ERA GROUP INC.
Form 10-Q
May 15, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2013 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 1-35701

Era Group Inc.
(Exact Name of Registrant as Specified in Its Charter)

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

281-606-4900
(Registrant's Telephone Number, Including Area Code)

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 for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý 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 ý 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 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 ¨	Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

The total number of shares of common stock, par value $0.01 per share, outstanding as of May 1, 2013 was 20,124,975. The Registrant has no other class of common stock outstanding.

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
ERA GROUP INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	March 31, 2013 (Unaudited)	December 31, 2012
ASSETS		
Current Assets:		
Cash and cash equivalents	$25,032	$11,505
Receivables:		
Trade, net of allowance for doubtful accounts of $2,817 and $2,668 in 2013 and 2012, respectively	40,761	48,527
Other	16,416	3,742
Due from SEACOR	—	971
Inventories	26,696	26,650
Deferred income taxes	3,642	3,642
Prepaid expenses and other	2,715	1,803
Total current assets	115,262	96,840
Property and Equipment	1,021,453	1,030,276
Accumulated depreciation	(246,498)	(242,471)
Net property and equipment	774,955	787,805
Investments, at Equity, and Advances to 50% or Less Owned Companies	34,705	34,696
Goodwill	352	352
Other Assets	17,830	17,871
Total Assets	$943,104	$937,564
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	$13,126	$15,703
Accrued wages and benefits	7,662	4,576
Accrued interest	5,213	1,401
Current portion of long-term debt	2,787	2,787
Due to SEACOR	270	—
Other current liabilities	4,309	5,232
Total current liabilities	33,367	29,699
Long-Term Debt	276,307	276,948
Deferred Income Taxes	203,343	203,536
Deferred Gains and Other Liabilities	8,164	7,864
Total liabilities	521,181	518,047
Series A Preferred Stock, at redemption value; $0.01 par value, 10,000,000 shares authorized; 1,400,000 shares issued in 2012	—	144,232
Equity:		
Era Group Inc. stockholders’ equity:		
Common stock, $0.01 par value, 60,000,000 shares authorized; 20,123,639 issued in 2013; none issued in 2012	201	—
Class B common stock, $0.01 par value, 60,000,000 shares authorized; none issued in 2013; 24,500,000 issued in 2012	—	245

Additional paid-in capital	419,036	278,838
Retained earnings (accumulated deficit)	2,669	(4,025)
Accumulated other comprehensive income (loss), net of tax	(85)	20
	421,821	275,078
Noncontrolling interest in subsidiary	102	207
Total equity	421,923	275,285
Total Liabilities and Stockholders’ Equity	$943,104	$937,564

The accompanying notes are an integral part of these condensed consolidated financial statements and should be read in conjunction herewith.

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ERA GROUP INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share amounts)

	Three Months Ended March 31,	
	2013	2012
	(Unaudited)	
Operating Revenues	$67,727	$61,052
Costs and Expenses:		
Operating	43,116	39,676
Administrative and general	9,134	9,677
Depreciation	11,661	9,630
	63,911	58,983
Gains on Asset Dispositions, Net	10,801	1,765
Operating Income	14,617	3,834
Other Income (Expense):		
Interest income	147	332
Interest expense	(4,732)	(1,968)
SEACOR management fees	(168)	(500)
Derivative losses, net	(3)	(124)
Foreign currency gains (losses), net	(259)	917
Other, net	3	30
	(5,012)	(1,313)
Income Before Income Tax Expense and Equity in Earnings (Losses) of 50% or Less Owned Companies	9,605	2,521
Income Tax Expense	3,578	734
Income Before Equity in Earnings (Losses) of 50% or Less Owned Companies	6,027	1,787
Equity in Earnings (Losses) of 50% or Less Owned Companies, Net of Tax	562	(6,420)
Net Income (Loss)	6,589	(4,633)
Net Loss attributable to Noncontrolling Interest in Subsidiary	105	—
Net Income (Loss) attributable to Era Group Inc.	6,694	(4,633)
Accretion of redemption value on Series A Preferred Stock	721	2,100
Net Income (Loss) attributable to Common Shares	$5,973	$(6,733)
Earnings (Loss) Per Common Share:		
Basic and Diluted Earnings (Loss) Per Common Share	$0.28	$(0.27)
Weighted Average Common Shares Outstanding	21,454,396	24,500,000

The accompanying notes are an integral part of these condensed consolidated financial statements and should be read in conjunction herewith.

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ERA GROUP INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)

	Three Months Ended March 31,	
	2013	2012
	(Unaudited)	
Net Income (Loss)	$6,589	$(4,633)
Other Comprehensive Income (Loss):		
Foreign currency translation adjustments	(162)	980
Income tax benefit (expense)	57	(343)
	(105)	637
Comprehensive Income (Loss)	6,484	(3,996)
Comprehensive Loss attributable to Noncontrolling Interest in Subsidiary	105	—
Comprehensive Income (Loss) attributable to Era Group Inc.	$6,589	$(3,996)

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ERA GROUP INC.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(in thousands, unaudited)

	Era Group Inc. Stockholders' Equity							
	Series A Convertible Preferred Stock	Class B Common Stock	Common Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest In Subsidiary	Total Equity
December 31, 2012	$ 144,232	$ 245	$ —	$ 278,838	$ (4,025)	$ 20	$ 207	$ 275,285
Accretion of redemption value on Series A preferred stock	721	—	—	(721)	—	—	—	(721)
Preferred stock dividend	(4,953)	—	—	—	—	—	—	—
Recapitalization of Era Group by SEACOR	(140,000)	(245)	199	140,046	—	—	—	140,000
Issuance of Era Group stock options in settlement of SEACOR stock options	—	—	—	706	—	—	—	706
Issuance of common stock:								
Restricted stock grants	—	—	2	(2)	—	—	—	—
Proceeds and tax benefits from share award plans	—	—	—	89	—	—	—	89
Share award amortization	—	—	—	80	—	—	—	80
Net income (loss)	—	—	—	—	6,694	—	(105)	6,589
Currency translation adjustments, net of tax	—	—	—	—	—	(105)	—	(105)
March 31, 2013	$ —	$—	$ 201	$ 419,036	$ 2,669	$ (85)	$ 102	$ 421,923

The accompanying notes are an integral part of these consolidated financial statements and should be read in conjunction herewith.

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ERA GROUP INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Three Months Ended March 31,	
	2013	2012
	(Unaudited)	
Net Cash Provided by (Used in) Operating Activities	$17,877	$(39,712)
Cash Flows from Investing Activities:		
Purchases of property and equipment	(19,445)	(54,272)
Proceeds from disposition of property and equipment	19,099	2,935
Cash settlements on derivative transactions, net	—	(98)
Principal payments on notes due from equity investees	535	439
Principal payments on third party notes receivable, net	347	346
Net cash provided by (used in) investing activities	536	(50,650)
Cash Flows from Financing Activities:		
Payments on long-term debt	(15,697)	(697)
Proceeds from issuance of long-term debt	15,000	38,000
Dividends paid on Series A preferred stock	(4,953)	—
Proceeds and tax benefits from share award plans	89	—
Proceeds from SEACOR on the settlement of stock options	706	—
Net cash provided by (used in) financing activities	(4,855)	37,303
Effects of Exchange Rate Changes on Cash and Cash Equivalents	(31)	810
Net Increase (Decrease) in Cash and Cash Equivalents	13,527	(52,249)
Cash and Cash Equivalents, Beginning of Period	11,505	79,122
Cash and Cash Equivalents, End of Period	$25,032	$26,873

The accompanying notes are an integral part of these condensed consolidated financial statements and should be read in conjunction herewith.

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ERA GROUP INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. BASIS OF PRESENTATION AND ACCOUNTING POLICY

The condensed consolidated financial statements include the accounts of Era Group Inc. and its consolidated subsidiaries (collectively referred to as the “Company”). The condensed consolidated financial information for the three months ended March 31, 2013 and 2012 has been prepared by the Company and has not been audited by its independent registered public accounting firm. In the opinion of management, all adjustments (consisting of normal recurring adjustments) have been made to fairly present the Company’s financial position as of March 31, 2013, its results of operations for the three months ended March 31, 2013 and 2012, its comprehensive income (loss) for the three months ended March 31, 2013 and 2012, its changes in equity for the three months ended March 31, 2013, and its cash flows for the three months ended March 31, 2013 and 2012. Results of operations for the interim periods presented are not necessarily indicative of operating results for the full year or any future periods.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the financial statements and related notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2012.

Unless the context otherwise indicates, any reference in this Quarterly Report on Form 10-Q to the “Company” refers to Era Group Inc. and its consolidated subsidiaries and any reference in this Quarterly Report on Form 10-Q to “Era Group” refers to Era Group Inc.

Prior to January 31, 2013, the Company was wholly owned by SEACOR Holdings Inc. (along with its other majority-owned subsidiaries being collectively referred to as “SEACOR”) and represented SEACOR’s aviation services business segment. On January 31, 2013, SEACOR recapitalized the Company through the exchange of all of its Class B common stock and $140.0 million of its Series A preferred stock for 19,883,583 shares of newly-issued Era Group common stock, par value $0.01 per share (the “Recapitalization”). Following the Recapitalization, the Company had only one class of common stock issued and outstanding, and no preferred stock outstanding. On January 31, 2013, SEACOR then completed a spin-off by means of a dividend to SEACOR’s stockholders of all of the Company’s issued and outstanding common stock (the “Spin-off”). The Company filed a Registration Statement on Form 10 with the Securities and Exchange Commission (“SEC”) that was declared effective on January 15, 2013. Prior to the Spin-off, SEACOR and the Company entered into a distribution agreement and several other agreements that govern their post-Spin-off relationship. Era Group is now an independent company with its common stock listed on the New York Stock Exchange under the symbol “ERA.”

In connection with the Spin-off, the Company entered into an Amended and Restated Transition Services Agreement with SEACOR. Under the terms of the Amended and Restated Transition Services Agreement, SEACOR continues to provide the Company with certain support services, for up to two years from the effective date of the Spin-off, including payroll processing, information systems support, benefit plan management, cash disbursement support, cash receipt processing and treasury management.

Revenue Recognition. The Company recognizes revenue when it is realized or realizable and earned. Revenue is realized or realizable and earned when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price to the buyer is fixed or determinable, and collectability is reasonably assured. Revenue that does not meet these criteria is deferred until the criteria are met. Deferred revenues for the three months ended March 31 were as follows (in thousands):

	2013	2012
Balance at beginning of period	$8,953	$123
Revenues deferred during the period	8,932	2,955
Revenues recognized during the period	(5,152)	(114)
Balance at end of period	$12,733	$2,964

As of March 31, 2013, deferred revenues included $10.1 million related to contract-lease revenues for certain helicopters leased by the Company to Aeróleo Taxi Aero S/A (“Aeróleo”), its Brazilian joint venture. The deferral originated from difficulties experienced by Aeróleo following Petróleo Brasileiro S.A.’s (“Petrobras Brazil”) cancellation of certain contract awards for a number of AW139 helicopters under contract-lease from the Company, and the deferral continues as a result of Petrobras Brazil's efforts to suspend and/or underpay contracts for three EC225 helicopters under contract-lease from the Company. The Company will recognize revenues as cash is received or earlier should future collectability become reasonably assured. All costs and expenses related to these contract-leases were recognized as incurred.

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As of March 31, 2013, deferred revenues also included $2.6 million related to contract-lease revenues for certain helicopters leased by the Company to a customer in India. The deferral resulted from the customer having its operating certificate revoked for a period of time and therefore being unable to operate. The certificate has since been reinstated but uncertainty still remains regarding the collectability of the contract-lease revenues due to the customer's short-term liquidity issues. The Company will recognize revenues as cash is received or earlier should future collectability become reasonably assured. All costs and expenses related to these contract-leases were recognized as incurred.

Reclassifications. Certain reclassifications of prior period information have been made to conform to the presentation of the current period information. These reclassifications had no effect on net income as previously reported.

2. FAIR VALUE MEASUREMENTS

The fair value of an asset or liability is the price that would be received to sell an asset or transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company utilizes a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value and defines three levels of inputs that may be used to measure fair value. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs derived from observable market data. Level 3 inputs are unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

The Company’s financial assets and liabilities as of March 31, 2013 that are measured at fair value on a recurring basis were as follows (in thousands):

	Level 1	Level 2	Level 3
LIABILITIES			
Derivative instruments (included in other current liabilities)	$—	$910	$—

The estimated fair values of the Company’s other financial assets and liabilities as of March 31, 2013 were as follows (in thousands):

	Carrying Amount	Estimated Fair Value		
		Level 1	Level 2	Level 3
ASSETS				
Cash and cash equivalents	$25,032	$25,032	$—	$—
Notes receivable from other business ventures (included in other receivables and other assets)	872	872	—	—
LIABILITIES				
Long-term debt, including current portion	279,094	—	292,840	—

The carrying values of cash, cash equivalents and notes receivable from other business ventures approximate fair value. The fair value of the Company’s long-term debt was estimated using discounted cash flow analysis based on estimated current rates for similar types of arrangements. Considerable judgment was required in developing certain of the estimates of fair value and accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

3. DERIVATIVE INSTRUMENTS

In 2011, the Company entered into two interest rate swap agreements maturing in 2014 and 2015 that call for the Company to pay fixed interest rates of 1.67% and 1.83% on an aggregate notional value of $31.8 million and receive a variable interest rate based on the London Interbank Offered Rate (“LIBOR”) on these notional values. The general purpose of these interest rate swap agreements is to provide protection against increases in interest rates, which might lead to higher interest costs for the Company. The fair value of these derivative instruments at March 31, 2013 was a liability of $0.9 million. The Company recognized losses of less than $0.1 million and $0.1 million on these derivative instruments for the three months ended March 31, 2013 and 2012, respectively.

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4. EQUIPMENT ACQUISITIONS AND DISPOSITIONS

During the three months ended March 31, 2013, capital expenditures were $19.4 million and consisted primarily of a helicopter acquisition and deposits on future helicopter deliveries. The Company records helicopter acquisitions in Property and Equipment and places helicopters in service once all completion work has been finalized and the helicopters are ready for use. A summary of changes to our operating helicopter fleet during the three months ended March 31, 2013 is as follows:

Equipment Additions. During the three months ended March 31, 2013, the Company placed two medium helicopters in service, which were acquired in the prior year.

Equipment Dispositions. During the three months ended March 31, 2013, the Company sold or otherwise disposed of property and equipment for cash proceeds of $19.1 million and receivables of $13.9 million, resulting in gains of $10.7 million. In addition, the Company recognized previously deferred gains of $0.1 million. Major equipment dispositions for the three months ended March 31, 2013 were as follows:

Light helicopters - twin engine (1)	2
Medium helicopters	3
Heavy helicopters	1
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During the three months ended March 31, 2013, the Company recognized a $5.4 million gain on the sale of an Eurocopter EC225 helicopter. The helicopter was previously on contract-lease to a customer and was damaged in an incident in May 2012, and it was subsequently sold to that customer in March 2013 for cash proceeds of $13.1 million and a note receivable of $11.5 million.

During the three months ended March 31, 2013, the Company recognized $2.1 million in insurance proceeds on a Sikorsky S76A helicopter involved in an incident in March 2013, resulting in a gain of $1.2 million.

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(1) Includes two light-twin helicopters that had previously been removed from service.

5. INVESTMENTS, AT EQUITY, AND ADVANCES TO 50% OR LESS OWNED COMPANIES

Combined Condensed Financials. Summarized financial information for Dart Holding Company Ltd., in which the Company has a 50% ownership interest, for the three months ended March 31 was as follows (in thousands):

	2013	2012
Operating Revenues	$10,776	$11,582
Costs and Expenses:		
Operating and administrative	7,759	8,551
Depreciation	1,298	1,349
	9,057	9,900
Operating Income	$1,719	$1,682
Net Income (Loss)	$1,175	$(312)

6. INCOME TAXES

During the three months ended March 31, 2013 and 2012, the Company's effective tax rate was 37.3% and 29.1%, respectively. The Company's effective tax rate for the three months ended March 31, 2013 included items related to state taxes. The Company's effective tax rate for the three months ended March 31, 2012 included permanent differences related to share-based payments.

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7. LONG-TERM DEBT

The Company’s borrowings as of the periods indicated were as follows (in thousands):

	March 31, 2013	December 31, 2012
7.750% Senior Notes (excluding unamortized discount of $3.3 million)	$200,000	$ 200,000
Senior Secured Revolving Credit Facility	50,000	50,000
Promissory Notes	32,401	33,098
	282,401	283,098
Less: Portion due with one year	(2,787)	(2,787)
Less: Debt discount, net	(3,307)	(3,363)
Total Long-Term Debt	$276,307	$ 276,948

7.750% Senior Notes. On December 7, 2012, the Company issued $200.0 million aggregate principal amount of its 7.750% senior unsecured notes due December 15, 2022 (the “7.750% Senior Notes”) and received net proceeds of $191.9 million. Interest on the 7.750% Senior Notes is payable semi-annually in arrears on each June 15 and December 15 of each year, beginning on June 15, 2013.

Senior Secured Revolving Credit Facility. As of March 31, 2013, the Company had $50.0 million of outstanding borrowings under its senior secured revolving credit facility (“Revolving Credit Facility”). As of March 31, 2013, the remaining availability under this facility was $149.3 million, net of issued letters of credit of $0.7 million. During the three months ended March 31, 2013, the Company had borrowings of $15.0 million and made repayments of $15.0 million.

Promissory Notes. During the three months ended March 31, 2013, the Company made scheduled payments on other long-term debt of $0.7 million.

8. COMMITMENTS AND CONTINGENCIES

The Company’s unfunded capital commitments as of March 31, 2013 consisted primarily of agreements to purchase helicopters and totaled $131.1 million, including one AW139 medium helicopter, five AW189 heavy helicopters and five AW169 light twin helicopters. The AW139 is scheduled to be delivered in May 2013. The AW189 heavy helicopters are scheduled to be delivered in 2014 and 2015. Delivery dates for the AW169 light twin helicopters have yet to be determined. Of these commitments, $13.4 million is payable during the remainder of 2013 with the balance payable through 2016, and $124.3 million may be terminated without further liability other than liquidated damages of $3.3 million in the aggregate. In addition, we had outstanding options to purchase up to an additional eight AW139 medium helicopters and five AW189 heavy helicopters. If these options were exercised, the helicopters would be delivered beginning in 2014 through 2016.

In the normal course of its business, the Company becomes involved in various other litigation matters including, among other things, claims by third parties for alleged property damages and personal injuries. Management has used estimates in determining the Company's potential exposure to these matters and has recorded reserves in its financial statements related thereto where appropriate. It is possible that a change in the Company's estimates of that exposure could occur, but the Company does not expect such changes in estimated costs would have a material effect on the Company's consolidated financial position or its results of operations.

9. SERIES A PREFERRED STOCK

On January 31, 2013, as part of the Recapitalization, SEACOR exchanged its 1,400,000 shares of Series A preferred stock, which represented all of the Company's Series A preferred stock then outstanding, for shares of newly-issued Era Group common stock. During the three months ended March 31, 2013, the Company paid outstanding accrued dividends of $5.0 million to SEACOR (See Note 1).

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10. EARNINGS PER COMMON SHARE

Basic earnings (loss) per common share of the Company are computed based on the weighted average number of common shares issued and outstanding during the relevant periods. Diluted earnings (loss) per common share of the Company are computed based on the weighted average number of common shares issued and outstanding plus the effect of potentially dilutive securities through the application of the if-converted method. Dilutive securities for this purpose assumes all common shares have been issued and outstanding during the relevant periods pursuant to the conversion of all outstanding Series A preferred stock, restricted stock grants have vested and common shares have been issued pursuant to the exercise of outstanding stock options.

Computations of basic and diluted earnings per common share of the Company for the three months ended March 31, were as follows (in thousands, except share data):

2013	Net Income (Loss) Attributable to Common Shares	Average O/S Shares	Per Share
Basic Weighted Average Common Shares Outstanding	$5,973	21,454,396	$0.28
Effect of Dilutive Securities:			
Series A Preferred Stock (1)	—	—	
Options and Restricted Stock (2)	—	—	
Diluted Weighted Average Common Shares Outstanding	$5,973	21,454,396	$0.28
2012			
Basic Weighted Average Common Shares Outstanding	$(6,733)	24,500,000	$(0.27)
Effect of Dilutive Securities:			
Series A Preferred Stock (3)	—	—	
Diluted Weighted Average Common Shares Outstanding	$(6,733)	24,500,000	$(0.27)

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(1) Excludes 2,009,659 weighted average common shares issuable upon the conversion of Series A preferred stock as the effect of their inclusion in the computation would have been antidilutive.

(2) Excludes 47,208 weighted average common shares issuable upon certain share awards as the effect of their inclusion in the computation would have been antidilutive.

(3) Excludes 6,125,000 weighted average common shares issuable upon the conversion of Series A preferred stock as the effect of their inclusion in the computation would have been antidilutive.

11. RELATED PARTY TRANSACTIONS

Prior to the Spin-off, as part of a consolidated group, certain costs and expenses of the Company were borne by SEACOR and charged to the Company. These costs and expenses are included in both operating expenses and administrative and general expenses in the accompanying consolidated statements of operations. The Company entered into various agreements with SEACOR in connection with the separation, including an Amended and Restated Transition Services Agreement, Distribution Agreement, Tax Matters Agreement, Employee Matters Agreement and the Series B Preferred Stock Exchange Agreement. These costs are summarized as follows for the three months ended March 31 (in thousands):

	2013	2012
Payroll costs for SEACOR personnel assigned to the Company and participation in SEACOR employee benefit plans, defined contribution plan and share award plans	$5	$1,973
Shared services allocation for administrative support	299	564
Shared services under the Amended and Restated Transition Services Agreement	562	—
	$866	$2,537

During the three months ended March 31, 2013, the Company also paid outstanding accrued dividends of $5.0 million on the Series A preferred stock to SEACOR.

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12. SHARE-BASED COMPENSATION

Transactions in connection with the Company's share-based compensation plans during the three months ended March 31, 2013 were as follows:

Director stock awards granted and outstanding	45,510
Restricted stock awards granted and outstanding	188,200
Stock option activities:	
Outstanding as of December 31, 2012	—
Converted stock options	169,058
Granted	185,000
Exercised	(6,346)
Forfeited	—
Expired	—
Outstanding as of March 31, 2013	347,712

Effective January 14, 2013, the Company adopted the Era Group Inc. 2012 Incentive Plan ("2012 Plan") under which a maximum of 4,000,000 shares of common stock, par value $0.01 per share, are reserved. Awards granted under the 2012 Plan may be in the form of stock options, stock appreciation rights, shares of restricted stock, other stock-based awards (payable in cash or common stock) or performance awards, or any combination thereof, and may be made to outside directors, employees or consultants. As of March 31, 2013, 3,412,232 shares remained available for grant under the 2012 Plan.

Total stock-based compensation expense, which includes stock options and restricted stock, totaled $0.3 million for the three months ended March 31, 2013. A portion of the restricted stock awards are performance based. The Company has assessed the probability of meeting the criteria and has recorded the appropriate expense.

During the three months ended March 31, 2013, the Company awarded 233,710 shares of restricted stock at an average grant date fair value of $20.48 per share, granted 185,000 stock options and converted 37,900 options to purchase SEACOR common stock held by Era Group employees and directors prior to the Spin-off into 169,058 options to purchase Era Group common stock. The fair value used for the converted stock options was evaluated before and after the Spin-off and there was no change. The following table shows the assumptions used to compute the stock-based compensation expense for stock options granted during the three months ended March 31, 2013:

Risk free interest rate	0.79	%
Expected life (years)	5	
Volatility	50	%
Dividend yield	—	%
Weighted average exercise price of options granted	$18.28 per option	
Weighted average grant-date fair value of options granted	$7.58 per option	

13. SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION

On December 7, 2012, the Company issued $200.0 million aggregate principal amount of its 7.750% senior unsecured notes due December 15, 2022 (the "7.750% Senior Notes"). The Company's payment obligations under the 7.750% Senior Notes are jointly and severally guaranteed by all of the Company's existing wholly-owned U.S. subsidiaries that guarantee the Revolving Credit Facility and its future U.S. subsidiaries that guarantee the Revolving Credit Facility or other material indebtedness the Company may incur in the future (the "Guarantors"). All the Guarantors currently guarantee the Revolving Credit Facility. The guarantees of the Guarantors are full and unconditional.

As a result of the guarantee arrangements, the Company is presenting the following condensed consolidating balance sheets, statements of operations, comprehensive income and cash flows for Era Group Inc. ("Parent Company Only"), for the Guarantors and for our other subsidiaries ("Non-Guarantor Subsidiaries").

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Supplemental Condensed Consolidating Balance Sheet as of March 31, 2013

	Parent Company Only	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
ASSETS					
Current Assets:					
Cash and cash equivalents	$8,497	$ 15,355	$ 1,180	$—	$ 25,032
Receivables:					
Trade, net of allowance for doubtful accounts of $2,817	—	40,436	325	—	40,761
Other	363	16,416	—	(363)	16,416
Intercompany receivables	555,136	—	—	(555,136)	—
Inventories, net	—	26,696	—	—	26,696
Deferred income taxes	5,467	—	—	(1,825)	3,642
Prepaid expenses and other	38	2,677	—	—	2,715
Total current assets	569,501	101,580	1,505	(557,324)	115,262
Property and Equipment:					
Helicopters	—	883,402	11,500	—	894,902
Construction in progress	—	16,793	—	—	16,793
Machinery, equipment and spares	—	71,967	—	—	71,967
Buildings and leasehold improvements	—	25,585	—	—	25,585
Furniture, fixtures, vehicles and other	—	12,206	—	—	12,206
	—	1,009,953	11,500	—	1,021,453
Accumulated depreciation	—	(245,290)	(1,208)	—	(246,498)
	—	764,663	10,292	—	774,955
Investments, at Equity, and Advances to 50% or Less Owned Companies	—	34,705	—	—	34,705
Investments, at Equity in Consolidated Subsidiaries	100,206	9,572	—	(109,778)	—
Goodwill	—	352	—	—	352
Other Assets	6,028	11,802	—	—	17,830
Total Assets	$675,735	$ 922,674	$ 11,797	$ (667,102)	$ 943,104
LIABILITIES AND EQUITY					
Current Liabilities:					
Accounts payable and accrued expenses	$1,759	$ 11,222	$ 145	$—	$ 13,126
Accrued wages and benefits	—	7,662	—	—	7,662
Accrued interest	5,192	21	—	—	5,213
Intercompany payables	—	545,852	11,125	(556,977)	—
Due to SEACOR, net	270	—	—	—	270
Current portion of long-term debt	—	2,787	—	—	2,787
Other current liabilities	—	4,347	325	(363)	4,309
Total current liabilities	7,221	571,891	11,595	(557,340)	33,367
Long-Term Debt	246,693	29,614	—	—	276,307
Deferred Income Taxes	—	205,761	—	(2,418)	203,343
Deferred Gains and Other Liabilities	—	6,601	—	1,563	8,164
Total liabilities	253,914	813,867	11,595	(558,195)	521,181

Equity:

Era Group Inc. stockholders' equity:					
Common stock, $0.01 par value, 60,000,000 shares authorized; 20,123,639 issued in 2013; none issued in 2012	201	—	—	—	201
Additional paid-in capital	419,036	109,707	496	(110,203)	419,036
Retained earnings (accumulated deficit)	2,669	(1,002)	(294)	1,296	2,669
Accumulated other comprehensive loss, net of tax	(85)	—	—	—	(85)
	421,821	108,705	202	(108,907)	421,821
Noncontrolling interest in subsidiary	—	102	—	—	102
Total equity	421,821	108,807	202	(108,907)	421,923
Total Liabilities and Stockholders’ Equity	$ 675,735	$ 922,674	$ 11,797	$ (667,102)	$ 943,104

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Supplemental Condensed Consolidating Balance Sheet as of December 31, 2012

	Parent Company Only	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
ASSETS					
Current Assets:					
Cash and cash equivalents	$2,258	$ 8,558	$ 689	$ —	$ 11,505
Receivables:					
Trade, net of allowance for doubtful accounts of $2,668	—	48,217	310	—	48,527
Other	—	3,742	—	—	3,742
Due from SEACOR and affiliates	561,298	—	—	(560,327)	971
Inventories, net	—	26,650	—	—	26,650
Deferred income taxes	4,625	—	—	(983)	3,642
Prepaid expenses and other	—	1,803	—	—	1,803
Total current assets	568,181	88,970	999	(561,310)	96,840
Property and Equipment:					
Helicopters	—	886,111	11,500	—	897,611
Construction in progress	—	22,644	—	—	22,644
Machinery, equipment and spares	—	72,161	—	—	72,161
Buildings and leasehold improvements	—	25,451	—	—	25,451
Furniture, fixtures, vehicles and other	—	12,409	—	—	12,409
	—	1,018,776	11,500	—	1,030,276
Accumulated depreciation	—	(241,436)	(1,035)	—	(242,471)
	—	777,340	10,465	—	787,805
Investments, at Equity, and Advances to 50% or Less Owned Companies	—	34,696	—	—	34,696
Investments, at Equity in Consolidated Subsidiaries	100,101	9,782	—	(109,883)	—
Goodwill	—	352	—	—	352
Other Assets	5,958	24,374	—	(12,461)	17,871
Total Assets	$674,240	$ 935,514	$ 11,464	$ (683,654)	$ 937,564
LIABILITIES AND EQUITY					
Current Liabilities:					
Accounts payable and accrued expenses	$—	$ 15,618	$ 85	$ —	$ 15,703
Accrued wages and benefits	—	4,576	—	—	4,576
Accrued interest	1,357	44	—	—	1,401
Intercompany payables	5,491	560,323	10,965	(576,779)	—
Current portion of long-term debt	—	2,787	—	—	2,787
Other current liabilities	1,445	3,787	—	—	5,232
Total current liabilities	8,293	587,135	11,050	(576,779)	29,699
Long-Term Debt	246,637	30,311	—	—	276,948
Deferred Income Taxes	—	204,520	—	(984)	203,536
Deferred Gains and Other Liabilities	—	7,864	—	—	7,864
Total liabilities	254,930	829,830	11,050	(577,763)	518,047
Preferred Stock, $0.01 par value, 10,000,000 shares authorized:					
	144,232	—	—	—	144,232

Series A Preferred Stock, at redemption value; 1,400,000 shares issued					
Equity:					
Era Group Inc. stockholders' equity:					
Class A common stock, $0.01 par value, 60,000,000 shares authorized; none issued	—	—	—	—	—
Class B common stock, $0.01 par value, 60,000,000 shares authorized; 24,500,000 issued	245	—	—	—	245
Additional paid-in capital	278,838	109,674	496	(110,170)	278,838
Retained earnings (accumulated deficit)	(4,025)	(4,217)	(82)	4,299	(4,025)
Accumulated other comprehensive income (loss), net of tax	20	20	—	(20)	20
	275,078	105,477	414	(105,891)	275,078
Noncontrolling interest in subsidiary	—	207	—	—	207
Total equity	275,078	105,684	414	(105,891)	275,285
Total Liabilities and Stockholders' Equity	$ 674,240	$ 935,514	$ 11,464	$ (683,654)	$ 937,564

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Supplemental Condensed Consolidating Statement of Operations for the Three Months Ended March 31, 2013

	Parent Company Only	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
Operating Revenues	$—	$ 67,372	$ 355	$ —	$ 67,727
Costs and Expenses:					
Operating	—	42,882	234	—	43,116
Administrative and general	1,296	7,838	—	—	9,134
Depreciation	—	11,489	172	—	11,661
	1,296	62,209	406	—	63,911
Gains on Asset Dispositions and Impairments, Net	—	10,801	—	—	10,801
Operating Income (Loss)	(1,296)	15,964	(51)	—	14,617
Other Income (Expense):					
Interest income	16	130	1	—	147
Interest expense	(4,473)	(259)	—	—	(4,732)
Intercompany interest	8,398	(8,238)	(160)	—	—
SEACOR management fees	(168)	—	—	—	(168)
Derivative losses, net	—	(3)	—	—	(3)
Foreign currency losses, net	(1)	(258)	—	—	(259)
Other, net	—	3	—	—	3
	3,772	(8,625)	(159)	—	(5,012)
Income (Loss) Before Income Tax Expense (Benefit) and Equity in Earnings of 50% or Less Owned Companies and Subsidiaries	2,476	7,339	(210)	—	9,605
Income Tax Expense (Benefit)	(488)	4,066	—	—	3,578
Income (Loss) Before Equity in Earnings of 50% or Less Owned Companies and Subsidiaries	2,964	3,273	(210)	—	6,027
Equity in Earnings of 50% or Less Owned Companies, Net of Tax	—	562	—	—	562
Equity in Earnings (Losses) of Subsidiaries	3,625	—	—	(3,625)	—
Net Income (Loss)	6,589	3,835	(210)	(3,625)	6,589
Net Loss attributable to Noncontrolling Interest in Subsidiary	—	105	—	—	105
Net Income (Loss) attributable to Era Group Inc.	6,589	3,940	(210)	(3,625)	6,694
Accretion of redemption value on Series A Preferred Stock	721	—	—	—	721
Net Income (Loss) attributable to Common Shares	$5,868	$ 3,940	$ (210)	$ (3,625)	$ 5,973

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Supplemental Condensed Consolidating Statement of Operations for the Three Months Ended March 31, 2012

	Parent Company Only	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
Operating Revenues	$—	$ 61,052	$ —	$—	$ 61,052
Costs and Expenses:					
Operating	—	39,676	—	—	39,676
Administrative and general	2,618	7,058	1	—	9,677
Depreciation	—	9,630	—	—	9,630
	2,618	56,364	1	—	58,983
Gains on Asset Dispositions and Impairments, Net	—	1,765	—	—	1,765
Operating Income (Loss)	(2,618)	6,453	(1)	—	3,834
Other Income (Expense):					
Interest income	34	298	—	—	332
Interest expense	(1,672)	(296)	—	—	(1,968)
Intercompany interest	3,734	(3,734)	—	—	—
SEACOR management fees	(500)	—	—	—	(500)
Derivative losses, net	—	(124)	—	—	(124)
Foreign currency gains, net	—	917	—	—	917
Other, net	—	30	—	—	30
	1,596	(2,909)	—	—	(1,313)
Income (Loss) Before Income Tax Expense (Benefit) and Equity in Earnings (Losses) of 50% or Less Owned Companies and Subsidiaries	(1,022)	3,544	(1)	—	2,521
Income Tax Expense (Benefit)	(356)	1,090	—	—	734
Income (Loss) Before Equity in Earnings (Losses) of 50% or Less Owned Companies and Subsidiaries	(666)	2,454	(1)	—	1,787
Equity in Losses of 50% or Less Owned Companies, Net of Tax	—	(6,420)	—	—	(6,420)
Equity in Earnings (Losses) of Subsidiaries	(3,967)	—	—	3,967	—
Net Loss attributable to Era Group Inc.	(4,633)	(3,966)	(1)	3,967	(4,633)
Accretion of redemption value on Series A Preferred Stock	2,100	—	—	—	2,100
Net Loss attributable to Common Shares	$(6,733)	$ (3,966)	$ (1)	$ 3,967	$ (6,733)

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Supplemental Statement of Comprehensive Income (Loss) for the Three Months Ended March 31, 2013

	Parent Company Only	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
Net Income					