our President and Chief Executive Officer, who is responsible for setting the tone at the top. We strive to exceed the stringent safety and performance audit standards set by aviation regulatory bodies and our customers.

Our safety department ensures that our operations comply with government regulations, customer safety requirements and safety standards within our organization, base operating procedures are standardized and our employees are properly trained. A key to maintaining our strong safety record is having highly qualified, experienced and well trained employees. We conduct training and develop, implement, monitor and continuously improve our safety programs to promote a safe working environment and minimize hazards.

We target zero accidents and injuries in the workplace. Helicopter operations are potentially hazardous and may result in incidents or accidents. Hazards such as adverse weather conditions, collisions, fire and mechanical failures may result in death or injury to personnel, damage to equipment and other environmental damage.

We have implemented a safety program that includes, among many other features, (i) transition and recurrent training using full-motion flight simulators and other flight training devices, (ii) an FAA approved flight operational quality assurance program and (iii) health and usage monitoring systems (“HUMS”), which automatically monitor and report on vibrations and other anomalies on key components of certain helicopters in our fleet.

Employees

As of December 31, 2017, we employed 747 individuals, including 213 pilots and 204 mechanics. We consider our relations with our employees to be good. Certain of our employees in Brazil (approximately 28% of our total workforce) are covered by union or other collective bargaining agreements. If we are involved in any disputes over the terms of these collective bargaining agreements and are unable to negotiate acceptable contract terms with the unions that represent our employees, it could result in strikes, work stoppages or other slowdowns, higher labor costs or other conditions that could materially adversely affect our business, financial condition and results of operations.

Where You Can Find More Information

We are required to file annual, quarterly and current reports, proxy statements and other information with the U.S. Securities and Exchange Commission ("SEC"). Unless otherwise stated herein, these filings are not deemed to be incorporated by reference in this report. All of our filings with the SEC will be available once filed, free of charge, on our website, including our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statements and any amendments to those reports. These reports and amendments will be available on our website as soon as reasonably practicable after we electronically file the reports or amendments with the SEC. The reference to our website is not intended to incorporate the information on the website into this Annual Report on Form 10-K. Our filings will also be available at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information as to the operation of the SEC's Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains a website (www.sec.gov) that contains reports, proxy and information statements and other information. In addition, our Corporate Governance and other policies, and the Board of Directors' Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee charters are available, free of charge, on our website or in print for stockholders.

ITEM 1A. RISK FACTORS

Our business, results of operations, financial condition, liquidity, cash flow and prospects may be materially and adversely affected by numerous risks and uncertainties. Although it is not possible to predict or identify all such risks and uncertainties, they may include, but are not limited to, the risks and uncertainties described below. These risks and uncertainties represent some of the more critical risk factors that affect us, as well as the other information that has been provided in this Annual Report on Form 10-K. Our business operations or actual results could also be similarly impacted by additional risks and uncertainties that are not currently known to us or that we currently deem immaterial to our operations.

Risk Factors Related to Our Customers and Contracts

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

In the years ended December 31, 2017, 2016 and 2015, approximately 91%, 88% and 78%, respectively, of our operating revenues were generated by our services, including emergency response services, to companies primarily engaged in offshore oil and gas exploration, development and production activities. Additionally, our leasing customers typically provide services to oil and gas companies in their respective local markets. As a result, demand for our services and utilization of our fleet, and thereby our revenue, profitability and results of operations, are significantly impacted by levels of activity in the offshore oil and gas industry. These levels of activity have historically been volatile, and the volatility is likely to continue in future periods. To varying degrees, activity levels in the offshore oil and gas industry are affected by prevailing oil and gas prices, expectations about future prices, price volatility and long-term trends in oil and gas prices. Historically, the prices for oil and gas, and consequently, the levels of activity in the offshore oil and gas exploration, development and production sectors, have been subject to wide fluctuations in response to changes in the supply of and demand for oil and gas, market uncertainty and a variety of additional factors beyond our control, such as:

- general economic conditions;
- actions of the Organization of Petroleum Exporting Countries and other oil producing countries to control prices or change production levels;
- the price and availability of alternative fuels;
- assessments of offshore drilling prospects compared with land-based opportunities that do not generally require our services;
- the costs of exploration, development and production and delivery of oil and natural gas offshore;
- expectations about future supply and demand for oil and gas;
- availability and rates of discovery of new oil and natural gas reserves in offshore areas, as well as on land;
- federal, state, local and international political conditions, and policies including those with respect to local content requirements and the exploration and development of oil and gas reserves;
-

uncertainty or instability resulting from an escalation or additional outbreak of armed hostilities or other crises in the Middle East or other geographic areas, or further acts of terrorism in the U.S. or elsewhere;

- technological advancements affecting exploration, development and production of oil and gas and energy consumption;
- weather conditions;
- government regulation, including environmental regulation and drilling regulation, permitting and concessions;
- regulation of drilling activities and the availability of drilling permits and concessions and environmental regulation; and

- the ability of oil and natural gas companies to generate funds or otherwise obtain capital required for offshore oil and gas exploration, development and production and their capital expenditures budgets.

Beginning in mid-2014, oil and natural gas prices decreased significantly and remained low, compared to recent historical averages, through 2017. This prolonged, significant downturn in oil and gas prices reduced the demand for our services and utilization of our fleet, which has adversely affected our business, financial condition and results of operations. We cannot predict future oil and gas price movements. Any continuation of the lower oil and gas price environment or exacerbation thereof could further depress the level of helicopter activity in support of exploration and, to a lesser extent, production activity, which could have a material adverse effect on our business, financial condition, and results of operations. No assurance can be given that the recent decline of oil and gas prices will not continue to adversely affect offshore exploration or production operations, or that our operations will not continue to be adversely affected.

Additionally, the level of activity in offshore oil and gas exploration, development and production is affected by the relative economics of and resultant level of activity in land-based oil and gas exploration, development and production. In recent years, there has been a significant focus on and increase in production from North American shale reservoirs, which has been facilitated by hydraulic fracturing and other technologies. The availability of more economical oil and gas reserves, including, if applicable, North American shale reservoirs, could have a material adverse effect on our business, financial condition and results of operations.

The offshore helicopter services industry is cyclical.

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

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

Companies in the oil and gas exploration and production industry are continually seeking to implement measures aimed at cost savings, especially during times of depressed oil and gas pricing such as the one we are currently experiencing. In addition to curtailing exploration and development activities, measures taken by our customers to improve efficiencies and reduce costs may include reducing headcount, finding less expensive means for moving personnel offshore, changing rotations for personnel working offshore, pooling helicopter services among operators and requesting rate reductions or pricing concessions. Such measures are some, but not all, of the possible cost-saving initiatives that could result in reduced demand for, or pricing of, our helicopter transport services. In addition, customers may choose to establish their own helicopter operations or utilize other transportation alternatives, such as marine transport. The continued implementation of these kinds of cost-saving measures could reduce the demand or prevailing prices for our services and have a material adverse effect on our business, financial condition and results of operations.

We rely on a limited number of customers for a significant share of our revenues, the loss of any of which could materially adversely affect our business, financial condition and results of operations.

We derive a significant portion of our revenues from a limited number of oil and gas exploration, development and production companies and government agencies. Specifically, services provided to Anadarko, Petrobras and U.S. government agencies accounted for 28%, 22% and 16% of our revenues, respectively, for the year ended December 31, 2017. The portion of our revenues attributable to any single customer may change over time, depending on the level of activity by any such customer, our ability to meet the customer’s needs and other factors, many of which are beyond our control. The loss or reduction of business from any of our significant customers, if not offset by sales to new or existing customers, could have a material adverse effect on our business, financial condition and results of operations.

Further, to the extent any of our customers or the customers of companies to whom we lease helicopters experience an extended period of operational or financial difficulty, we could face significant counterparty credit risk or such customers could terminate our services generally with the requirement to pay little or no liquidating damages. The occurrence of either of these events could materially adversely affect our business, financial condition and results of operations.

Consolidation of and asset sales affecting our customer base could materially adversely affect demand for our services and reduce our revenues.

Many of our customers are international, independent and major integrated oil and gas exploration, development and production companies. In recent years, these companies have undergone substantial consolidation and engaged in sales of specific assets, and additional consolidation and asset sales are possible. In addition, since 2014 a number of oil and gas exploration, development and production companies have filed for bankruptcy or similar protections in other jurisdictions and have restructured by acquiring, selling or otherwise disposing of assets resulting in further industry consolidation. Consolidation results in fewer companies to charter or contract for our services. In the event one of our customers combines with, or sells assets to, a company that is using the services of one of our competitors, the combined or successor company could decide to use the services of that competitor or another provider. Further, merger activity among both major and independent oil and natural gas companies affects exploration, development and production activity as the consolidated companies often put projects on hold while integrating operations. Consolidation may also result in an exploration and development budget for a combined company that is lower than the total budget of both companies before consolidation. Reductions in the budgets of oil and gas companies could adversely affect demand for our services that could result in a material adverse effect on our business, financial condition and results of operations.

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

U.S. government agencies, consisting primarily of BSEE, are among our key customers and accounted for 16% of our revenues for the year ended December 31, 2017. Government agencies receive funding through budget appropriations, which are determined through the political process, and as a result, funding for the agencies with which we do business may fluctuate. In recent years, there has been increased Congressional scrutiny of discretionary program spending by the U.S. government in light of concerns over the size of the national debt and lawmakers have discussed the need to cut or impose caps on discretionary spending, which could result in budget cuts to federal agencies to which we provide services. If any of these agencies, and in particular BSEE, experience reductions in their budgets or if they change their spending priorities, their ability or willingness to spend on helicopter services may decline, and they may substantially reduce or cease using our services, which could have a material adverse effect on our business, financial condition and results of operations.

Our industry is subject to intense competition.

The helicopter industry is highly competitive. Contracting for helicopter services is often done through a competitive bidding process among those operators having an acceptable safety record, demonstrated reliability, requisite equipment for the job and sufficient resources to provide coverage when primary equipment comes out of service for maintenance. Customers typically make their final choice based on aircraft availability, quality and location of facilities, customer service and price. If we are unable to satisfy the criteria to participate in bids or are otherwise unable to compete effectively, our business, financial condition and results of operations could be materially and adversely affected.

In certain of our international markets where foreign regulations may require that contracts be awarded to local companies owned or controlled by nationals, we may participate in bids as a subcontractor or vendor to the local bidding company. These third party local bidding companies may not be able to win these bids for reasons unrelated to us, our safety record, reliability, or equipment. Accordingly, we may lose potential business, which may be significant, for reasons beyond our control.

We compete against a number of helicopter operators, including other major global helicopter operators such as Bristow and CHC Group Ltd. In the U.S., we face competition for business in the oil and gas industry from three major operators: Bristow, PHI and Rotorcraft Leasing Company, LLC. In our international markets, we also face competition from local operators in countries where foreign regulations may require that contracts be awarded to local companies owned or controlled by nationals or from operators that are more recognized in some of those markets. There can be no assurance that our competitors will not be successful in capturing a share of our present or potential customer base. We also face potential competition from customers that establish their own flight departments and smaller operators with access to capital that can expand their fleets and operate more sophisticated and costly equipment. In addition, helicopter leasing companies, such as LCI, Lobo, Macquarie, Milestone and Waypoint, provide offerings that compete with, and could capture a share of, our leasing opportunities to third parties. Our competitors with lower capital costs, including those that may enter bankruptcy and emerge with a more efficient capital structure and lower operating costs, may benefit from a competitive advantage permitting them to offer lease rates for helicopters and/or services that are more attractive than those we can offer. For example, Milestone was acquired in January 2015 by GE Capital Aviation Services, a company with significant financial resources and a relatively lower cost of capital. We also compete with other providers of emergency response and utility services in various markets.

Certain customer contracts are awarded through competitive processes that may require us to expend significant resources with no guaranty of recoupment.

Certain customers award contracts helicopter services through an aggressive competitive bidding process and intense negotiations. Customers typically make their final choice based on the best price for the required helicopter model that is available within the time frame mandated by their needs. In order to successfully compete in such processes and facilitate timely commencement of operations in compliance with customer requirements, we may invest substantial time, money, and effort, including proposal development and marketing activities, required to prepare bids and proposals for contracts that may not be awarded to us or for processes that may be canceled prior to the execution of contracts.

Due to the intense competition in our markets and increasing customer demand for shorter delivery periods, even in cases where customers are not utilizing a competitive bidding process, we might be required to begin implementation of a project before the corresponding contract has been finalized. If we do not succeed in winning a bid or securing an opportunity for any reason, we may obtain little or no benefit from the expenditures associated with pursuing such opportunity and may be unable to recoup expended resources on future projects.

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

Many of our operating contracts and charter arrangements contain provisions permitting early termination by the customer for any reason, generally without penalty, and with limited notice requirements. In addition, many of our contracts do not commit our customers to acquire specific amounts of services and permit them to decrease the number of helicopters under contract with a corresponding decrease in the fixed monthly payments without penalty. These contract provisions may facilitate customer requests for rate reductions, pricing concessions and other favorable revisions to negotiated terms that may be available from our competitors, especially during a market downturn such as the one we are currently experiencing. As a result, you should not place undue reliance on the strength of our customer contracts or the terms of those contracts. The termination or modification of contracts by our significant customers or the decrease in such customers' usage of our helicopter services could have a material adverse effect on our business, financial condition and results of operations.

Our customers may be able to obtain services comparable to ours through other forms of transportation.

In certain markets, oil and gas companies have elected to transport personnel and equipment to and from offshore locations through the use of marine transportation vessels, especially when such offshore locations are close to shore. Technological improvements that increase the speed, comfort or efficiency of these vessels could reduce the demand for our oil and gas flight transportation services.

Our customers may shift risk to us.

We give to and receive from our customers indemnities relating to liabilities caused or assumed by us in connection with our operations. Our customers' changing views on risk allocation may cause us to accept greater risk to win new business or may result in our losing business if we are not prepared to assume such risks. To the extent that we accept such additional risk, and seek to insure against it, if possible, our insurance premiums could rise. If we cannot insure against such additional risks or otherwise choose not to do so, we could be exposed to catastrophic losses in the event such risks are realized that could have a materially adverse effect on our business, financial condition and results of operations.

Our fixed operating expenses and long-term customer contracts could adversely affect our business, financial condition and results of operations under certain circumstances.

Our profitability is directly related to demand for our services. A significant portion of our operating expenses that are related to crew wages and benefits, insurance and maintenance programs are fixed and must be paid even when our helicopters are not actively servicing customers and generating income. A decrease in our revenues could therefore result in a disproportionate decrease in our earnings, as a substantial portion of our operating expenses would remain unchanged. Similarly, the discontinuation of any rebates, discounts or preferential financing terms offered to us by manufacturers or suppliers would have the effect of increasing our fixed expenses, and without a corresponding increase in our revenues, could have a material adverse effect on our business, financial condition and results of operations.

Increases in supplier, fuel, labor, insurance, and other costs are typically passed through to our customers through rate increases where possible, including as a component of contract escalation charges. However, certain of our contracts are long-term in nature and may not have escalation provisions or escalation may be tied to an index, which may not commensurate with the associated costs. These escalations may not be sufficient or we may not be able to realize the full benefit therefrom during a market downturn to enable us to recoup increased costs in full thereby resulting in lower margins. There can be no assurance that we will be able to estimate costs accurately or recover increased costs by passing such costs on to our customers. Further, we may not be successful in identifying or securing cost escalations for other costs that may escalate during the applicable customer contract term. During a prolonged market downturn such as the one we are currently experiencing, we may not be able to realize the benefit of any such escalations as a result of customer pricing sensitivities, which could adversely affect the profitability of such contracts. In the event that we are unable to fully recover material costs that escalate during the terms of our customer contracts, the profitability of our customer contracts and our business, financial condition and results of operations could be materially adversely affected.

Risk Factors Related to Our Operations

Our operations involve a degree of inherent risk that may not be adequately covered by our insurance and may increase our costs and limit our ability to obtain insurance on commercially reasonable terms or at all.

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

In addition, other operators may experience accidents or safety issues with a particular model of helicopter that we operate or lease. Where such an accident or safety issue with a particular model occurs, our customers, their employees or the unions to which our customer's employees belong may refuse to use such model, a regulatory body may ground that particular model of helicopter or we may be forced to take such model out of service until the cause of the accident or concern is adequately addressed, any of which may result in a reduction of revenues and a loss of customers. While we seek to mitigate the financial impact of these risks and preserve our rights through commercial and other arrangements, such mitigation efforts may not be successful or available in all circumstances and our financial condition and results of operations may fluctuate from period to period as a result of incidents or our mitigation efforts. In addition, the market value of a helicopter model may be permanently reduced if such model were to be considered less desirable for future service, in which case the book value of inventory for such aircraft may be impaired.

We carry insurance, including hull and liability, liability and war risk, general liability, workers' compensation and other insurance customary in the industry in which we operate. Our insurance coverage is subject to deductibles and maximum coverage amounts, the aggregate impact of which could be material. Our insurance policies are also subject to compliance with certain conditions, the failure of which could lead to a denial of coverage as to a particular claim or the voiding of a particular insurance policy. We cannot ensure that our existing coverage will be sufficient to protect against all potential liabilities or the total amount of insured claims and liabilities, that we will be able to maintain our existing coverage in the future, or that our existing coverage can be renewed at commercially reasonable rates without a substantial increase in premium. In addition, future terrorist activity, risk of war, accidents or other events could increase our insurance premiums. Even in cases where insurance covers the costs of repair due to damage to a helicopter, there may be a diminution in the value of the helicopter as result of it being less desirable for future service, which would likely not be covered by insurance. Furthermore, we are not generally insured for loss of profit, loss of use of helicopters, business interruption or loss of flight hours. The loss, or limited availability, of our liability insurance coverage, inadequate coverage from our liability insurance or substantial increases in future premiums could have a material adverse effect on our business, financial condition, and results of operations. Any material liability not covered by insurance or for which third-party indemnification is not available, would have a material adverse effect on our business, financial condition and results of operations.

We do not anticipate operating our Airbus H225 helicopters and may not recover amounts invested in such helicopters.

In April 2016, an Airbus Helicopters H225 (also known as an EC225LP) model helicopter operated by a global competitor was involved in an accident in Norway resulting in thirteen fatalities. The root cause of the accident is still under investigation, but preliminary reports published by the Accident Investigation Board Norway ("AIBN") contain findings linking the accident to a design flaw. Following the crash, a number of regulatory authorities issued safety directives grounding, with limited exceptions, all Airbus H225 and AS332 L2 model helicopters registered in their jurisdictions. A number of customers and operators also voluntarily suspended operations of those two helicopter models. On October 7, 2016, the European Aviation Safety Agency ("EASA") issued an Airworthiness Directive that allowed H225 and AS332 L2 helicopters to return to service, subject to significant additional maintenance and inspection requirements. On December 9, 2016, the Federal Aviation Administration in the United States issued an Alternative Means of Compliance ("AMOC") that allowed these helicopters to return to service in the United States, subject to significant additional maintenance and inspection requirements. On July 20, 2017, the civil aviation authorities in each of Norway and the United Kingdom, the major European markets for H225 helicopters, published directives that set forth their requirements with respect to the return to service of these helicopter models, subject to significant additional maintenance and inspection requirements. Prior to a return to service, an operator must develop a return to service plan for the applicable helicopter model that must be approved by the relevant regulatory authority. Such a plan would need to include a detailed safety case, outlining specific maintenance processes and tooling and training requirements. In addition, these directives mandate that an operator must comply with an EASA directive issued on June 23, 2017 that requires the replacement of, and prescribes reduced service limits and inspections with respect to, certain identified parts. EASA also requires the installation of a new EASA-approved full flow magnetic plug device and imposes maintenance protocols to support the inspection of the main gearbox oil system particle detection. Even though H225s are no longer grounded by the regulatory authorities, our customers, their employees, and the unions to which our customers' employees belong largely lack confidence in the H225 helicopter. As a result, we believe a full return to service for the H225 helicopter in offshore oil and gas operations is unlikely. We will not operate the H225 helicopters in our fleet unless and until we can develop a detailed safety case that demonstrates the H225 model helicopter can be operated safely. During the third quarter of 2017, we determined that we cannot develop such a case and that a broad-based return to service is improbable. We therefore cannot operate the H225 helicopters in our operations as we had planned at the time the helicopters were purchased.

These developments led the Company to conclude that the cash flows associated with its H225 heavy helicopters are largely independent from the cash flows associated with the remainder of the fleet and should be evaluated separately for impairment. The Company performed an impairment analysis on its H225 helicopters, capital parts, and related inventory. The inputs used in the Company's fair value estimate were from Level 3 of the fair value hierarchy discussed in Note 2 to the Company's audited consolidated financial statements included in this Annual Report on Form 10-K. The Company determined that the book value exceeded the fair value and recorded a $117 million impairment charge in the three months ended September 30, 2017. As of December 31, 2017, the net book value of our H225 helicopters and related inventory of parts and equipment (after the impairment charge) was $37.8 million, although no assurance can be given that if we were to choose to monetize our investment in the H225s we will be able to recover an amount that approximates the net book value of the assets or that we will be able to make any recovery at all.

In addition, we have filed suit against Airbus Helicopters, Inc. and Airbus Helicopter S.A.S. (collectively, "Airbus") through which we are seeking damages from Airbus for breach of contract, fraudulent inducement and unjust enrichment. In pursuing this litigation we may expend significant resources, including cash. However, no assurance can be given that we will be successful in recovering any damages from Airbus in connection with this suit or any suit related to the H225s we may file against them in the future.

Failure to maintain an acceptable safety record and level of reliability may have an adverse impact on our ability to attract and retain customers.

Our customers consider safety and reliability as two of the primary attributes in selecting a helicopter service provider. We must maintain a record of safety and reliability that is acceptable to, and in certain instances is contractually required by, our customers. In an effort to maintain an appropriate standard, we incur considerable costs to maintain the quality of our safety and training programs and our fleet of helicopters. For example, we have implemented a safety program that includes, among many other features, (i) transition and recurrent training using full-motion flight simulators and other flight training devices, (ii) an FAA approved flight operational quality assurance program and (iii) HUMS, which automatically monitors and reports on vibrations and other anomalies on key components of certain helicopters in our fleet. In addition, many of our customers regularly conduct audits of our operations and safety programs. We cannot be assured that our safety program or our other efforts will provide an adequate level of safety, an acceptable safety record or satisfactory customer audit results. If we fail to maintain standards of safety and reliability that are satisfactory to our customers, our ability to retain current customers and attract new customers may be adversely affected. Moreover, accidents or similar disasters involving helicopters operated by us or by another helicopter operator could cause significant negative publicity, impact customer confidence, result in a loss of customer contracts or result in the mandatory or voluntary grounding of our helicopters or other interruption of services to our customers, particularly if such accident or disaster were due to a safety fault in a helicopter model in our fleet. Our helicopters have been involved in accidents in the past, some of which have included loss of life and property damage. We may experience similar accidents in the future. Failure to maintain an acceptable safety record may have an adverse effect on our business, financial condition and results of operations.

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

As of December 31, 2017, we had placed orders for 11 new helicopters and have options to purchase an additional 10 helicopters. Many of our new helicopters may not be covered by customer contracts when they are placed into service, and we cannot assure you as to when we will be able to utilize these new helicopters or on what terms. The ability to place new helicopters into service is highly dependent on the level of activity in the offshore oil and gas market, which in turn is affected by oil and gas prices. To the extent our helicopters are covered by a customer contract, the typical duration of such contracts is generally too short to recover our full cost of purchasing the helicopter, requiring us to seek frequent renewals and subjecting us to the risk that we will be unable to recoup our investment in the helicopter. Once a new helicopter is delivered to us, we generally spend between one and three months installing equipment and configuring the helicopter to our specifications before we p