MESA AIR GROUP INC
Form S-1/A
August 08, 2018
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As filed with the Securities and Exchange Commission on August 8, 2018

Registration No. 333-226173

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 3

FORM S-1

REGISTRATION STATEMENT

Under

The Securities Act of 1933

MESA AIR GROUP, INC.

(Exact name of registrant as specified in its charter)

Nevada	**4512**	**85-0302351**
(State or other jurisdiction of		

incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

410 North 44th Street, Suite 700

Phoenix, Arizona 85008

(602) 685-4000

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Jonathan G. Ornstein

Chairman and Chief Executive Officer

Mesa Air Group, Inc.

410 North 44th Street, Suite 700

Phoenix, Arizona 85008

(602) 685-4000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Executive Vice President, General Counsel and Secretary

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Anna T. Pinedo

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

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

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

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

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

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

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

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 to Section 7(a)(2)(B) of the Securities Act.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED AUGUST 8, 2018.

PRELIMINARY PROSPECTUS

10,700,000 Shares

Mesa Air Group, Inc.

Common Stock

This is the initial public offering of our common stock. We are offering 10,700,000 shares.

We estimate that the initial public offering price per share will be between $14.00 and $16.00. Currently, no public market exists for our common stock. Our common stock has been approved for listing on the Nasdaq Global Select Market under the symbol MESA.

We are an emerging growth company as defined under the federal securities laws, and, as such, we are subject to reduced public company reporting requirements. See *Prospectus Summary Implications of Being an Emerging Growth Company*.

Investing in our common stock involves risks. See *Risk Factors* beginning on page 19 to read about factors you should consider before buying shares of our common stock.

	Per Share	Total
Initial public offering price	$	$
Underwriting discounts and commissions[(1)]	$	$
Proceeds to us (before expenses)	$	$

(1) See the *Underwriting* section beginning on page 151 for additional information regarding underwriting compensation.

We and the selling shareholders identified in this prospectus have granted the underwriters the right to purchase up to an additional 1,605,000 shares of common stock at the initial public offering price, less underwriting discounts and commissions. The underwriters can exercise this option within 30 days from the date of this prospectus. If the overallotment option is exercised, an aggregate of up to 938,333 shares will be purchased directly from us, and an aggregate of up to 666,667 shares will be purchased directly from the selling shareholders. We will not receive any of the proceeds from the sale of any shares sold by the selling shareholders if the overallotment option is exercised.

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

The underwriters expect to deliver the shares to the purchasers on or about , 2018.

RAYMOND JAMES **BofA Merrill Lynch**

Cowen **Stifel** **Imperial Capital**

Prospectus dated , 2018.

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We are responsible for the information contained in this prospectus or contained in any free writing prospectus prepared by or on behalf of us to which we have referred you. Neither we, the underwriters, nor the selling shareholders have authorized anyone to provide you with additional information or information different from that contained in this prospectus or in any free writing prospectus filed with the Securities and Exchange Commission and we take no responsibility for any other information that others may give you. We and the selling shareholders are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock. Our business, operating results or financial condition may have changed since such date.

Until , 2018 (25 days after the date of this prospectus), all dealers that buy, sell, or trade shares of our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the dealer s obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

For investors outside the United States: Neither we nor any of the underwriters have taken any action that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus.

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We have obtained federal registration of the Mesa Airlines® trademark. American® and American Eagle® are trademarks of American Airlines, Inc. United® and United Express® are trademarks of United Airlines, Inc. All other trade names, trademarks, and service marks appearing in this prospectus are the property of their respective holders. We have omitted the ® and designations, as applicable, for the trademarks used in this prospectus.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary sets forth the material terms of the offering, but does not contain all of the information that you should consider before investing in our common stock. You should read the entire prospectus carefully before making an investment decision, especially the risks of investing in our common stock described under Risk Factors. Unless the context otherwise requires, the terms we, us, our, the Company and Mesa refer to Mesa Air Group, Inc. and its predecessors, direct and indirect subsidiaries and affiliates. Our airline operations are conducted through our subsidiary, Mesa Airlines, Inc. (Mesa Airlines). Certain terms related to the airline industry are described under Glossary of Airline Terms at the end of this prospectus.

Our Company

Mesa Airlines is a regional air carrier providing scheduled passenger service to 110 cities in 38 states, the District of Columbia, Canada, Mexico, Cuba and the Bahamas. All of our flights are operated as either American Eagle or United Express flights pursuant to the terms of capacity purchase agreements we entered into with American Airlines, Inc. (American) and United Airlines, Inc. (United) (each, our major airline partner). We have a significant presence in several of our major airline partners key domestic hubs and focus cities, including Dallas, Houston, Phoenix and Washington-Dulles. We have been the fastest growing regional airline in the United States over our last five fiscal years, based on fleet growth, with a cumulative increase in aircraft of 137%.

As of March 31, 2018, we operated a fleet of 145 aircraft with approximately 610 daily departures. We operate 64 CRJ-900 aircraft under our capacity purchase agreement with American (our American Capacity Purchase Agreement) and 20 CRJ-700 and 60 E-175 aircraft under our capacity purchase agreement with United (our United Capacity Purchase Agreement). Over the last five calendar years, our share of the total regional airline fleet of American and United has increased from 7% to 11% and from 4% to 15%, respectively. Driven by this fleet growth, our total operating revenues have grown by 55% from $415.2 million in fiscal 2013 to $643.6 million in fiscal 2017, respectively. We believe we have expanded our share with our major airline partners because of our competitive cost structure, access to pilots under our labor agreements and track record of reliable performance. All of our operating revenue in our 2017 fiscal year and the six months ended March 31, 2018 was derived from operations associated with our American and United Capacity Purchase Agreements.

Our long-term capacity purchase agreements provide us guaranteed monthly revenue for each aircraft under contract, a fixed fee for each block hour and flight flown, and reimbursement of certain direct operating expenses, in exchange for providing regional flying on behalf of our major airline partners. Our capacity purchase agreements shelter us from many of the elements that cause volatility in airline financial performance, including fuel prices, variations in ticket prices, and fluctuations in number of passengers. In providing regional flying under our capacity purchase agreements, we use the logos, service marks, flight crew uniforms and aircraft paint schemes of our major airline partners. Our major airline partners control route selection, pricing, seat inventories, marketing and scheduling, and provide us with ground support services, airport landing slots and gate access, allowing us to focus all of our efforts on delivering safe, reliable and cost-competitive regional flying.

Regional aircraft are optimal for short and medium-haul scheduled flights that connect outlying communities with larger cities and act as feeders for domestic and international hubs. In addition, regional aircraft are well suited to serve larger city pairs during off-peak times when load factors on larger jets are low. The lower trip costs and operating efficiencies of regional aircraft, along with the

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competitive nature of the capacity purchase agreement bidding process, provide significant value to major airlines. According to the Regional Airline Association, we were the fifth largest regional airline company in the United States in 2016, as measured by passenger enplanements, and our flights accounted for approximately 8.4% of all passengers carried on U.S. regional airlines.

Regional airlines play a daily, essential role in the U.S. air travel system. According to the Regional Airline Association, 42% of all scheduled passenger flights in the United States in 2016 were operated by regional airlines. Of all the U.S. airports with passenger airline service, 64% are served exclusively by regional airlines. Some of the most popular U.S. airports have more than half of all their flights on regional airlines, including New York-LaGuardia, Philadelphia, Washington-Dulles, Charlotte, Houston-Bush and Chicago-O Hare.

Our Competitive Strengths

We believe that our primary strengths are:

Low-Cost Operator. We believe that we are among the lowest cost operators of regional jet service in the United States. There are several key elements that contribute to our cost efficiencies:

Efficient Fleet Composition. We exclusively operate large regional aircraft with 70+ passenger seats on a single FAA certificate. Operating large regional aircraft allows us to enjoy unit cost advantages over smaller regional aircraft. Larger regional aircraft require less fuel and crew resources per passenger carried, and may also have maintenance cost efficiencies.

Cost Effective, Long-Term Collective Bargaining Agreements. Our pilots and flight attendants ratified new four-year collective bargaining agreements effective as of July 13, 2017 and October 1, 2017, respectively, which are among the longest in the regional airline industry and include labor rate structures through 2023 for our pilots and 2022 for our flight attendants. We believe that our collective bargaining agreements and favorable labor relationships are critical for pilot retention and will provide more predictable labor costs into 2023. We derive cost advantages from efficient work rules and the relatively low average seniority of our pilots.

Low Corporate Overhead. Our general and administrative expenses per block hour have decreased by more than 35% over the five-year period ended September 30, 2017. We have significantly reduced our overhead costs by operating with a modest administrative and corporate team, offering cost-effective benefit programs and implementing automated solutions to improve efficiency.

Competitive Procurement of Certain Operating Functions. We have long-term maintenance agreements with expirations extending from December 2020 to December 2027 with AAR Aircraft Services, Inc. (AAR), GE Engine Services, LLC (GE), StandardAero Limited (StandardAero), Aviall Services, Inc. (Aviall) and Bombardier Aerospace (Bombardier), respectively, to provide parts procurement, inventory and engine, airframe and component overhaul services. We expect that our long-term agreements with these and other strategic vendors will provide predictable high-quality and cost-effective solutions for most maintenance categories over the next several years. In prior periods, we also invested in long-term engine overhauls on certain aircraft, which we believe will reduce related maintenance obligations in future periods.

Advantages in Pilot Recruitment and Retention. We believe that we are well positioned to attract and retain qualified pilot candidates. Following the ratification of our collective bargaining agreements in July 2017, the average number of new pilot applications per month has increased by 45.3%

compared to the six months prior to such ratification. In addition, our average pilot attrition has decreased by 16.2% over the same period.

The following chart presents our cumulative increase in new pilots who have completed training, net of attrition, from July 2017 through June 2018:

We believe that the increased number of new pilot applications per month will continue with the introduction of our Career Path Program (CPP) with United. In addition to offering competitive compensation, bonuses and benefits, we believe the following elements contribute to our recruiting advantage:

Career Path Program. We recently announced our CPP with United, which is designed to provide our qualified current and future pilots a path to employment as a pilot at United. We believe that our CPP will help us continue to attract qualified pilots, manage natural attrition and further strengthen our decades-long relationship with United.

Modern, Large-Gauged Regional Jets. We exclusively operate large regional aircraft with advanced flight deck avionics. We believe that pilot candidates prefer advanced flight deck avionics because they are similar to those found in the larger commercial aircraft types flown by major airlines.

Opportunities for Advancement. We believe that our career progression is among the most attractive in the regional airline industry. During fiscal 2017, our pilots had the opportunity to be promoted from first officer to captain in as little as 12 months.

Stable Labor Relations. Throughout our long operating history, we believe that we have had constructive relationships with our employees and their labor representatives. We have never been the subject of a labor strike or labor action that impacted our operations.

Enthusiastic and Supportive Culture. Our pilots helping pilots philosophy helps us attract, retain and inspire our next generation of pilots. Our team-oriented culture, as demonstrated by the mentorship of our senior pilots, is both encouraged and expected. We strive to create an environment for our personnel where open communication is customary and where we celebrate our successes together.

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Stable, Long-Term Revenue-Guarantee Capacity Purchase Agreements. We have long-term capacity purchase agreements with American and United that extend beyond 2020 for 94 of our 144 aircraft in scheduled service (with 34 aircraft expiring between June and December 2019 and 16 aircraft expiring between January and August 2020, if not extended prior to contract expiration). Both of our capacity purchase agreements are capacity purchase, rather than revenue sharing arrangements. This contractual structure provides us with a predictable revenue stream and allows us to increase our profit margin to the extent that we are able to lower our operating costs below the costs anticipated by the agreements. In addition, we are not exposed to price fluctuations for fuel, certain insurance expenses, ground operations or landing fees as those costs are either reimbursed under our capacity purchase agreements or paid directly to suppliers by our major airline partners.

Fleet Exclusively Comprised of Large, Efficient Regional Jets. We exclusively operate large regional aircraft with 70+ passenger seats. These aircraft are the highest in demand across the regional airline industry and provide us with best-in-class operating efficiencies, providing our major airline partners greater flexibility in route structuring and increased passenger revenues. As of March 31, 2018, we had 145 aircraft (owned and leased) consisting of the following:

	Embraer Regional Jet-175 (76 seats)(1)	Canadair Regional Jet-700 (70 seats)	Canadair Regional Jet-900 (76-79 seats)	Canadair Regional Jet-200 (50 seats)(2)	Total
American Eagle			64		64
United Express	60	20			80
Subtotal	60	20	64		144
Unassigned				1	1
Total	60	20	64	1	145

(1) In February 2018, we mutually agreed with United to temporarily remove two aircraft from service under our United Capacity Purchase Agreement. These aircraft were placed back in service in July 2018 and are reflected here.
(2) CRJ-200 is an operational spare not assigned for service under our capacity purchase agreements.

Longstanding Relationships with American and United. We began flying for United in 1991 and American, through its predecessor entities, in 1992. Since 2013, we have added 26 aircraft to our American Capacity Purchase Agreement and 60 aircraft to our United Capacity Purchase Agreement.

Strong Recent Record of Operational Performance. We were ranked the number one regional airline for on-time performance by DOT Air Travel Consumer Report for three of the first four months of 2018. In addition, we believe that we were the number one regional airline for on-time performance in 2016 and 2017 based on a comparison of our internal data to publicly available DOT data for reporting airlines. Under our capacity purchase agreements, we may receive financial incentives or incur penalties based upon our operational performance, including controllable on-time departures and controllable completion percentages.

Experienced, Long-Tenured Management Team. Our senior management team has extensive operating experience in the regional airline industry. Our Chief Executive Officer and President/Chief Financial Officer have served us in senior officer positions since 1998, and our management team has helped us navigate through and emerge successfully from bankruptcy in early 2011. From 2013 to September 30, 2017, we have significantly grown the business in the following ways:

- achieved revenue growth of 55%;
- expanded the number of aircraft flown under our American Capacity Purchase Agreement from 38 to 64;

expanded the number of aircraft flown under our United Capacity Purchase Agreement from 20 to 80;

closed the first enhanced equipment trust certificate (EETC) financing by a regional airline; and

improved our operating efficiencies and maintained our cost advantage.

Our Business Strategy

Our business strategy consists of the following elements:

Maintain Low-Cost Structure. We have established ourselves as a low-cost, efficient and reliable provider of regional airline services. We intend to continue our disciplined cost control approach through responsible outsourcing of certain operating functions, by flying large regional aircraft with associated lower maintenance costs and common flight crews across fleet types, and through the diligent control of corporate and administrative costs. Additionally, we expect our long-term collective bargaining agreements to protect us from significant labor cost increases over the next five years. These efficiencies, coupled with the low average seniority of our pilots, has enabled us to compete aggressively on price in our capacity purchase agreement negotiations.

Attractive Work Opportunities. We believe our employees have been, and will continue to be, a key to our success. Our ability to attract, recruit and retain pilots has supported our industry-leading fleet growth. We intend to continue to offer competitive compensation packages, foster a positive and supportive work environment and provide opportunities to fly state-of-the-art, large-gauged regional jets to differentiate us from other carriers and make us an attractive place to work and build a career.

Maintain a Prudent and Conservative Capital Structure. We intend to continue to maintain a prudent capital structure. We believe that the strength of our balance sheet and credit profile will enable us to optimize terms with lessors and vendors and, when preferred by our major airline partners, allow us to procure and finance aircraft on competitive terms. Also, once we complete this offering, our financial resources and publicly traded securities may allow us to take advantage of attractive acquisition opportunities should they arise. We may use a portion of the offering proceeds to purchase some of our leased aircraft. The purchase of leased aircraft would allow us to lower our operating costs and avoid lease-related use restrictions and return conditions.

Minimize Tail Risk. We have structured our aircraft leases and financing arrangements to minimize or eliminate, as much as possible, so-called tail risk, which is the amount of aircraft-related lease obligations or projected negative equity existing beyond the term of that aircraft s corresponding capacity purchase agreement. We currently have 18 aircraft with leases extending past the term of their corresponding capacity purchase agreements with an aggregate exposure of less than $33.0 million and no financing arrangements with projected negative equity. We intend to continue to align the terms of our aircraft leases and financing agreements with the terms of our capacity purchase agreements in order to maintain low tail risk.

Our Growth Opportunities

During our last five fiscal years, our total operating revenues grew at a compounded annual rate of 11.6% and our fleet size increased from 59 to 140 regional aircraft, a cumulative growth rate of 137%. We believe that our cost discipline, strong operational performance and financial resources will provide additional opportunities to expand our operations, including:

Expand Flying With New and Existing Airline Partners. We enjoy strong relationships with our major airline partners and have significantly expanded our fleet size and flight operations with

American and United over the last five years. As the demand for air travel among our major airline partners continues to grow, we expect to have the opportunity to increase our flight services for each major airline partner. In addition, over the next five years, we expect that capacity purchase agreements representing up to 300 aircraft currently flown by our competitors on behalf of major airlines will expire by their terms and be subject to rebidding or replacement by more desirable types of aircraft. We believe that our cost structure and operational efficiencies position us well to compete for this flying. Additionally, we intend to pursue opportunities to provide regional flying to other major airlines with hub cities that do not overlap with our existing major airline partners. In addition, if a market for regional flying on behalf of low-cost and ultra low-cost carriers materializes, we believe that we are well positioned to partner with them, as one of the lowest cost regional airlines in the United States.

Acquisitions of Other Regional Airlines. In the future, we may evaluate the strategic acquisition of other regional air carriers. The opportunity to make an acquisition may arise if, for example, a major airline makes a divestiture of a captive regional airline, as major airlines have done in the past.

Opportunities in the Air Cargo and Express Package Sector. We believe that our cost structure and business model may be successfully deployed in the burgeoning air cargo and express shipping sectors. Amazon.com, Inc. and several of the largest integrated logistics companies, including United Parcel Service, Inc., FedEx Corporation and DHL International GmbH, utilize contractual arrangements similar to our capacity purchase agreements with regional air cargo carriers to service outlying areas. We intend to explore future regional air cargo opportunities.

Regulatory Relief. We actively support the efforts of trade organizations, industry leaders, policymakers and other airlines to encourage regulatory reforms related to the current shortage of qualified pilots, lowering the cost of pilot training and providing access to air service for small communities. While the regulatory reform agenda and policies of the current administration are not fully known, it is possible that favorable regulatory changes may take place. We believe that favorable regulatory changes by the current administration, were they to occur, could increase the number of qualified pilots, lower our operating costs and create incremental opportunities for us with our existing and other potential future major airline partners.

Recent Developments

Buyout of Leased Aircraft and Refinancing

On June 27, 2018, we refinanced $16.0 million of debt on six CRJ-900 aircraft (due in 2019), with $27.5 million of debt, resulting in net cash proceeds to us of $10.4 million after transaction related fees. The notes payable require quarterly payments of principal and interest through fiscal 2022 bearing interest at LIBOR plus 3.50%. We expect that these new borrowings will increase our interest expense by approximately $1.0 million per year through fiscal 2021.

On June 28, 2018, we purchased nine CRJ-900 aircraft, which were previously leased under the GECAS Lease Facility (as defined below), for $76.5 million. We financed the aircraft purchase with $69.6 million in new debt and proceeds from the June 27, 2018 aircraft refinancing. The notes payable of $69.6 million require quarterly payments of principal and interest through fiscal 2022 bearing interest at LIBOR plus a spread ranging from 3.50% for the senior promissory notes to 7.50% for the subordinated promissory notes (those notes, the Subordinated GECAS Notes). We recorded non-cash lease termination expense of $15.1 million in connection with the lease buyout. Also, as part of the transaction, we (i) received $4.5 million of future goods and services credits and $5.6 million of loan

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forgiveness for loans with a maturity date in 2027 from the aircraft manufacturer, and (ii) mutually agreed with GE Capital Aviation Services LLC to terminate a warrant to purchase 250,000 shares of our common stock with an exercise price of $3.20 per share and a five-year maturity (the GE Warrant). We expect that this lease buyout and aircraft acquisition will increase our pre-tax income by approximately $5.5 million per year through fiscal 2021.

Third Quarter 2018 Outlook

Our condensed consolidated financial statements for the quarter ended June 30, 2018 are not yet available. We have presented preliminary estimated ranges of certain of our financial results and operating data below for the quarter ended June 30, 2018 based on information currently available to management. Our financial closing procedures for the quarter ended June 30, 2018 are not yet complete. As a result, our actual results for the quarter ended June 30, 2018 may differ materially from the preliminary estimated financial results set forth below upon the completion of our financial closing procedures, final adjustments, and other developments that may arise prior to the time our financial results are finalized. You should not place undue reliance on these estimates. The preliminary estimated financial results and operating data set forth below have been prepared by, and are the responsibility of, management and are based on a number of assumptions. Our independent registered certified public accounting firm, Deloitte & Touche LLP, has not audited, reviewed, compiled, or performed any procedures with respect to the preliminary estimated financial results. Accordingly, Deloitte & Touche LLP does not express an opinion or provide any other form of assurance with respect thereto. See *Risk Factors*, *Management s Discussion and Analysis of Financial Condition and Results of Operations*, and *Cautionary Note Regarding Forward-Looking Statements* for additional information regarding factors that could result in differences between the preliminary estimated ranges of certain of our financial results and operating data presented below and the actual financial results we will report for the quarter ended June 30, 2018.

Our preliminary estimated ranges of certain of our financial results include a one-time, non-cash lease termination expense of $15.1 million related to our acquisition of nine CRJ-900 aircraft, which were previously leased under our GECAS Lease Facility, for $76.5 million. See *Buyout of Leased Aircraft and Refinancing* and *Management s Discussion and Analysis of Financial Condition and Results of Operations Commitments and Contractual Obligations* for additional information regarding the aircraft acquisition and refinancing.

Our preliminary estimated ranges of certain of our financial results reflect a one-time, non-cash increase in accrued compensation of approximately $14.2 million related to an increase in the value of our stock appreciation rights (SARs) associated with an increase in fair value of our common stock as well as a change in accounting methodology from the intrinsic value method to the fair value method as described in *Management s Discussion and Analysis of Financial Condition and Results of Operations Accounting Methodology for Stock Appreciation Rights.* These changes will result in a general and administrative expense of approximately $11.7 million as well as an offset of approximately $2.5 million to retained earnings as a result of the change in accounting methodology.

The preliminary estimated financial results set forth below should not be viewed as a substitute for full financial statements prepared in accordance with generally accepted accounting principles in the United States (GAAP). We will not publicly file our actual condensed consolidated financial statements and related notes for the quarter ended June 30, 2018 with the U.S. Securities and Exchange Commission (the SEC) until after completion of this offering. In addition, the preliminary estimated financial results set forth below are not necessarily indicative of results we may achieve in any future period. While we currently expect that our actual results will be within the ranges described below, it is possible that our actual results may not be within the ranges we currently estimate. Refer to

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Management s Discussion and Analysis of Financial Condition and Results of Operations for additional information regarding our historical financial results.

We have presented the following preliminary estimated ranges of certain of our financial results for the quarter ended June 30, 2018:

	Quarter Ended June 30, 2018	
	Low	**High**
	(in thousands)	
Consolidated Statements of Operations Data:		
Operating revenues:		
Contract revenue	$ 159,700	$ 159,700
Pass-through and other	11,800	11,800
Total operating revenues	171,500	171,500
Total operating expenses	174,300	171,300
Operating (loss) income	(2,800)	200
Total other expense	(14,100)	(14,100)
Loss before taxes	(16,900)	(13,900)
Non-GAAP financial data:		
Loss before taxes	(16,900)	(13,900)
Revaluation of liability awards	12,000	10,000
Lease termination costs	15,100	15,100
Income before taxes, excluding lease termination costs and revaluation of liability awards	$ 10,200	$ 11,200
Adjusted EBITDA(1)	$ 40,300	$ 41,300
Adjusted EBITDAR(1)	$ 58,200	$ 59,200

(1) We define Adjusted EBITDA as earnings before interest, income taxes, and depreciation and amortization, adjusted for the impact of revaluation of liability awards and lease termination costs. We define Adjusted EBITDAR as earnings before interest, income taxes, depreciation and amortization and aircraft rent, adjusted for the impact of revaluation of liability awards and lease termination costs. The most directly comparable GAAP measure is income before taxes.

We present Adjusted EBITDA and Adjusted EBITDAR, which are not recognized financial measures under GAAP, as supplemental disclosures because our senior management believes that these are well recognized valuation metrics in the airline industry that are frequently used by companies, investors, securities analysts and other interested parties in comparing companies in our industry. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating Adjusted EBITDA and Adjusted EBITDAR, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in our presentation of Adjusted EBITDA and Adjusted EBITDAR. Our presentation of Adjusted EBITDA and Adjusted EBITDAR should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. There can be no assurance that we will not modify the presentation of Adjusted EBITDA or Adjusted EBITDAR following this offering, and any such modification may be material.

Adjusted EBITDA and Adjusted EBITDAR have limitations as analytical tools. Some of the limitations applicable to these measures include: (i) Adjusted EBITDA and Adjusted EBITDAR do not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations; (ii) Adjusted EBITDA and Adjusted EBITDAR do not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments; (iii) Adjusted EBITDA and Adjusted EBITDAR do not reflect changes in, or cash requirements for, our working capital needs; (iv) Adjusted EBITDA and Adjusted EBITDAR do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our debts; (v) although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future; and (vi) Adjusted EBITDA and Adjusted EBITDAR do not reflect any cash requirements for such replacements and other companies in our industry may calculate Adjusted EBITDA and Adjusted EBITDAR differently than we do, limiting its usefulness as a comparative measure. Because of these limitations, Adjusted EBITDA and Adjusted EBITDAR should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. In addition, Adjusted EBITDAR should not be viewed as a measure of overall performance because it excludes aircraft rent, which is a normal, recurring cash operating expense that is necessary to operate our business. For the foregoing reasons, each of Adjusted EBITDA and Adjusted EBITDAR has significant limitations which affect its use as an indicator of our profitability. Accordingly, you are cautioned not to place undue reliance on this information.

The following table presents a reconciliation of income before taxes to estimated Adjusted EBITDA and Adjusted EBITDAR for the period presented.

	Quarter Ended June 30, 2018	
	Low	High
	(in thousands)	
Reconciliation:		
Loss before taxes	$ (16,900)	$ (13,900)
Revaluation of liability awards	12,000	10,000
Lease termination costs	15,100	15,100
Interest expense	14,100	14,100
Depreciation and amortization	16,000	16,000
Adjusted EBITDA	40,300	41,300
Aircraft rent	17,900	17,900
Adjusted EBITDAR	58,200	59,200

	Quarter Ended June 30, 2018	
	Low	High
	(in thousands)	
Balance Sheet Data:		
Cash and cash equivalents	$ 41,700	$ 41,700
Accrued compensation	24,000	22,000
Long-term debt, including current portion	994,100	994,100

	Quarter Ended June 30, 2018
Operating Data	
Block hours	102,939
Departures	57,782

Effectiveness of Stock Split and Increase in Authorized Shares

On August 8, 2018, we filed our second amended and restated articles of incorporation, which, among other things: (i) effected a 2.5-for-1 stock split of our common stock; and (ii) increased the authorized number of shares of our common and preferred stock to 125,000,000 and 5,000,000, respectively. Except as otherwise noted, all references to share and per share amounts related to common stock, equity awards and non-equity awards in this prospectus, our consolidated financial statements and our condensed consolidated financial statements reflect the stock split and increase in authorized shares.

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Risks Affecting Us

Our business is subject to numerous risks and uncertainties, including those highlighted in the section of this prospectus titled Risk Factors immediately following this prospectus summary. These risks include, but are not limited to:

- the supply and retention of qualified airline pilots;
- the volatility of pilot attrition;
- dependence on, changes to, or non renewal of, our capacity purchase agreements;
- increases in our labor costs;
- reduced utilization under our capacity purchase agreements;
- the financial strength of our major airline partners;
- direct operation of regional jets by our major airline partners;
- limitations on our ability to expand regional flying within the flight systems of our major airline partners and those of other major airlines;
- our significant amount of debt and other contractual obligations;
- our compliance with ongoing financial covenants under our credit facilities; and
- our ability to keep costs low and execute our growth strategies.

Corporate Information

We are a Nevada corporation with our principal executive office in Phoenix, Arizona. We were founded in 1982 and reincorporated in Nevada in 1996. In addition to operating Mesa Airlines, we also wholly own Mesa Air Group Airline Inventory Management, LLC, (MAG-AIM), an Arizona limited liability company, which was established to purchase, distribute and manage Mesa Airlines inventory of spare rotable and expendable parts. MAG-AIM s financial results are reflected in our consolidated financial statements.

Our principal executive offices are located at 410 North 44th Street, Suite 700, Phoenix, Arizona 85008, and our telephone number is (602) 685-4000. Our website is located at www.mesa-air.com. The information on, or accessible through, our website does not constitute part of, and is not incorporated into, this prospectus.

Implications of Being an Emerging Growth Company

As a company with less than $1.07 billion in revenue during our last fiscal year, we qualify as an emerging growth company as defined in the Jumpstart Our Business Startups Act (the JOBS Act), enacted in April 2012. An emerging growth company may take advantage of reduced reporting requirements that are otherwise applicable to public companies. These provisions include, but are not limited to:

- being permitted to present only two years of audited financial statements and only two years of related Management s Discussion and Analysis of Financial Condition and Results of Operations in this prospectus;

- not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as amended (the Sarbanes-Oxley Act);

- reduced disclosure obligations regarding executive compensation in our periodic reports, proxy statements and registration statements; and

- exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

We may take advantage of these provisions until the last day of our fiscal year following the fifth anniversary of the completion of this offering. However, if certain events occur prior to the end of such five-year period, including if we become a large accelerated filer, our annual gross revenue exceeds $1.07 billion or we issue more than $1.0 billion of non-convertible debt in any three-year period, we will cease to be an emerging growth company prior to the end of such five-year period.

We have elected to take advantage of certain of the reduced disclosure obligations in the registration statement of which this prospectus is a part and may elect to take advantage of other reduced reporting requirements in future filings. As a result, the information that we provide to our shareholders may be different than you might receive from other public reporting companies in which you hold equity interests.

In addition, the JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. We have irrevocably elected not to avail ourselves of this exemption and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

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THE OFFERING

Common stock offered by us	10,700,000 shares.
Common stock to be outstanding after the offering	35,201,142 shares (or 36,139,475 shares, if the underwriters exercise in full their overallotment option as described below).
Underwriters option to purchase additional shares	We and the selling shareholders may sell up to an aggregate of 1,605,000 additional shares if the underwriters exercise their option to purchase additional shares.
Use of proceeds	We estimate that we will receive net proceeds from this offering of approximately $145.9 million (or approximately $158.3 million if the underwriters exercise their overallotment option) based on an assumed initial public offering price of $15.00 per share (the mid-point of the price range set forth on the cover page of this prospectus) and after deducting estimated underwriting discounts and commissions and estimated expenses of this offering payable by us.
	We intend to use the net proceeds from this offering to: (i) repay all outstanding indebtedness under our CIT Revolving Credit Facility in the amount of $25.7 million; (ii) repay from $20.0 to $40.0 million of existing indebtedness under our Spare Engine Facility and the Subordinated GECAS Notes; and (iii) in connection with the repayment, refinance the remaining portion of indebtedness under our Spare Engine Facility and the Subordinated GECAS Notes. For a further description of our CIT Revolving Credit Facility, Spare Engine Facility and Subordinated GECAS Notes, see *Management s Discussion and Analysis of Financial Condition and Results of Operations Commitments and Contractual Obligations* elsewhere in this prospectus. We intend to use any remaining proceeds for general corporate purposes, which may include the repayment or refinancing of indebtedness, working capital and capital expenditures, including flight equipment acquisitions and lease buyouts. See *Use of Proceeds*.
	We will not receive any of the proceeds from the sale of any shares sold by the selling shareholders if the underwriters exercise their option to purchase additional shares. See *Principal and Selling Shareholders*.
Risk factors	

	See *Risk Factors* beginning on page 19 and the other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in our common stock.
NASDAQ trading symbol	MESA

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The number of shares of our common stock outstanding after this offering is based on 12,394,215 shares outstanding as of March 31, 2018, 10,890,905 shares issuable upon exercise of warrants with an exercise price of $0.004 per share, 250,000 shares issuable upon exercise of warrants with an exercise price of $3.20 per share (which were terminated in June 2018) and 966,022 shares of restricted common stock to be issued under our 2018 Equity Incentive Plan (the 2018 Plan) immediately following the completion of this offering in exchange for vested SARs previously issued under the Mesa Air Group, Inc. Amended and Restated Stock Appreciation Rights Plan (the SAR Plan), and excludes:

- 744,497 awarded and unvested shares of common stock under the Mesa Air Group, Inc. 2011 Stock Incentive Plan (the 2011 Plan) as of March 31, 2018;
- 20,843 awarded and unvested shares of common stock under the Mesa Air Group, Inc. 2017 Stock Plan (the 2017 Plan) as of March 31, 2018;
- 323,048 awarded and unvested restricted stock units under the Mesa Air Group, Inc. Restricted Phantom Stock Units Plan (the RSU Plan) as of March 31, 2018; and
- 300,012 shares of restricted common stock to be issued under our 2018 Plan, in exchange for unvested SARs previously issued under our SAR Plan.

We expect that an aggregate of 105,275 shares will vest under our 2011 Plan, 2017 Plan and RSU Plan, net of new awards granted, between March 31, 2018 and the completion of this offering. In addition, immediately following the completion of this offering, the remaining unvested equity awards then outstanding under the 2011 Plan, 2017 Plan and RSU Plan will be cancelled and exchanged for 983,113 shares of restricted common stock under our 2018 Plan, and will remain subject to vesting on the same terms set forth in the prior vesting schedules. The SARs previously issued under our SAR Plan, which currently settle only in cash, will be cancelled and exchanged for an aggregate of 1,266,034 shares of restricted common stock under our 2018 Plan (collectively, the 2018 Plan Issuances), of which 966,022 will be fully vested upon issuance and are included in the number of shares of our common stock outstanding after this offering. See *Shares Eligible for Future Sale Proposed Equity Exchange and 2018 Plan Issuances* elsewhere in this prospectus.

Except as otherwise indicated, information in this prospectus reflects or assumes the following:

- the filing and effectiveness of our second amended and restated articles of incorporation in Nevada and the adoption of our amended and restated bylaws, each of which occurred on August 8, 2018;
- no exercise of the underwriters option to purchase up to 1,605,000 additional shares of our common stock from us and the selling shareholders; and
- a 2.5-for-1 forward stock split of our common stock effected on August 8, 2018.

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SUMMARY HISTORICAL CONSOLIDATED FINANCIAL AND OPERATING DATA

The following tables summarize the financial and operating data for our business for the periods presented. You should read this summary consolidated financial data in conjunction with *Management s Discussion and Analysis of Financial Condition and Results of Operations* and our consolidated financial statements and related notes, all included elsewhere in this prospectus.

The summary historical consolidated statement of operations data for our fiscal years ended September 30, 2016 and 2017 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The summary historical consolidated balance sheet data for the six months ended March 31, 2018 has been derived from our unaudited consolidated financial statements appearing elsewhere in this prospectus. The summary historical consolidated statements of operations data for our fiscal years ended September 30, 2013, 2014 and 2015 have been derived from our consolidated financial statements that are not included in this prospectus. Our historical results are not necessarily indicative of the results to be expected in the future, and results for the six months ended March 31, 2018 are not indicative of the results expected for the full year.

	Year Ended September 30,					Six Months Ended March 31,	
	2013[(1)]	2014[(1)]	2015	2016	2017	2017	2018
	(in thousands, except per share data)						
Operating revenues:							
Contract revenue	$ 382,125	$ 407,408	$ 481,168	$ 569,373	$ 618,698	$ 309,711	$ 310,904
Pass-through and other	33,131	28,617	24,931	18,463	24,878	9,619	21,420
Total operating revenues	**415,256**	**436,025**	**506,099**	**587,836**	**643,576**	**319,330**	**332,324**
Operating expenses:							
Flight operations	78,685	93,092	118,600	141,422	155,516	72,349	103,807
Fuel	13,531	6,092	1,017	753	766	400	198
Maintenance	102,473	123,506	142,643	225,130	210,729	117,422	105,756
Aircraft rent	77,243	80,942	69,083	71,635	72,551	36,060	36,582
Aircraft and traffic servicing	28,363	20,817	13,274	3,936	3,676	1,580	1,744
Promotions and sales[(2)]	5,406	2,795	11				
General and administrative	31,598	34,501	39,940	42,182	38,996	20,676	21,267
Depreciation and amortization	32,945	33,425	42,296	46,020	61,048	29,600	31,598
Asset impairment	7,942						
	378,186	**395,170**	**426,864**	**531,078**	**543,282**	**278,087**	**300,952**

Total operating expenses							
Operating income	**37,070**	**40,855**	**79,235**	**56,758**	**100,294**	**41,243**	**31,372**
Other (expense) income, net:							
Interest expense	(9,043)	(9,881)	(16,984)	(32,618)	(46,110)	(21,840)	(27,474)
Interest income	71	14	21	325	32	15	19
Other income (expense), net	2,458	(475)	975	381	(514)	(394)	(102)
Total other (expense) income, net	**(6,514)**	**(10,342)**	**(15,988)**	**(31,912)**	**(46,592)**	**(22,219)**	**(27,557)**
Income before taxes	30,556	30,513	63,247	24,846	53,702	19,024	3,815
Income tax (benefit) expense	(11,078)	11,749	24,248	9,926	20,874	7,110	(21,181)
Net income	**$ 41,634**	**$ 18,764**	**$ 38,999**	**$ 14,920**	**$ 32,828**	**$ 11,914**	**$ 24,996**
Net income per share attributable to common shareholders:							
Basic[3]	$ 5.83	$ 2.53	$ 5.03	$ 1.56	$ 3.01	$ 1.11	$ 2.18
Diluted[3]	$ 1.81	$ 0.82	$ 1.61	$ 0.62	$ 1.40	$ 0.51	$ 1.06
Pro forma net income per share attributable to common shareholders (unaudited)[4]:							
Basic					$ 1.54		$ 1.18
Diluted					$ 0.97		$ 0.76
Weighted-average common shares outstanding:							
Basic	7,146,165	7,425,165	7,749,665	9,558,242	10,918,527	10,780,678	11,441,271
Diluted	23,029,960	22,983,286	24,161,935	24,082,114	23,385,778	23,443,541	23,562,884
Non-GAAP financial data:							
EBITDA[5]	$ 72,473	$ 73,805	$ 122,506	$ 103,159	$ 160,828	$ 70,449	$ 62,868

EBITDAR(5)	$	149,716	$	154,747	$	191,589	$	174,794	$	233,379	$	106,509	$	99,450

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(1) Our operations data for our fiscal years ended September 30, 2013 and 2014 include results from our historical *go!* operations. We operated *go!* as an inter-island air carrier in Hawaii from 2006 to 2014.
(2) Promotion and sales primarily consists of reservations and marketing costs related to our historical *go!* operations. We do not pay promotion and sales expenses under our capacity purchase agreements.
(3) See Note 10 to our consolidated financial statements included elsewhere in this prospectus for an explanation of the method used to calculate the basic and diluted earnings per share.
(4) Pro forma net income per share attributable to common shareholders data is presented for our fiscal year ended September 30, 2017 and the six months ended March 31, 2018 to give effect to: (i) the issuance of 10,700,000 shares of our common stock pursuant to this offering; (ii) our application of the net proceeds from this offering as set forth under *Use of Proceeds*, assuming an initial public offering price of $15.00 per share (which is the mid-point of the estimated price range set forth on the cover page of this prospectus); and (iii) the issuance of shares of restricted common stock under our 2018 Plan immediately following the completion of this offering as part of the 2018 Plan Issuances. For a description of the method used to calculate the number of shares of restricted common stock to be issued under the 2018 Plan immediately after this offering, see *Shares Eligible for Future Sale Proposed Equity Exchange and 2018 Plan Issuances* elsewhere in this prospectus. See *Use of Proceeds* for a description of the assumptions underlying the pro forma data related to our anticipated use of proceeds. This pro forma net income per share attributable to common shareholders data is presented for informational purposes only and does not purport to represent what our pro forma net income (loss) or net income (loss) per share attributable to common shareholders actually would have been had this offering or the 2018 Plan Issuances been completed on October 1, 2016, or to project our net income or net income per share attributable to common shareholders for any future period.
(5) We define EBITDA as earnings before interest, income taxes, and depreciation and amortization. We define EBITDAR as earnings before interest, income taxes, depreciation and amortization and aircraft rent. EBITDA and EBITDAR are included as supplemental disclosure because our senior management believes that they are well recognized valuation metrics in the airline industry that are frequently used by companies, investors, securities analysts and other interested parties in comparing companies in our industry.

EBITDA and EBITDAR have limitations as analytical tools. Some of the limitations applicable to these measures include: (i) EBITDA and EBITDAR do not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations; (ii) EBITDA and EBITDAR do not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments; (iii) EBITDA and EBITDAR do not reflect changes in, or cash requirements for, our working capital needs; (iv) EBITDA and EBITDAR do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our debts; (v) although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future; and (vi) EBITDA and EBITDAR do not reflect any cash requirements for such replacements and other companies in our industry may calculate EBITDA and EBITDAR differently than we do, limiting its usefulness as a comparative measure. Because of these limitations, EBITDA and EBITDAR should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. In addition, EBITDAR should not be viewed as a measure of overall performance because it excludes aircraft rent, which is a normal, recurring cash operating expense that is necessary to operate our business. For the foregoing reasons, each of EBITDA and EBITDAR has significant limitations which affect its use as an indicator of our profitability. Accordingly, you are cautioned not to place undue reliance on this information.

The following table sets forth a reconciliation of net income and basic and diluted shares used to calculate pro forma basic and diluted net income per share attributable to common shareholders:

	Year Ended September 30, 2017	Six Months Ended March 31, 2018
	(in thousands, except per share data)	
Reconciliation:		
Net income	$ 32,828	$ 24,996
Pro forma adjustment to reflect reduction of interest expense related to the repayment of outstanding indebtedness under our CIT Revolving Credit Facility	270	742
Pro forma adjustment to reflect reduction of interest expense related to partial repayment and refinancing of our Spare Engine Credit Facility and Subordinated GECAS Notes(1)	2,606	2,241
Pro forma adjustment to reflect tax effect at statutory rates(2)	(1,007)	(732)
Total pro forma adjustment(3)	1,869	2,251
Net income used in calculating pro forma net income per share attributable to common shareholders, basic and diluted	$ 34,697	$ 27,247

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	Year Ended September 30, 2017	Six Months Ended March 31, 2018
	(in thousands, except per share data)	
Weighted average shares outstanding used to calculate net income per share attributable to common shareholders, basic	10,918,527	11,441,271
Pro forma adjustment to reflect issuance of 10,700,000 shares of our common stock pursuant to this offering	10,700,000	10,700,000
Pro forma adjustment to reflect issuance of shares of restricted common stock under our 2018 Plan in exchange for vested SARs	966,022	966,022
Weighted average shares used to calculate pro forma net income per share attributable to common shareholders, basic	22,584,549	23,107,293
Effect of dilutive warrants and unvested shares of common stock	12,467,250	12,121,613
Pro forma effect of dilutive issuance of shares of restricted common stock under our 2018 Plan in exchange for unvested SARs and unvested restricted stock units	747,456	747,456
Weighted average shares used to calculate pro forma net income per share attributable to common shareholders, diluted	35,799,255	35,976,362
Pro forma net income per share attributable to common shareholders:		
Basic	$ 1.54	$ 1.18
Diluted	0.97	0.76

(1) We have received a nonbinding financing letter relating to a proposed refinancing of the Spare Engine Credit Facility and Subordinated GECAS Notes, which, if completed, would reduce the applicable interest rate from LIBOR plus a spread ranging from 7.25% to 7.50% to LIBOR plus 4.0%. For each 1/8 percent variance in the applicable interest rates in excess of LIBOR plus 4.0%, pro forma interest expense would change by approximately $0.05 million and $0.04 million, respectively, for the periods presented.

(2) We have used a blended federal statutory income tax rate of 24.5% on taxable income earned during our 2018 fiscal year as a result of the Tax Cuts and Jobs Act (the Tax Act). For our 2017 fiscal year, we used a federal statutory income tax rate of 35%.

(3) See *Use of Proceeds* for a description of the assumptions underlying the pro forma data related to our anticipated use of proceeds.

The following table presents the reconciliation of net income to EBITDA and EBITDAR for the periods presented below:

	Year Ended September 30,					Six Months Ended March 31,	
	2013	2014	2015	2016	2017	2017	2018
	(in thousands)						

Reconciliation:							
Net income	$ 41,634	$ 18,764	$ 38,999	$ 14,920	$ 32,828	$ 11,914	$ 24,996
Interest expense	9,043	9,881	16,984	32,618	46,110	21,840	27,474
Interest income	(71)	(14)	(21)	(325)	(32)	(15)	(19)
Income tax expense (benefit)	(11,078)	11,749	24,248	9,926	20,874	7,110	(21,181)
Depreciation and amortization	32,945	33,425	42,296	46,020	61,048	29,600	31,598
EBITDA	72,473	73,805	122,506	103,159	160,828	70,449	62,868
Aircraft rent	77,243	80,942	69,083	71,635	72,551	36,060	36,582
EBITDAR	149,716	154,747	191,589	174,794	233,379	106,509	99,450

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The following table presents our historical balance sheet data as of March 31, 2018:

	As of March 31, 2018	
	Actual	Pro Forma(1)
	(in thousands)	
Balance Sheet Data:		
Cash and cash equivalents	$ 52,699	$ 142,968
Total assets	1,342,638	1,432,907
Long-term debt, including current portion	929,029	873,379
Shareholders equity	248,705	395,682

(1) The unaudited adjusted pro forma consolidated balance sheet gives effect to: (i) the issuance of 10,700,000 shares of our common stock pursuant to this offering; (ii) our application of the net proceeds from this offering as set forth under *Use of Proceeds*, assuming an initial public offering price of $15.00 per share (which is the mid-point of the estimated price range set forth on the cover page of this prospectus); and (iii) the issuance of 966,022 shares of restricted common stock under our 2018 Plan immediately following the completion of this offering as part of the 2018 Plan Issuances. For a description of the method used to calculate the number of shares of restricted common stock to be issued under the 2018 Plan immediately after this offering, see *Shares Eligible for Future Sale Proposed Equity Exchange and 2018 Plan Issuances* elsewhere in this prospectus. See *Use of Proceeds* for a description of the assumptions underlying the pro forma data related to our anticipated use of proceeds.

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OPERATING DATA

The following table summarizes certain operating data that we believe are useful indicators of our operating performance for our fiscal years ended September 30, 2013, 2014, 2015, 2016 and 2017, respectively, and the six months ended March 31, 2017 and 2018. The definitions of certain terms related to the airline industry used in the table can be found under *Glossary of Airline Terms* at the end of this prospectus.

	Year Ended September 30,					Six Months Ended March 31,	
	2013[(1)]	2014[(1)]	2015	2016	2017	2017	2018
Operating Data							
Block hours	206,431	225,720	308,681	368,468	395,083	199,303	195,559
Departures	134,805	140,165	172,033	208,399	221,990	109,419	107,043
Passengers	7,872,574	8,520,917	10,632,903	12,497,424	13,005,844	6,393,651	6,332,521
Available seat miles ASMs (thousands)	4,283,272	4,932,516	7,356,450	8,823,595	9,471,911	4,828,892	4,621,380
Revenue passenger miles RPMs (thousands)	3,703,837	4,103,834	6,019,316	7,019,586	7,392,688	3,759,481	3,640,092
Contract revenue per available seat mile CRASM (in cents)	¢ 8.92	¢ 8.26	¢ 6.54	¢ 6.45	¢ 6.53	¢ 6.41	¢ 6.73
Operating cost per available seat mile CASM (in cents)	¢ 8.83	¢ 8.01	¢ 5.80	¢ 6.02	¢ 5.74	¢ 5.76	¢ 6.51
Average stage length (miles)	452	475	565	557	561	580	567
Regional aircraft							
Owned	23	40	47	64	66	66	66
Leased	48	37	37	37	37	37	37
Leased from United		7	30	30	37	30	42
Total aircraft	71	84	114	131	140	133	145
E-175	0	7	30	46	55	48	60
CRJ-900	47	57	63	64	64	64	64
CRJ-700	20	20	20	20	20	20	20
CRJ-200	4	1	1	1	1	1	1
Employees (FTE)	1,819	2,186	2,766	3,102	3,132	3,073	3,229

(1) Our operations data for our fiscal years ended September 30, 2013 and 2014 include results from our historical *go!* operations. We operated *go!* as an inter-island air carrier in Hawaii from 2006 to 2014.

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RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this prospectus, including the section titled Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes, before making a decision to invest in our common stock. The risks and uncertainties described below may not be the only ones we face. If any of these risks should occur, our business, results of operations, financial condition or growth prospects could be adversely affected. In those cases, the trading price of our common stock could decline and you may lose all or part of your investment.

Risks Related to Our Business

The supply of pilots to the airline industry is limited and may negatively affect our operations and financial condition.

In July 2013, as directed by the U.S. Congress, the FAA issued more stringent pilot qualification and crew member flight training standards, which increased the required training time for new airline pilots (the FAA Qualification Standards). The FAA Qualification Standards, which became effective in August 2013, require first officers to hold an Airline Transport Pilot (ATP) certificate, requiring 1,500 hours total flight time as a pilot. Previously, first officers were required to have only a commercial pilot certificate, which required 250 hours of flight time. The rule also mandates stricter rules to minimize pilot fatigue. The FAA Qualification Standards (and associated regulations) have dramatically reduced the supply of qualified pilot candidates and has had a negative effect on pilot scheduling, work hours and the number of pilots required to be employed for our operations. To address the diminished supply of qualified pilot candidates, regional airlines, including us, implemented significant pilot wage and bonus increases. The impact of the FAA Qualification Standards (and associated regulations) has substantially increased our labor costs and may continue to negatively impact our operations and financial condition.

In prior periods, the FAA Qualification Standards have negatively impacted our ability to hire pilots at a rate sufficient to support required utilization levels under our American Capacity Purchase Agreement, and, as a result, we have issued credits to American pursuant to the terms of our American Capacity Purchase Agreement. For our fiscal year ended September 30, 2017, and the six-month period ended March 31, 2018, we issued credits of approximately $6.0 million and $3.9 million, respectively, under the American Capacity Agreement. Also, in February 2018, we mutually agreed with United to temporarily remove two aircraft from service under our United Capacity Purchase Agreement. In July 2018, we were able to fully staff flight operations and these aircraft were placed back into service under our United Capacity Purchase Agreement. See *Business Capacity Purchase Agreements.* If we are unable to maintain a sufficient number of qualified pilots to operate our scheduled flights, we may need to request reduced flight schedules with our major airline partners and incur monetary performance penalties under our capacity purchase agreements.

In addition, our operations and financial condition may be negatively impacted if we are unable to train pilots in a timely manner. Due to the industry-wide shortage of qualified pilots, driven by the increased flight hours requirements under the FAA Qualification Standards and attrition resulting from the hiring needs of other airlines, pilot training timelines have significantly increased and stressed the availability of flight simulators, instructors and related training equipment. As a result, the training of our pilots may not be accomplished in a cost-efficient manner or in a manner timely enough to support our operational needs.

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Pilot attrition may continue to negatively affect our operations and financial condition.

In recent years, we have experienced significant volatility in our attrition as a result of pilot wage and bonus increases at other regional air carriers, the growth of cargo, low-cost and ultra low-cost carriers and the number of pilots at major airlines reaching the statutory mandatory retirement age of 65 years. Following the ratification of our new collective bargaining agreement in July 2017, our average pilot attrition per month has decreased by 16.2% compared to the six months prior to the ratification. We believe that we will maintain our pilot attrition rates at this level during our 2018 fiscal year. However, if our actual pilot attrition is materially different than our projections, our operations and financial results could be materially and adversely affected.

We are highly dependent on our agreements with our major airline partners.

We derive all of our operating revenue from our capacity purchase agreements with our major airlines partners. As of March 31, 2018, our American Capacity Purchase Agreement accounted for 54% of our total revenue and our United Capacity Purchase Agreement accounted for 46% of our total revenue. In addition, as of March 31, 2018, all of our aircraft available for scheduled service were operating under a capacity purchase agreement with either American or United.

Our American Capacity Purchase Agreement expires with respect to different tranches of aircraft between 2021 and 2025, unless otherwise extended or amended. In addition, our American Capacity Purchase Agreement is subject to termination prior to expiration, subject to our right to cure, in various circumstances including if our controllable flight completion factor falls below certain levels for a specified period of time.

Our United Capacity Purchase Agreement expires between June and December 2019 with respect to 34 CRJ-700 and E-175 aircraft, between January and August 2020 with respect to 16 E-175 aircraft, and between 2021 and 2028 with respect to 30 of our E-175 aircraft. We are currently in negotiations with United with respect to the 20 CRJ-700 aircraft expiring between August and December 2019. We cannot predict the outcome of these negotiations and there can be no assurance that we will be able to extend these aircraft at acceptable rates, on acceptable terms, or at all. United is also permitted, subject to certain conditions, to terminate the agreement early in its discretion by giving us notice of 90 days or more. Our United Capacity Purchase Agreement is also subject to termination prior to expiration, subject to our right to cure, in various circumstances including if our controllable flight completion factor or departure performance falls below certain levels for a specified period of time.

If our capacity purchase agreements with American or United were terminated or not renewed, we would be significantly impacted and likely would not have an immediate source of revenue or earnings to offset such loss. Neither American nor United are under any obligation to renew their respective capacity purchase agreements with us. A termination or expiration of either of these agreements would likely have a material adverse effect on our financial condition, cash flows, ability to satisfy debt and lease obligations, operating revenues and net income unless we are able to enter into satisfactory substitute arrangements for the utilization of the affected aircraft by other major airline partners, or, alternatively, obtain the airport facilities, gates, ticketing and ground services and make the other arrangements necessary to fly as an independent airline. We may not be able to enter into substitute capacity purchase arrangements, and any such arrangements we might secure may not be as favorable to us as our current agreements. Operating an airline independently from our major airline partners would be a significant departure from our business plan and would likely require significant time and resources, which may not be available to us at that point.

Increases in our labor costs, which constitute a substantial portion of our total operating costs, may adversely affect our business, results of operations and financial condition.

Our business is labor intensive, with labor costs representing approximately 28%, 30% and 34% of our total operating costs for the fiscal years ended September 30, 2016 and 2017 and the six months ended March 31, 2018, respectively. We are responsible for our labor costs above certain pre-determined reimbursement levels, and we may not be entitled to receive increased payments under our capacity purchase agreements if our labor costs increase above the reimbursement levels. As a result, a significant increase in our labor costs above the reimbursement levels could result in a material reduction in our earnings.

As a result of the 2013 FAA Qualification Standards, the supply of qualified pilots has been dramatically reduced. This shortage of pilots has driven up our pilot salaries and sign-on bonuses and resulted in a material increase in our labor costs. A continued shortage of pilots could require us to further increase our labor costs, which would result in a material reduction in our earnings.

Reduced utilization levels of our aircraft under our capacity purchase agreements would adversely impact our financial results.

Historically, our major airline partners have utilized our flight operations at levels at or near the maximum capacity of our fleet allocations under our capacity purchase agreements, but there can be no assurance that they will continue utilizing our aircraft at that level. If our major airline partners schedule the utilization of our aircraft below historical levels (including taking into account the stage length and frequency of our scheduled flights), we may not be able to maintain operating efficiencies previously obtained, which would negatively impact our operating results and financial condition.

Our American Capacity Purchase Agreement establishes minimum levels of flight operations. In prior periods, the FAA Qualification Standards have negatively impacted our ability to hire pilots at a rate sufficient to support required utilization levels, and, as a result, we have issued credits to American pursuant to the terms of our American Capacity Purchase Agreement. For our fiscal year ended September 30, 2017, and the six-month period ended March 31, 2018, we issued credits of approximately $6.0 million and $3.9 million, respectively, under the American Capacity Agreement.

Our United Capacity Purchase Agreement does not require United to schedule any specified minimum level of flight operations for our aircraft. Additionally, United may remove aircraft from our United Capacity Purchase Agreement with 90 days prior notice to us. While United pays us a fixed monthly revenue amount for each aircraft under contract, a significant reduction in the utilization levels of our fleet in the future or removal of aircraft from our United Capacity Purchase Agreement at United s election could reduce our revenues based on the number of flights and block hours flown for United. In February 2018, we mutually agreed with United to temporarily remove two aircraft from service under our United Capacity Purchase Agreement. In July 2018, we were able to fully staff flight operations and these aircraft were placed back into service under our United Capacity Purchase Agreement. See *Business Capacity Purchase Agreements*.

Continued challenges with hiring, training and retaining replacement pilots may lead to reduced utilization levels of our aircraft and additional penalties under our capacity purchase agreements and our operations and financial results could be materially and adversely terminated. Additionally, our major airline partners may change routes and frequencies of flights, which can negatively impact our operating efficiencies. Changes in schedules may increase our flight costs, which could exceed the reimbursed rates paid by our major airline partners. Reduced utilization levels of our aircraft or other changes to our schedules under our capacity purchase agreements would adversely impact our financial results.

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If our major airline partners experience events that negatively impact their financial strength or operations, our operations also may be negatively impacted.

We may be directly affected by the financial and operating strength of our major airline partners. Any events that negatively impact the financial strength of our major airline partners or have a long-term effect on the use of our major airline partners by airline travelers would likely have a material adverse effect on our business, financial condition and results of operations. In the event of a decrease in the financial or operational strength of any of our major airline partners, such partner may seek to reduce, or be unable to make, the payments due to us under their capacity purchase agreement. In addition, in some cases, they may reduce utilization of our aircraft. Although we receive guaranteed monthly revenue for each aircraft under contract and a fixed fee for each block hour or flight actually flown, there are no minimum levels of utilization specified in our capacity purchase agreements. If any of our other current or future major airline partners become bankrupt, our capacity purchase agreement with such partner may not be assumed in bankruptcy and could be terminated. This and other events, which are outside of our control, could have a material adverse effect on our business, financial condition and results of operations. In addition, any negative events that occur to other regional carriers and that affect public perception of such carriers generally could also have a material adverse effect on our business, financial condition and results of operations.

Our major airline partners may expand their direct operation of regional jets thus limiting the expansion of our relationships with them.

We depend on our major airline partners electing to contract with us instead of operating their own regional jets or operating their own captive regional airlines through wholly owned subsidiaries. Currently, the captive regional airlines include Endeavor Air, Inc. (Endeavor) (owned by Delta Airlines, Inc.), Envoy Air Inc. (Envoy) (owned by American), PSA Airlines, Inc. (PSA) (owned by American), Piedmont Airlines (Piedmont) (owned by American) and Horizon Air Industries, Inc. (Horizon) (owned by Alaska Air Group, Inc.). These major airlines possess the financial and other resources to acquire and operate their own regional jets, create or grow their own captive regional airlines or acquire other regional air carriers instead of entering into contracts with us. In particular, American, which procures approximately 40% of its regional flying from its wholly owned regional subsidiaries, has expressed a goal of increasing their share to a majority of American s regional flying over time. We have no guarantee that in the future our major airline partners will choose to enter into contracts with us, or renew their existing agreements with us, instead of operating their own regional jets, allocating flying to their captive regional airlines or entering into relationships with competing regional airlines. A decision by American or United to phase out or limit our capacity purchase agreements or to enter into similar agreements with our competitors could have a material adverse effect on our business, financial condition or results of operations.

We may be limited from expanding our flying within our major airline partners flight systems and there are constraints on our ability to provide services to airlines other than American and United.

Additional growth opportunities within our major airline partners flight systems are limited by various factors, including a limited number of independent regional aircraft that each such major airline partner can operate in its regional network due to scope clauses in the current collective bargaining agreements with their pilots that restrict the number and size of regional jets that may be operated in their flight systems not flown by their pilots. Except as contemplated by our existing capacity purchase agreements, we cannot be sure that our major airline partners will contract with us to fly any additional aircraft.

We may not have additional growth opportunities, or may agree to modifications to our capacity purchase agreements that reduce certain benefits to us in order to obtain additional aircraft, or for other

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reasons. Given the competitive nature of the airline industry, we believe limited growth opportunities may result in competitors accepting reduced margins and less favorable contract terms in order to secure new or additional capacity purchase operations. Even if we are offered growth opportunities by our major airline partners, those opportunities may involve economic terms or financing commitments that are unacceptable to us. Additionally, our major airline partners may reduce the number of regional jets in their system by not renewing or extending existing flying arrangements with regional operators or transitioning those flying arrangements to their own captive regional carriers. Any one or more of these factors may reduce or eliminate our ability to expand our flight operations with our existing major airline partners.

Additionally, our capacity purchase agreements limit our ability to provide regional flying services to other airlines in certain major airport hubs of American and United. These restrictions may make us a less attractive partner to other major airlines whose regional flying needs do not align with our geographical restrictions.

We have a significant amount of debt and other contractual obligations and that could impair our liquidity and thereby harm our business, results of operations and financial condition.

The airline business is capital intensive and, as a result, we are highly leveraged. As of March 31, 2018, we had approximately $942.3 million in total long-term debt including $10.3 million of capital lease obligations. Substantially all of our long-term debt was incurred in connection with the acquisition of aircraft and aircraft engines. We also have significant long-term lease obligations primarily relating to our aircraft fleet. These leases are classified as operating leases and are therefore not reflected in our consolidated balance sheets. During our fiscal years ended September 30, 2016 and 2017 and the six months ended March 31, 2018, our principal debt service payments totaled $75.5 million, $153.0 million and $110.8 million, respectively, and our principal aircraft lease payments totaled approximately $70.0 million, $107.0 million and $20.4 million, respectively.

We have significant lease obligations with respect to our aircraft, which aggregated to approximately $316.1 million and $295.6 million at September 30, 2017 and March 31, 2018, respectively. At March 31, 2018, we had 37 aircraft under lease (excluding aircraft leased from United), with an average remaining term of 4.25 years. As of March 31, 2018, future minimum lease payments due under all long term operating leases were approximately $307.0 million and debt service obligations were $1,156.4 million, respectively, including capital lease obligations.

We are subject to various financial covenants under our financing agreements and leases with, among others, CIT Bank, N.A. (CIT), Export Development Canada (EDC) and RASPRO Trust 2005, a pass-through trust, (RASPRO) that are typical for credit facilities and leases of this size, type, and tenor. Our ability to make additional borrowings under our credit facility depends upon satisfaction of these covenants. Our ability to comply with these covenants and requirements may be affected by events beyond our control. Our failure to comply with obligations under our credit facility could result in an event of default under the facilities. A default, if not cured or waived, could prohibit us from obtaining further loans under our credit facilities and permit the lenders thereunder to accelerate payment of their loans. In addition, the lenders would have the right to proceed against the collateral we granted to them, which consists of substantially all of our assets. If our debt is accelerated, we cannot be certain that we will have funds available to pay the accelerated debt or that we will have the ability to refinance the accelerated debt on terms favorable to us, or at all. If we could not repay or refinance the accelerated debt, we could be insolvent and could seek to file for bankruptcy protection. Any such default, acceleration, or insolvency would likely have a material and adverse effect on our business. See *We are required to comply with certain ongoing financial and other covenants under certain credit facilities, and if we fail to meet those covenants or otherwise suffer a default thereunder, our lenders may accelerate the payment of such indebtedness* for a discussion of our financial and other covenants.

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We cannot assure you that our operations will generate sufficient cash flow to make our required payments, or that we will be able to obtain financing to acquire additional aircraft or make other capital expenditures necessary for expansion. Our ability to pay the high level of fixed costs associated with our contractual obligations will depend on our operating performance, cash flow and our ability to secure adequate financing, which will in turn depend on, among other things, the success of our current business strategy, the U.S. economy, availability and cost of financing, as well as general economic and political conditions and other factors that are, to some extent, beyond our control. The amount of our fixed obligations could have a material adverse effect on our business, results of operations and financial condition and could:

- require that a substantial portion of our cash flow from operations be used for operating lease and maintenance reserve payments, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;

- limit our ability to obtain additional financing to support our expansion plans and for working capital and other purposes on acceptable terms or at all;

- make it more difficult for us to pay our other obligations as they become due during adverse general economic and market industry conditions because any related decrease in revenues could cause us to not have sufficient cash flows from operations to make our scheduled payments; and

- reduce our flexibility in planning for, or reacting to, changes in our business and the airline industry and, consequently, place us at a competitive disadvantage to our competitors with lower fixed payment obligations.

Additionally, a failure to pay our operating leases, debt or other fixed cost obligations or a breach of our contractual obligations could result in a variety of further adverse consequences, including the exercise of remedies by our creditors and lessors. In such a situation, it is unlikely that we would be able to cure our breach, fulfill our obligations, make required lease payments or otherwise cover our fixed costs, which would have a material adverse effect on our business, results of operations and financial condition.

We are required to comply with certain ongoing financial and other covenants under certain credit facilities, and if we fail to meet those covenants or otherwise suffer a default thereunder, our lenders may accelerate the payment of such indebtedness.

As of March 31, 2018, we had $924.7 million of long-term secured debt, including capital lease obligations, comprised of the following: (i) the CIT Revolving Credit Facility; (ii) the Spare Engine Facility (as defined below); (iii) the EDC 2015 Credit Facility (as defined below), the EDC January 2016 Credit Facility (as defined below) and the EDC June 2016 Credit Facility (as defined below) (and, together with the EDC 2015 Credit Facility and the EDC January 2016 Credit Facility, the EDC Credit Facilities); (iv) the MidFirst Credit Facility (as defined below) and (v) the Aircraft Notes (as defined below). This amount consisted of $778.4 million in notes payable related to owned aircraft used in continuing operations, $110.3 million of notes payable related to spare engines and engine kits, $25.7 million of our working capital line of credit and $10.3 million of capital lease obligations. The obligations under these credit facilities are secured primarily by a first priority lien on certain engines, equipment, spare parts and related collateral, including engine warranties and proceeds of the foregoing, and the aircraft acquired with the proceeds of such indebtedness. As of March 31, 2018, we had $17.6 million of long-term unsecured debt.

Under (i) the CIT Revolving Credit Facility (as defined below), we are required to comply with a minimum consolidated interest and rental coverage ratio at the end of each fiscal quarter during the term of such credit facility, (ii) the EDC January 2016 Credit Facility, we are required to comply with a minimum fixed charge coverage ratio at the end of each fiscal quarter during the term of such credit facility, and (iii) the RASPRO Lease Facility (as defined below), we are required to comply with minimum current ratio and debt ratio covenants and a minimum available cash covenant until all amounts outstanding thereunder have been paid in full.

Failure to comply with the terms of these credit facilities and financing arrangements and the ongoing financial and other covenants thereunder would result in an event of default (as defined in the applicable credit facility and financing agreement) and, to the extent the applicable lenders so elect, an acceleration of our existing indebtedness following the expiration of any applicable cure periods, causing such debt to be immediately due and payable. Acceleration of such indebtedness would also trigger cross-default clauses under our other indebtedness. It could also result in the termination of all commitments to extend further credit under our CIT Credit Facility. We currently do not have sufficient liquidity to repay all of our outstanding debt in full if such debt were accelerated. If we are unable to pay our debts as they come due, or obtain waivers for such payments, our secured lenders could foreclose on any of our assets securing such debt. These events could materially adversely affect our business, results of operations and financial condition.

The residual value of our owned aircraft may be less than estimated in our depreciation policies.

As of March 31, 2018, we had approximately $1,182.8 million of property and equipment and related assets, net of accumulated depreciation, of which, $1,001.6 million relates to owned aircraft. In accounting for these long lived assets, we make estimates about the expected useful lives of the assets, the expected residual values of certain of these assets, and the potential for impairment based on the fair value of the assets and the cash flows they generate. Factors indicating potential impairment include, but are not limited to, significant decreases in the market value of the long lived assets, a significant change in the condition of the long lived assets and operating cash flow losses associated with the use of the long lived assets. In the event the estimated residual value of any of our aircraft types is determined to be lower than the residual value assumptions used in our depreciation policies, the applicable aircraft type in our fleet may be impaired and may result in a material reduction in the book value of applicable aircraft types we operate or we may need to prospectively modify our depreciation policies. An impairment on any of our aircraft types we operate or an increased level of depreciation expense resulting from a change to our depreciation policies could result in a material negative impact to our financial results.

The amounts we receive under our capacity purchase agreements may be less than the corresponding costs we incur.

Under our capacity purchase agreements with American and United, a portion of our compensation is based upon pre-determined rates typically applied to production statistics (such as departures and block hours flown). The primary operating costs intended to be compensated by the pre-determined rates include labor costs, including crew training costs, certain aircraft maintenance expenses and overhead costs. During the year ended September 30, 2017 and the six months ended March 31, 2018, approximately $24.5 million and $21.5 million, or 4.2% and 6.7%, of our operating costs under our capacity purchase agreements were pass-through costs, excluding fuel which is paid directly to suppliers by our major airline partners. If our operating costs for labor, aircraft maintenance and overhead costs exceed the compensation earned from our pre-determined rates under our revenue-guarantee arrangements, our financial position and operating results will be negatively affected.

Strikes, labor disputes and increased unionization of our workforces may adversely affect our ability to conduct our business and reduce our profitability.

As of March 31, 2018, approximately 76.7% of our workforce was represented by labor unions, including the Air Line Pilots Association, International (ALPA) and the Association of Flight Attendants (AFA). On July 13, 2017, our pilots, represented by the ALPA, ratified a new four-year collective bargaining agreement. Similarly, on October 1, 2017, our flight attendants, represented by the AFA, ratified a new four-year collective bargaining agreement. The terms and conditions of our future collective bargaining agreements may be affected by the results of collective bargaining negotiations at other airlines that may have a greater ability, due to larger scale, greater efficiency or other factors, to bear higher costs than we can. In addition, if we are unable to reach agreement with any of our unionized work groups in future negotiations regarding the terms of their collective bargaining agreements, we may be subject to work interruptions, stoppages or shortages. We may also become subject to additional collective bargaining agreements in the future as non-unionized workers may unionize. We are also subject to various ongoing employment disputes outside of the collective bargaining agreements. We consider these to not be material, but any current or future dispute could become material.

Relations between air carriers and labor unions in the United States are governed by the Railway Labor Act (RLA). Under the RLA, collective bargaining agreements generally contain amendable dates rather than expiration dates, and the RLA requires that a carrier maintain the existing terms and conditions of employment following the amendable date through a multi-stage and usually lengthy series of bargaining processes overseen by the National Mediation Board (NMB). This process continues until either the parties have reached agreement on a new collective bargaining agreement, or the parties have been released to self-help by the NMB. In most circumstances, the RLA prohibits strikes; however, after release by the NMB, carriers and unions are free to engage in self-help measures such as lockouts and strikes.

Any strike, labor dispute or increased unionization among our employees could disrupt our operations, reduce our profitability or interfere with the ability of our management to focus on executing our business strategies. For example, if a labor strike were to continue for several consecutive days, United may have cause to terminate our United Capacity Purchase Agreement. As a result, our business, results of operations and financial condition may be materially adversely affected.

We face tail risk in that we have aircraft lease commitments that extend beyond our existing capacity purchase agreement contractual term on certain aircraft.

We currently have 18 aircraft with leases extending past the term of their corresponding capacity purchase agreement with an aggregate exposure of less than $33.0 million. We may not be successful in extending the flying contract terms on these aircraft with our major airline partners. In that event, we intend to pursue alternative uses for those aircraft over the remaining portions of their leases including, but not limited to, operating the aircraft with another major airline under a negotiated capacity purchase agreement, subleasing the aircraft to another operator or marketing them for sale. Additionally, we may negotiate an early lease return agreement with an aircraft s lessor. In connection with this, we may incur cash and non-cash early lease termination costs that would negatively impact our operations and financial condition. Additionally, if we are unable to extend a flying contract with an existing major airline partner, but reach an agreement to place an aircraft into service with a different major airline partner, we likely will incur inefficiencies and incremental costs, such as changing the aircraft livery, which would negatively impact our financial results.

We may incur substantial maintenance costs as part of our leased aircraft return obligations.

Our aircraft lease agreements contain provisions that require us to return aircraft airframes and engines to the lessor in a specified condition or pay an amount to the lessor based on the actual return condition of the equipment. These lease return costs are recorded in the period in which they are incurred, and may be materially different than our projections. Any unexpected increase in maintenance return costs may negatively impact our financial position and results of operations.

We may become involved in litigation that may materially adversely affect us.

From time to time, we may become involved in various legal proceedings relating to matters incidental to the ordinary course of our business, including employment, commercial, product liability, class action, whistleblower and other litigation and claims, and governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management s attention and resources, cause us to incur significant expenses or liability and/or require us to change our business practices. Because of the potential risks, expenses and uncertainties of litigation, we may, from time to time, settle disputes, even where we believe that we have meritorious claims or defenses. Because litigation is inherently unpredictable, we cannot assure you that the results of any of these actions will not have a material adverse effect on our business, results of operations and financial condition.

Disagreements regarding the interpretation of our capacity purchase agreements with our major airline partners could have an adverse effect on our operating results and financial condition.

To the extent that we experience disagreements regarding the interpretation of our capacity purchase or other agreements, we will likely expend valuable management time and financial resources in our efforts to resolve those disagreements. Those disagreements may result in litigation, arbitration, settlement negotiations or other proceedings. Furthermore, there can be no assurance that any or all of those proceedings, if commenced, would be resolved in our favor or that we would be able to exercise sufficient leverage in any proceeding relative to our major airline partner to achieve a favorable outcome. An unfavorable result in any such proceeding could have adverse financial consequences or require us to modify our operations. Such disagreements and their consequences could have an adverse effect on our operating results and financial condition.

We rely on third-party suppliers as the sole manufacturers of our aircraft and aircraft engines.

We depend upon Bombardier and Embraer S.A. (Embraer) as the sole manufacturers of our aircraft and GE as the sole manufacturer of our aircraft engines. Our operations could be materially and adversely affected by the failure or inability of Bombardier, Embraer or GE to provide sufficient parts or related maintenance and support services to us in a timely manner, or the interruption of our flight operations as a result of unscheduled or unanticipated maintenance requirements for our aircrafts or engines.

Maintenance costs will likely increase as the age of our regional jet fleet increases.

The average age of our E-175, CRJ-900 and CRJ-700 type aircraft is approximately 2.4, 11.5 and 14.2 years, respectively. We have incurred relatively low maintenance expenses on our E-175 aircraft because most of the parts are under multi-year warranties and a limited number of heavy airframe checks and engine overhauls have occurred. Our maintenance costs will increase significantly, both on an absolute basis and as a percentage of our operating expenses, as our fleet ages and the E-175 warranties expire. In addition, because our current aircraft were acquired over a relatively short period of time, significant maintenance events scheduled for these aircraft will occur at roughly the same intervals, meaning we will incur our most expensive scheduled maintenance obligations across our present fleet at approximately the same time. These more significant maintenance activities result in out-of-service periods during which aircraft are dedicated to maintenance activities and unavailable for

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flying under our capacity purchase agreements. Any unexpected increase in our maintenance costs as our fleet ages or decreased revenues resulting from out-of-service periods could have an adverse effect on our cash flows, operating results and financial condition.

If we face problems with any of our third-party service providers, our operations could be adversely affected.

Our reliance upon others to provide essential services on behalf of our operations may limit our ability to control the efficiency and timeliness of contract services. We have entered into agreements with contractors to provide various facilities and services required for our operations, including aircraft maintenance, ground facilities and IT services, and expect to enter into additional similar agreements in the future. In particular, we rely on AAR and Aviall to provide fixed-rate parts procurement and component overhaul services for our aircraft fleet and GE to provide engine support. Our agreement with AAR, and other service providers, are subject to termination after notice. If our third-party service providers terminate their contracts with us, or do not provide timely or consistently high-quality service, we may not be able to replace them in a cost-efficient manner or in a manner timely enough to support our operational needs, which could have a material adverse effect on our business, financial condition and results of operations. In addition, our operations could be materially and adversely affected by the failure or inability of AAR, Aviall or GE to provide sufficient parts or related maintenance and support services to us in a timely manner.

Regulatory changes or tariffs could negatively impact our business and financial condition.

We import a substantial portion of the equipment we need. For example, the sole manufacturers of our aircraft, Bombardier and Embraer, are headquartered in Canada and Brazil, respectively. We cannot predict the impact of potential regulatory changes or action by U.S. regulatory agencies, including the potential impact of tariffs or changes in international trade treaties on the cost and timing of parts and aircraft. Our business may be subject to additional costs as a result of potential regulatory changes, which could have an adverse effect on our operations and financial results.

The issuance of operating restrictions applicable to one of the fleet types we operate could negatively impact our business and financial condition.

We rely on a limited number of aircraft types, including CRJ-700s, CRJ-900s and E-175s. The issuance of FAA or manufacturer directives restricting or prohibiting the use of the aircraft types we operate could negatively impact our business and financial results.

If we have a failure in our technology or security breaches of our information technology infrastructure our business and financial condition may be adversely affected.

The performance and reliability of our technology, and the technology of our major airline partners, are critical to our ability to compete effectively. Any internal technological error or failure or large scale external interruption in the technological infrastructure we depend on, such as power, telecommunications or the internet, may disrupt our internal network. Any individual, sustained or repeated failure of our technology or that of our major airline partners could impact our ability to conduct our business, lower the utilization of our aircraft and result in increased costs. Our technological systems and related data, and those of our major airline partners, may be vulnerable to a variety of sources of interruption due to events beyond our control, including natural disasters, terrorist attacks, telecommunications failures, computer viruses, hackers and other security issues.

In addition, as a part of our ordinary business operations, we collect and store sensitive data, including personal information of our employees and information of our major airline partners. Our information

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systems are subject to an increasing threat of continually evolving cybersecurity risks. Unauthorized parties may attempt to gain access to our systems or information through fraud or other means of deception. The methods used to obtain unauthorized access, disable or degrade service or sabotage systems are constantly evolving, and may be difficult to anticipate or to detect for long periods of time. We may not be able to prevent all data security breaches or misuse of data. The compromise of our technology systems resulting in the loss, disclosure, misappropriation of, or access to, employees or business partners information could result in legal claims or proceedings, liability or regulatory penalties under laws protecting the privacy of personal information, disruption to our operations and damage to our reputation, any or all of which could adversely affect our business and financial condition.

Our business could be materially adversely affected if we lose the services of our key personnel.

Our success depends to a significant extent upon the efforts and abilities of our senior management team and key financial and operating personnel. In particular, we depend on the services of Jonathan G. Ornstein, our Chairman and Chief Executive Officer, and Michael J. Lotz, our President and Chief Financial Officer. Competition for highly qualified personnel is intense, and the loss of any executive officer, senior manager, or other key employee without an adequate replacement, or the inability to attract new qualified personnel, could have a material adverse effect on our business, results of operations and financial condition.

We are subject to various environmental and noise laws and regulations, which could have a material adverse effect on our business, results of operations and financial condition.

We are subject to increasingly stringent federal, state, local and foreign laws, regulations and ordinances relating to the protection of the environment and noise, including those relating to emissions to the air, discharges (including storm water discharges) to surface and subsurface waters, safe drinking water and the use, management, disposal and release of, and exposure to, hazardous substances, oils and waste materials. We are or may be subject to new or proposed laws and regulations that may have a direct effect (or indirect effect through our third-party specialists or airport facilities at which we operate) on our operations. In addition, U.S. airport authorities are exploring ways to limit de-icing fluid discharges. Any such existing, future, new or potential laws and regulations could have an adverse impact on our business, results of operations and financial condition.

Similarly, we are subject to environmental laws and regulations that require us to investigate and remediate soil or groundwater to meet certain remediation standards. Under certain laws, generators of waste materials, and current and former owners or operators of facilities, can be subject to liability for investigation and remediation costs at locations that have been identified as requiring response actions. Liability under these laws may be strict, joint and several, meaning that we could be liable for the costs of cleaning up environmental contamination regardless of fault or the amount of wastes directly attributable to us.

Our ability to utilize our net operating loss carryforwards and certain other tax attributes may be limited.

As of September 30, 2017, we had aggregate federal and state net operating loss carryforwards of approximately $299.8 million and $172.3 million, which expire in 2027-2036 and 2018-2037, respectively, with approximately $20.1 million of state net operating loss carryforwards expiring in 2018. Our unused losses generally carry forward to offset future taxable income, if any, until such unused losses expire. We may be unable to use these losses to offset income before such unused losses expire. In addition, if a corporation undergoes an ownership change (generally defined as a

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greater than 50% cumulative change in the equity ownership of certain shareholders over a rolling three-year period) under Section 382 of the Internal Revenue Code of 1986, as amended (the Code), the corporation s ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes to offset future taxable income or taxes may be limited. We have experienced ownership changes in the past and may experience ownership changes in connection with this offering or as a result of future changes in our stock ownership (some of which changes may not be within our control). This, in turn, could materially reduce or eliminate our ability to use our losses or tax attributes to offset future taxable income or tax and have an adverse effect on our future cash flows. See *Our corporate charter limits certain transfers of our stock, which limits are intended to preserve our ability to use our net operating loss carryforwards, and these limits could have an effect on the market price of our common stock.*

We may not be able to successfully implement our growth strategy.

Our growth strategy includes, among other things, providing regional flying to other major airlines and/or entering into the cargo and express shipping business. We face numerous challenges in implementing our growth strategy, including our ability to:

- provide regional flying to other major airlines with hub cities that overlap with our existing major airline partners; and

- enter into relationships with third-parties to carry their cargo on terms that are acceptable to us.

Our capacity purchase agreements limit our ability to provide regional flying services to other airlines in certain major airport hubs of American and United. These restrictions may make us a less attractive partner to other major airlines whose regional flying needs do not align with our geographical restrictions.

The potential benefits of entering the air cargo and express shipping sector will depend substantially on our ability to enter into relationships with integrated logistics companies and transition our existing business strategies into a new sector. We may be unsuccessful in entering into relationships with integrated logistics companies to carry cargo on terms that are acceptable to us. Additionally, our ability to transition our existing business strategies into a new sector may be costly, complex and time-consuming, and our management will have to devote substantial time and resources to such effort. Should we transition into this new sector, we may experience difficulties or delays in securing gate access and other airport services necessary to operate in the air cargo and express shipping sector. Our inability to successfully implement our growth strategies, could have a material adverse effect on our business, financial condition and results of operations and any assumptions underlying estimates of expected cost savings or expected revenues may be inaccurate.

We may not be able to make opportunistic acquisitions should we elect to do so as part of our growth strategy.

If we elect to pursue an acquisition, our ability to successfully implement this transaction would depend on a variety of factors, including the approval of our acquisition target s major airline partners, obtaining financing on acceptable terms and compliance with the restrictions contained in our debt agreements. If we need to obtain our lenders consent prior to an acquisition, they may refuse to provide such consent or condition their consent on our compliance with additional restrictive covenants that limit our operating flexibility. Acquisition transactions involve risks, including those associated with integrating the operations or (as applicable) separately maintaining the operations, financial reporting, disparate technologies and personnel of acquired companies; managing geographically dispersed operations; the diversion of management s attention from other business concerns; unknown risks; and the

potential loss of key employees. We may not successfully integrate any businesses we may acquire in the future and may not achieve anticipated revenue and cost benefits relating to any such transactions. Strategic transactions may be expensive, time consuming and may strain our resources. Strategic transactions may not be accretive to our earnings and may negatively impact our results of operations as a result of, among other things, the incurrence of debt, one-time write-offs of goodwill and amortization expenses of other intangible assets. In addition, strategic transactions that we may pursue could result in dilutive issuances of equity securities.

Our ability to obtain financing or access capital markets may be limited.

There are a number of factors that may limit our ability to raise financing or access capital markets in the future, including our significant debt and future contractual obligations, our liquidity and credit status, our operating cash flows, the market conditions in the airline industry, U.S. and global economic conditions, the general state of the capital markets and the financial position of the major providers of commercial aircraft financing. We cannot assure you that we will be able to source external financing for our planned aircraft acquisitions or for other significant capital needs, and if we are unable to source financing on acceptable terms, or unable to source financing at all, our business could be materially adversely affected. To the extent we finance our activities with additional debt, we may become subject to financial and other covenants that may restrict our ability to pursue our business strategy or otherwise constrain our growth and operations.

Negative publicity regarding our customer service could have a material adverse effect on our business, results of operations and financial condition.

Our business strategy includes the implementation of our major airline partners brand and product in order to increase customer loyalty and drive future ticket sales. In addition, we also receive certain amounts under our United Capacity Purchase Agreement based upon the results of passenger satisfaction surveys. However, we may experience a high number of passenger complaints related to, among other things, our customer service. These complaints, together with delayed and cancelled flights, and other service issues, are reported to the public by the DOT. If we do not meet our major airline partners expectations with respect to reliability and service, our and our major airline partners brand and product could be negatively impacted, which could result in customers deciding not to fly with our major airline partners or with us. If we are unable to provide consistently high-quality customer service, it could have an adverse effect on our relationships with our major airline partners.

Risks associated with our presence in international emerging markets, including political or economic instability, and failure to adequately comply with existing legal requirements, may materially adversely affect us.

Some of our target growth markets include countries with less developed economies, legal systems, financial markets and business and political environments are vulnerable to economic and political disruptions, such as significant fluctuations in gross domestic product, interest and currency exchange rates, civil disturbances, government instability, nationalization and expropriation of private assets, trafficking and the imposition of taxes or other charges by governments. The occurrence of any of these events in markets served by us now or in the future and the resulting instability may have a material adverse effect on our business, results of operations and financial condition.

We emphasize compliance with all applicable laws and regulations and have implemented and continue to implement and refresh policies, procedures and certain ongoing training of our employees, third-party specialists and partners with regard to business ethics and key legal requirements; however, we cannot assure you that our employees, third-party specialists or partners will adhere to our code of ethics, other policies or other legal requirements. If we fail to enforce our policies and

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procedures properly or maintain adequate recordkeeping and internal accounting practices to record our transactions accurately, we may be subject to sanctions. In the event we believe or have reason to believe our employees, third-party specialists or partners have or may have violated applicable laws or regulations, we may incur investigation costs, potential penalties and other related costs which in turn may materially adversely affect our reputation and could have a material adverse effect on our business, results of operations and financial condition.

Risks Related to Our Industry

The airline industry is highly competitive and has undergone a period of consolidation and transition leaving fewer potential major airline partners.

The airline industry is highly competitive. We compete primarily with other regional airlines, some of which are owned by or operated by major airlines. In certain instances, our competitors are larger than us and possess significantly greater financial and other resources than we do. The airline industry has undergone substantial consolidation, including the mergers between Alaska Airlines and Virgin America Inc. in 2016, American and US Airways in 2013, Southwest Airlines Co. and AirTran Airways in 2011, United and Continental Airlines in 2010 and Delta and Northwest Airlines in 2008. Any additional consolidation or significant alliance activity within the airline industry could further limit the number of potential partners with whom we could enter into capacity purchase agreements.

We are subject to significant governmental regulation.

All interstate air carriers, including us, are subject to regulation by the DOT, the FAA and other governmental agencies. Regulations promulgated by the DOT primarily relate to economic aspects of air service. The FAA requires operating, air worthiness and other certificates; approval of personnel who may engage in flight, maintenance or operation activities; record keeping procedures in accordance with FAA requirements; and FAA approval of flight training and retraining programs. We cannot predict whether we will be able to comply with all present and future laws, rules, regulations and certification requirements or that the cost of continued compliance will not have a material adverse effect on our operations. We incur substantial costs in maintaining our current certifications and otherwise complying with the laws, rules and regulations to which we are subject. A decision by the FAA to ground, or require time consuming inspections of or maintenance on, all or any of our aircraft for any reason may have a material adverse effect on our operations. In addition to state and federal regulation, airports and municipalities enact rules and regulations that affect our operations and require that we incur substantial on-going costs.

Airlines are often affected by factors beyond their control including: air traffic congestion at airports; air traffic control inefficiencies; adverse weather conditions, such as hurricanes or blizzards; increased security measures; new travel related taxes or the outbreak of disease, any of which could have a material adverse effect on our business, results of operations and financial condition.

Like other airlines, our business is affected by factors beyond our control, including air traffic congestion at airports, air traffic control inefficiencies, increased security measures, new travel-related taxes and fees, adverse weather conditions, natural disasters and the outbreak of disease. Factors that cause flight delays frustrate passengers and increase operating costs and decrease revenues, which in turn could adversely affect profitability. The federal government singularly controls all U.S. airspace, and airlines are completely dependent on the FAA to operate that airspace in a safe, efficient and affordable manner. The air traffic control system, which is operated by the FAA, faces challenges in managing the growing demand for U.S. air travel, U.S. and foreign air-traffic controllers often rely on outdated technologies that routinely overwhelm the system and compel airlines to fly inefficient, indirect

routes resulting in delays. In addition, there are currently proposals before Congress that could potentially lead to the privatization of the United States air traffic control system, which could adversely affect our business. Further, implementation of the Next Generation Air Transport System by the FAA would result in changes to aircraft routings and flight paths that could lead to increased noise complaints and lawsuits, resulting in increased costs. There are additional proposals before Congress that would treat a wide range of consumer protection issues, including, among other things, proposals to regulate seat size, which could increase the costs of doing business.

Adverse weather conditions and natural disasters, such as hurricanes, winter snowstorms or earthquakes, can cause flight cancellations or significant delays. Cancellations or delays due to adverse weather conditions or natural disasters, air traffic control problems or inefficiencies, breaches in security or other factors may affect us to a greater degree than other, larger airlines that may be able to recover more quickly from these events, and therefore could have a material adverse effect on our business, results of operations and financial condition to a greater degree than other air carriers. Any general reduction in airline passenger traffic could have a material adverse effect on our business, results of operations and financial condition.

Terrorist activities or warnings have dramatically impacted the airline industry, and will likely continue to do so.

The terrorist attacks of September 11, 2001 and their aftermath have negatively impacted the airline industry in general, including our operations. If additional terrorist attacks are launched against the airline industry, there will be lasting consequences of the attacks, which may include loss of life, property damage, increased security and insurance costs, increased concerns about future terrorist attacks, increased government regulation and airport delays due to heightened security. We cannot provide any assurance that these events will not harm the airline industry generally or our operations or financial condition in particular.

The occurrence of an aviation accident involving our aircraft would negatively impact our operations and financial condition.

An accident or incident involving our aircraft could result in significant potential claims of injured passengers and others, as well as repair or replacement of a damaged aircraft and its consequential temporary or permanent loss from service. In the event of an accident, our liability insurance may not be adequate to offset our exposure to potential claims and we may be forced to bear substantial losses from the accident. Substantial claims resulting from an accident in excess of our related insurance coverage would harm our operational and financial results. Moreover, any aircraft accident or incident, even if fully insured, could cause a public perception that our operations are less safe or reliable than other airlines.

An outbreak of a disease or similar public health threat could have a material adverse impact on our business, financial position and results of operations.

An outbreak of a disease or similar public health threat that affects travel demand, travel behavior, or travel restrictions could have a material adverse impact on our business, financial condition and results of operations.

Risks Related to Owning Our Common Stock

The market price of our common stock may be volatile, which could cause the value of an investment in our stock to decline.

Prior to this offering, there has been no public market for shares of our common stock, and an active public market for these shares may not develop or be sustained after this offering. We and the

representatives of the underwriters determined the initial public offering price of our common stock through negotiation. This price does not necessarily reflect the price at which investors in the market will be willing to buy and sell our shares following this offering. In addition, the market price of our common stock may fluctuate substantially due to a variety of factors, many of which are beyond our control, including:

- announcements concerning our major airline partners, competitors, the airline industry or the economy in general;
- strategic actions by us, our major airline partners, or our competitors, such as acquisitions or restructurings;
- media reports and publications about the safety of our aircraft or the aircraft type we operate;
- new regulatory pronouncements and changes in regulatory guidelines;
- announcements concerning the availability of the type of aircraft we use;
- significant volatility in the market price and trading volume of companies in the airline industry;
- changes in financial estimates or recommendations by securities analysts or failure to meet analysts performance expectations;
- sales of our common stock or other actions by insiders or investors with significant shareholdings, including sales by our principal shareholders; and
- general market, political and other economic conditions.

The stock markets in general have experienced substantial volatility that has often been unrelated to the operating performance of particular companies. Broad market fluctuations may materially adversely affect the trading price of our common stock.

In the past, shareholders have sometimes instituted securities class action litigation against companies following periods of volatility in the market price of their securities. Any similar litigation against us could result in substantial costs, divert management s attention and resources and have a material adverse effect on our business, results of operations and financial condition.

If securities or industry analysts do not publish research or reports about our business or publish negative reports about our business, our stock price and trading volume could decline.

The trading market for our common stock depends in part on the research and reports that securities and industry analysts may publish about us or our business. If one or more of the analysts who cover us downgrade our stock or publish inaccurate or unfavorable research about our business, the trading price of our common stock would likely decline. If one or more of these analysts ceases to cover our company or fails to publish reports on us regularly, demand for our stock could decrease, which may cause the trading price of our common stock and the trading volume of our common stock to decline.

Purchasers of our common stock in this offering will experience immediate and substantial dilution in the tangible net book value of their investment.

If you purchase common stock in this offering, you will incur immediate and substantial dilution of $4.32 per share, representing the difference between the assumed initial public offering price of $15.00 per share, which is the mid-point of the estimated offering price range set forth on the cover page of this prospectus, after deducting the estimated underwriting discounts and estimated offering expenses payable by us, and our pro forma net tangible book value per share after giving effect to this offering and the issuance of 966,022 shares of restricted common stock under our 2018 Plan immediately following the completion of this offering. The future vesting of our restricted stock awards (including unvested restricted shares issued in connection with the 2018 Plan Issuances) and the exercise of outstanding warrants to purchase our common stock will result in further future dilution. See the section titled *Dilution* elsewhere in this prospectus for a further description of the dilution you will experience immediately after this offering.

The value of our common stock may be materially adversely affected by additional issuances of common stock by us or sales by our principal shareholders.

Any future issuances or sales of our common stock by us will be dilutive to our existing common shareholders. We had 12,394,215 shares of common stock outstanding as of March 31, 2018. All of the shares of common stock sold in this offering will be freely tradeable without restrictions or further registration under the Securities Act of 1933, as amended (the Securities Act). The holders of 98% of our outstanding shares of our common stock have signed lock-up agreements with the underwriters of this offering, under which they have agreed, subject to certain exceptions, not to offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any of our common stock or securities convertible into or exchangeable or exercisable for shares of our common stock, enter into a transaction which would have the same effect, without the prior written consent of certain of the underwriters, for a period of 180 days after the date of this prospectus. Sales of substantial amounts of our common stock in the public or private market, a perception in the market that such sales could occur, or the issuance of securities exercisable or convertible into our common stock, could adversely affect the prevailing price of our common stock.

The value of our common stock may be materially adversely affected by additional issuances of common stock underlying our outstanding warrants.

As of March 31, 2018, we had outstanding warrants to purchase an aggregate of 11,140,905 shares of our common stock, 250,000 of which were terminated in June 2018. Of this amount, 10,890,905 were originally issued to non-U.S. citizens who were claimholders in our bankruptcy proceedings in order to maintain compliance with restrictions imposed by federal law on foreign ownership of U.S. airlines. Any future warrant exercises by our existing warrant holders will be dilutive to our existing common shareholders. All of the shares of common stock issuable upon exercise of our warrants will be freely tradeable without restrictions or further registration under the Securities Act. The holders of substantially all of our outstanding warrants have signed lock-up agreements with the underwriters of this offering, under which they have agreed, subject to certain exceptions, not to offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any of our common stock or securities convertible into or exchangeable or exercisable for shares of our common stock, enter into a transaction which would have the same effect, without the prior written consent of certain of the underwriters, for a period of 180 days after the date of this prospectus. Sales of substantial amounts of our common stock in the public or private market, a perception in the market that such sales could occur, or the issuance of securities exercisable or convertible into our common stock, could adversely affect the prevailing price of our common stock.

Provisions in our charter documents might deter acquisition bids for us, which could adversely affect the price of our common stock.

Our second amended and restated articles of incorporation and amended and restated bylaws contain provisions that, among other things:

- authorize our Board of Directors, without shareholder approval, to designate and fix the voting powers, designations, preferences, limitations, restrictions and relative rights of one or more series of preferred stock and to issue shares of one or more series of preferred stock so designated, or rights to acquire such preferred stock, that could dilute the interest of, or impair the voting power of, holders of our common stock and could also have the effect of discouraging, delaying or preventing a change of control;

establish advance notice procedures that shareholders must comply with in order to nominate candidates to our Board of Directors and propose matters to be brought before an annual or special meeting of our shareholders, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer s own slate of directors or otherwise attempting to obtain control of our company;

authorize a majority of our Board of Directors to appoint a director to fill a vacancy created by the expansion of our Board of Directors or the resignation, death or removal of a director, which may prevent shareholders from being able to fill vacancies on our Board of Directors;

restrict the number of directors constituting our Board of Directors to within a set range, and give our Board of Directors exclusive authority to increase or decrease the number of directors within such range, which may prevent shareholders from being able to fill vacancies on our Board of Directors; and

restrict the ability of shareholders to call special meetings of shareholders.

Our corporate charter includes provisions limiting ownership by non-U.S. citizens.

To comply with restrictions imposed by federal law on foreign ownership of U.S. airlines, our second amended and restated articles of incorporation restrict the ownership and voting of shares of our common stock by people and entities who are not citizens of the United States as that term is defined in 49 U.S.C. § 40102(a). That statute defines citizen of the United States as, among other things, a U.S. corporation, of which the president and at least two-thirds of the board of directors and other managing officers are individuals who are citizens of the United States, which is under the actual control of citizens of the United States and in which at least 75% of the voting interest is owned or controlled by persons who are citizens of the United States. Our second amended and restated articles of incorporation prohibit any non-U.S. citizen from owning or controlling more than 24.9% of the aggregate votes of all outstanding shares of our common stock or 49.0% of the total number of outstanding shares of our capital stock. The restrictions imposed by the above-described ownership caps are applied to each non-U.S. citizen in reverse chronological order based on the date of registration on our foreign stock record. At no time may shares of our capital stock held by non-U.S. citizens be voted unless such shares are reflected on the foreign stock record. The voting rights of non-U.S. citizens having voting control over any shares of our capital stock are subject to automatic suspension to the extent required to ensure that we are in compliance with applicable law. In the event any transfer or issuance of shares of our capital stock to a non-U.S. citizen would result in non-U.S. citizens owning more than the above-described cap amounts, such transfer or issuance will be void and of no effect.

As of March 31, 2018, there were 10,890,905 outstanding warrants to purchase shares of our common stock, with an exercise price of $0.004 per share and 250,000 outstanding warrants to purchase shares of our common stock with an exercise price of $3.20 per share (which were terminated in June 2018). The warrants are not exercisable in violation of the ownership restrictions described above. We are currently in compliance with all applicable foreign ownership restrictions. See *Business Foreign Ownership* and *Description of Capital Stock Anti-Takeover Provisions of Our Articles of Incorporation, Bylaws and Nevada Law Limited Ownership and Voting by Foreign Owners*.

Our corporate charter limits certain transfers of our stock, which limits are intended to preserve our ability to use our net operating loss carryforwards, and these limits could have an effect on the market price and liquidity of our common stock.

To reduce the risk of a potential adverse effect on our ability to use our net operating loss carryforwards for federal income tax purposes, our second amended and restated articles of

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incorporation prohibit the transfer of any shares of our capital stock that would result in (i) any person or entity owning 4.75% or more of our then-outstanding capital stock, or (ii) an increase in the percentage ownership of any person or entity owning 4.75% or more of our then-outstanding capital stock. These transfer restrictions expire upon the earliest of (i) the repeal of Section 382 of the Code or any successor statute if our Board of Directors determines that such restrictions are no longer necessary to preserve our ability to use our net operating loss carryforwards, (ii) the beginning of a fiscal year to which our Board of Directors determines that no net operating losses may be carried forward, or (iii) such other date as determined by our Board of Directors. These transfer restrictions apply to the beneficial owner of the shares of our capital stock. The clients of an investment advisor are treated as the beneficial owners of stock for this purpose if the clients have the right to receive dividends, if any, the power to acquire or dispose of the shares of our capital stock, and the right to proceeds from the sale of our capital stock. Certain transactions approved by our Board of Directors, such as mergers and consolidations meeting certain requirements set forth in our articles of incorporation, are exempt from the above-described transfer restrictions. Our Board of Directors also has the ability to grant waivers, in its discretion, with respect to transfers of our stock that would otherwise be prohibited. Our Board of Directors has agreed to waive the above-referenced restrictions in our second amended and restated articles of incorporation to those persons or entities that acquire shares of our common stock in excess of the 4.75% threshold in this offering. Any transfer of common stock in violation of these restrictions will be void and will be treated as if such transfer never occurred.

The transfer restrictions contained in our second amended and restated articles of incorporation may impair or prevent a sale of common stock by a shareholder and may adversely affect the price at which a shareholder can sell our common stock. In addition, this limitation may have the effect of delaying or preventing a change in control of the Company, creating a perception that a change in control cannot occur or otherwise discouraging takeover attempts that some shareholders may consider beneficial, which could also adversely affect the market price of the our common stock. We cannot predict the effect that this provision in our second amended and restated articles of incorporation may have on the market price of the our common stock.

We currently do not intend to pay dividends on our common stock and, consequently, your only opportunity to achieve a return on your investment is if the price of our common stock appreciates.

We have not historically paid dividends on shares of our common stock and do not expect to pay dividends on such shares in the foreseeable future. Additionally, our Investor Rights Agreement with US Airways, Inc., dated March 1, 2011, which was later assigned to American following the merger of US Airways, Inc. and American (the Investor Rights Agreement), RASPRO Lease Facility and GECAS Lease Facility (each as defined below) contain restrictions that limit our ability to or prohibit us from paying dividends to holders of our common stock. Any future determination to pay dividends will be at the discretion of our Board of Directors and will depend on our results of operations, financial condition, capital requirements, restrictions contained in current or future leases and financing instruments, business prospects and such other factors as our Board of Directors deems relevant, including restrictions under applicable law. Consequently, your only opportunity to achieve a positive return on your investment in us will be if the market price of our common stock appreciates.

We have broad discretion over the use of the net proceeds from this offering and we may not use them effectively.

We cannot specify with any certainty the particular uses of the net proceeds that we will receive from this offering. Our management will have broad discretion in the application of the net proceeds from this offering, including for any of the purposes described in Use of Proceeds, and you will not have the opportunity as part of your investment decision to assess whether the net proceeds are being used

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appropriately. Because of the number and variability of factors that will determine our use of the net proceeds from this offering, their ultimate use may vary substantially from their currently intended use. The failure by our management to apply these proceeds effectively could adversely affect our business, results of operations, and financial condition. Pending their use, we may invest our proceeds in a manner that does not produce income or that loses value. Our investments may not yield a favorable return to our investors and may negatively impact the price of our common stock.

We are an emerging growth company, and the reduced disclosure and regulatory requirements applicable to emerging growth companies may make our common stock less attractive to investors.

We qualify as an emerging growth company as defined in the JOBS Act, and therefore we may take advantage of reduced disclosure and regulatory requirements that are otherwise generally applicable to public companies. As an emerging growth company:

- We may present only two years of audited financial statements and related Selected Financial Data and Management s Discussion and Analysis of Financial Condition and Results of Operations;

- We are not required to obtain an attestation and report from our independent registered public accounting firm on our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act;

- We may present reduced disclosure regarding executive compensation in our periodic reports and proxy statements; and

- We are not required to hold nonbinding advisory shareholder votes on executive compensation or golden parachute arrangements.

We may take advantage of these reduced requirements until we are no longer an emerging growth company, which will occur upon the earliest of (i) the last day of the fiscal year following the fifth anniversary of this offering, (ii) the last day of the first fiscal year in which our annual gross revenue is $1.07 billion or more, (iii) the date on which we have, during the previous rolling three-year period, issued more than $1.0 billion in non-convertible debt securities and (iv) the date on which we are deemed to be a large accelerated filer as defined in the Securities Exchange Act of 1934, as amended (the Exchange Act). Investors may find our common stock less attractive or our company less comparable to certain other public companies because we will rely on these reduced requirements.

In addition, the JOBS Act permits an emerging growth company to take advantage of an extended transition period to comply with new or revised accounting standards. This effectively permits the delayed adoption of certain accounting standards until those standards would otherwise apply to private companies. However, we are electing to opt out of such extended transition period and, as a result, we will comply with new or revised accounting standards on the dates for which compliance is required for non-emerging growth companies. This election is irrevocable.

The requirements of being a public company may strain our resources, increase our operating costs, divert management s attention and affect our ability to attract and retain qualified board members or executive officers.

As a public company, we will be subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the listing requirements of the Nasdaq Global Select Market, and other applicable securities rules and regulations. Compliance with these rules and regulations will increase our legal and financial compliance costs, make some activities more difficult, time-consuming, or costly, and increase demand on our systems and resources, particularly after we are no longer an emerging growth company. The Exchange Act requires, among other things, that we file annual, quarterly, and current reports with respect to our business and results of operations. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. To maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management s attention may be diverted from other business concerns, which could harm our business and results of operations. We will need to hire additional employees or engage outside consultants to comply with these requirements, increasing our costs and expenses.

In addition, changing laws, regulations, and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time-consuming. These laws, regulations, and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management s time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations, and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us, and our business may suffer.

We also expect that being a public company will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our Board of Directors, particularly to serve on our board committees, and qualified executive officers.

As a result of disclosure of information in this prospectus and in filings required of a public company, our business and financial condition will become more visible, which we believe may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business and results of operations could suffer, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and harm our business, financial condition and results of operations.

We will be required to assess our internal control over financial reporting on an annual basis, and any future adverse findings from such assessment could result in a loss of investor confidence in our financial reports, result in significant expenses to remediate any internal control deficiencies and have a material adverse effect on our business, results of operations and financial condition.

We will be required, pursuant to Section 404 of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting for the first fiscal year beginning after the closing of this offering. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting, as well as a statement that our independent registered public accounting firm has issued an opinion on our internal control over financial reporting, provided that our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control

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over financial reporting until our first annual report required to be filed with the SEC following the later of the date we are deemed to be an accelerated filer or a large accelerated filer, each as defined in the Exchange Act, or the date we are no longer an emerging growth company, as defined in the JOBS Act. We will be required to disclose changes made in our internal control and procedures on a quarterly basis. To comply with the requirements of being a public company, we may need to undertake various actions, such as implementing new internal controls and procedures and hiring accounting or internal audit staff. We are beginning the costly and challenging process of compiling the system and processing documentation necessary to perform the evaluation needed to comply with Section 404, and we may not be able to complete our evaluation, testing, and any required remediation in a timely fashion or at all.

In future periods, if we fail to achieve and maintain an effective internal control environment, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the regulatory investigations, civil or criminal sanctions and litigation, any of which would have a material adverse effect on our business, results of operations and financial condition.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends affecting the financial condition of our business. Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made and/or management s good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to:

- the supply and retention of qualified airline pilots;
- the volatility of pilot attrition;
- dependence on, and changes to, or non renewal of, our capacity purchase agreements;
- increases in our labor costs;
- reduced utilization under our capacity purchase agreements;
- the financial strength of our major airline partners;
- direct operation of regional jets by our major airline partners;
- limitations on our ability to expand regional flying within the flight systems of our major airline partners and those of other major airlines;
- our significant amount of debt and other contractual obligations;
- our compliance with ongoing financial covenants under our credit facilities;
- our ability to keep costs low and execute our growth strategies; and
- other risk factors included under Risk Factors in this prospectus.

In addition, in this prospectus, the words believe, may, estimate, continue, anticipate, intend, expect, pre
and similar expressions, as they relate to our company, business or management, are intended to identify forward-looking statements. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this prospectus may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements.

We caution you that the foregoing list of important factors may not contain all of the material factors that are important to you. New risk factors emerge from time to time, and it is not possible for our management to predict all risk factors nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in, or implied by, any forward-looking statements. Further, our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments we may make.

All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements set forth above. Forward-looking statements speak only as of the date of this prospectus. You should not put undue reliance on any forward-looking statements. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information, except to the extent required by applicable law. If we update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

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USE OF PROCEEDS

We estimate that the net proceeds to us from this offering will be approximately $145.9 million, or approximately $158.3 million if the overallotment option is exercised in full, based on an assumed initial public offering price of $15.00 per share (the mid-point of the price range set forth on the cover page of this prospectus) and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

Pursuant to an overallotment option, we and the selling shareholders have offered an aggregate of up to 1,605,000 shares of our common stock for sale in this offering. We will not receive any proceeds from the sale of shares by the selling shareholders.

We intend to use the net proceeds from this offering to: (i) repay all outstanding indebtedness under our CIT Revolving Credit Facility in the amount of $25.7 million; (ii) repay from $20.0 to $40.0 million of existing indebtedness under our Spare Engine Facility and the Subordinated GECAS Notes; and (iii) in connection with the repayment, refinance the remaining portion of indebtedness under our Spare Engine Facility and the Subordinated GECAS Notes. Our CIT Revolving Credit Facility permits revolving borrowings of up to $35.0 million and bears interest at LIBOR plus a margin of 4.25%. Following our repayment of funds drawn under our CIT Revolving Credit Facility, the $35.0 million commitment amount will remain available for future borrowing through the maturity date of August 12, 2019. As of March 31, 2018, $92.3 million of borrowings were outstanding under our Spare Engine Facility. Funds drawn under this facility bear interest at the rate of 7.25% per annum plus the greater of (a) 0.5% or (b) the Eurodollar rate. There are four tranches of debt under our Spare Engine Facility, which mature between January 2022 and February 2023. As of June 28, 2018, the date of issuance, we had an aggregate of $29.4 million of borrowings outstanding under our Subordinated GECAS Notes, each of which bear interest at LIBOR plus 7.50% and mature on February 1, 2022. We can give no assurance that we will be able to refinance the Spare Engine Facility or the Subordinated GECAS Notes at acceptable rates, on acceptable terms, or at all. For a further description of our CIT Revolving Credit Facility, Spare Engine Facility and Subordinated GECAS Notes, see *Management s Discussion and Analysis of Financial Condition and Results of Operations Commitments and Contractual Obligations* elsewhere in this prospectus. Imperial Capital, LLC or its affiliates may receive a restructuring fee in connection with our repayment of debt. For a further discussion, see *Underwriting Relationships and Conflicts of Interest.*

We intend to use any remaining proceeds for general corporate purposes, which may include the repayment of other indebtedness, working capital and capital expenditures, including flight equipment acquisitions and lease buyouts. Currently, we do not know the amounts that we intend to use for each of these general corporate activities. Accordingly, our management will have broad discretion over the uses of the net proceeds in this offering.

Each $1.00 increase (decrease) in the assumed public offering price of $15.00 per share would increase (decrease) the net proceeds to us from this offering, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, by approximately $10.0 million. We may also increase or decrease the number of shares we are offering. An increase (decrease) of 1,000,000 in the number of shares we are offering would increase (decrease) the net proceeds to us from this offering, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, by approximately $14.0 million, assuming that the assumed offering price stays the same. We do not expect that a change in the offering price or the number of shares by these amounts would have a material effect on our intended uses of the net proceeds from this offering, although it may impact the amount of time prior to which we may need to seek additional capital.

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We have presented pro forma data in this prospectus that give effect to our application of the net proceeds from this offering. These pro forma adjustments have been made based on available information and assumptions that we believe are reasonable in order to reflect, on a pro forma basis, the impact of these transactions on our historical financial information. The assumptions underlying the pro forma data related to our anticipated use of proceeds are set forth below:

- We will repay all outstanding indebtedness under our CIT Revolving Credit Facility in the amount of $25.7 million;

- We will repay $30 million of existing indebtedness under our Spare Engine Facility and the Subordinated GECAS Notes (which is the mid-point of the $20.0 to $40.0 million estimated repayment range set forth above) as part of a refinancing transaction; and

- We will refinance the remaining portion of indebtedness under our Spare Engine Facility and the Subordinated GECAS Notes, reducing the applicable interest rate from LIBOR plus a spread ranging from 7.25% to 7.50% to LIBOR plus 4.0%.

The pro forma data, adjustments and underlying assumptions are presented for illustrative purposes only and do not necessarily indicate our future results of operations. We urge you to read the pro forma data in conjunction with our financial statements, the accompanying notes, and the other financial information included elsewhere in this prospectus. For a reconciliation of net income and basic and diluted shares used to calculate pro forma basic and diluted net income per share attributable to common shareholders, see *Summary Historical Consolidated Financial and Operating Data.*

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DIVIDEND POLICY

We have never paid cash dividends on our common stock and we do not presently anticipate paying cash dividends after the completion of this offering. In addition, our Investor Rights Agreement, RASPRO Lease Facility and GECAS Lease Facility (each as defined below) contain negative covenants prohibiting us from paying dividends to our shareholders and future financing arrangements may similarly restrict us from paying dividends. Any future determination as to the declaration and payment of dividends, if any, will be at the discretion of our Board of Directors and will depend on then existing conditions, including our financial condition, operating results, contractual restrictions, covenant compliance, capital requirements, business prospects and other factors our Board of Directors may deem relevant, including restrictions imposed under applicable law.

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CAPITALIZATION

The following table sets forth our cash and cash equivalents, current maturities of long-term debt and capitalization as of March 31, 2018:

- on an actual basis; and

- on a pro forma basis to give effect to: (i) the issuance of 10,700,000 shares of our common stock pursuant to this offering; (ii) our application of the net proceeds from this offering as set forth under *Use of Proceeds*, assuming an initial public offering price of $15.00 per share (which is the mid-point of the estimated price range set forth on the cover page of this prospectus); and (iii) the issuance of 966,022 shares of restricted common stock under our 2018 Plan immediately following the completion of this offering as part of the 2018 Plan Issuances. See *Shares Eligible for Future Sale Proposed Equity Exchange and 2018 Plan Issuances*. For a description of the assumptions underlying the pro forma data related to our anticipated use of proceeds, see *Use of Proceeds.*

You should read this capitalization table together with our financial statements and the related notes appearing at the end of this prospectus, the *Management s Discussion and Analysis of Financial Condition and Results of Operations* section, and other financial information included in this prospectus.

	As of March 31, 2018	
	Actual	**Pro Forma**(1)
(in thousands, except per share data)		
Cash and cash equivalents	$ 52,699	$ 142,968
Long-term debt, including current portion	929,029	873,379
Shareholders equity:		
Preferred stock, no par value, 5,000,000 shares authorized; no shares issued and outstanding		
Common stock of no par value and additional paid-in capital, 125,000,000 shares of common stock authorized, 12,394,215 shares issued and outstanding and 11,140,905 warrants issued and outstanding; 125,000,000 shares of common stock authorized pro forma, 24,060,237 shares issued and outstanding pro forma and 11,140,905 warrants issued and outstanding pro forma	115,275	262,252
Retained earnings	133,430	133,430
Total shareholders equity	248,705	395,682
Total capitalization	$ 1,177,734	$ 1,269,061

(1) Each $1.00 increase or decrease in the assumed initial public offering price of $15.00 per share would increase or decrease, respectively, the amount of cash and cash equivalents, additional paid-in capital, total

shareholders equity and total capitalization by $10.0 million (assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same), after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. We may also increase or decrease the number of shares we are offering. An increase or decrease of 1,000,000 in the number of shares we are offering would increase or decrease, respectively, the amount of cash and cash equivalents, shareholders equity and total capitalization by approximately $14.0 million (based on an assumed initial public offering price of $15.00 per share, the mid-point of the price range as set forth on the cover page of this prospectus), after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. The pro forma information is illustrative only, and we will adjust this information based on the actual initial public offering price and other terms of this offering determined at pricing.

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The number of shares of our common stock outstanding after this offering is based on 12,394,215 shares outstanding as of March 31, 2018, 10,890,905 shares issuable upon exercise of warrants with an exercise price of $0.004 per share, 250,000 shares issuable upon exercise of warrants with an exercise price of $3.20 per share (which were terminated in June 2018) and 966,022 shares of restricted common stock to be issued under our 2018 Plan immediately following the completion of this offering in exchange for vested SARs previously issued under our SAR Plan, and excludes:

- 744,497 awarded and unvested shares of common stock under our 2011 Plan as of March 31, 2018;
- 20,843 awarded and unvested shares of common stock under our 2017 Plan as of March 31, 2018;
- 323,048 awarded and unvested restricted stock units under our RSU Plan as of March 31, 2018; and
- 300,012 shares of restricted common stock to be issued under our 2018 Plan, in exchange for unvested SARs previously issued under our SAR Plan.

We expect that an aggregate of 105,275 shares will vest under our 2011 Plan, 2017 Plan and RSU Plan, net of new awards granted, between March 31, 2018 and the completion of this offering. In addition, immediately following the completion of this offering, the remaining unvested equity awards then outstanding under the 2011 Plan, 2017 Plan and RSU Plan will be cancelled and exchanged for 983,113 shares of restricted common stock under our 2018 Plan, and will remain subject to vesting on the same terms set forth in the prior vesting schedules. The SARs previously issued under our SAR Plan, which currently settle only in cash, will be cancelled and exchanged for an aggregate of 1,266,034 shares of restricted common stock under our 2018 Plan, of which 966,022 will be fully vested upon issuance and are included in the number of shares of our common stock outstanding after this offering. See *Shares Eligible for Future Sale Proposed Equity Exchange and 2018 Plan Issuances* elsewhere in this prospectus.

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DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the initial public offering price per share of our common stock and the pro forma net tangible book value per share of our common stock immediately after the offering, giving effect to the 2018 Plan Issuances.

The historical net tangible book value (deficit) of our common stock as of March 31, 2018 was $237.2 million, or $19.14 per share on an outstanding shares basis and $10.07 per share on a fully-diluted basis. Historical net tangible book value per share is determined by dividing the net tangible book value by the number of shares of outstanding common stock. If you invest in our common stock in this offering, your ownership interest will be immediately diluted to the extent of the difference between the initial public offering price per share and the pro forma as adjusted net tangible book value per share of our common stock.

After giving effect to (i) our issuance of 10,700,000 shares of common stock at an assumed initial public offering price of $15.00 per share of common stock, the mid-point of the range of the estimated initial offering price as set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and estimated offering expenses payable by us, and (ii) the 2018 Plan Issuances. Our pro forma net tangible book value as adjusted as of March 31, 2018 would have been approximately $384.1 million, or approximately $15.97 per pro forma share of common stock ($10.68 per share on a fully-diluted basis). This represents an immediate increase in pro forma net tangible book value of $0.61 per share to our existing shareholders and an immediate dilution of $4.32 per share to new investors in this offering, each on a fully-diluted basis.

The following table illustrates this dilution on a fully-diluted per share basis to new investors, after giving effect to the 2018 Plan Issuances, which will occur immediately following the completion of this offering:

Assumed initial public offering price		$ 15.00
Historical net tangible book value per share as of March 31, 2018	10.07	
Increase in pro forma net tangible book value per share attributable to this offering, giving effect to the 2018 Plan Issuances	0.61	
Pro forma net tangible book value per share, as adjusted(1)		10.68
Dilution in pro forma net tangible book value per share to new investors in this offering		$ 4.32

(1) Pro forma net tangible book value per share, as adjusted, gives effect to this offering, and the 2018 Plan Issuances. Each $1.00 increase or decrease in the assumed public offering price of $15.00 per share, the mid-point of the price range set forth on the cover page of this prospectus, would increase or decrease, respectively, our pro forma net tangible book value, as adjusted to give effect to this offering, and the proposed 2018 Plan Issuances, by $10.0 million, or $0.28 per share on a fully-diluted basis, and the dilution per share to investors participating in this offering by $0.72 per share (assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same), after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We may also increase or decrease the number of shares we are offering. At the assumed public offering price per share, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, an increase of 1,000,000 in the number of shares we are offering would

increase our pro forma net tangible book value, as adjusted to give effect to this offering, by approximately $14.0 million, or $0.09 per share on a fully-diluted basis, and

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decrease the dilution per share to investors participating in this offering by $0.09 per share, and a decrease of 1,000,000 in the number of shares we are offering would decrease our pro forma net tangible book value, as adjusted to give effect to this offering, by approximately $14.0 million, or $0.09 per share on a fully-diluted basis, and increase the dilution per share to investors participating in this offering by $0.09 per share. The pro forma as adjusted information is illustrative only, and we will adjust this information based on the actual initial public offering price and other terms of this offering determined at pricing. We will not receive any of the proceeds from the sale of any shares by the selling shareholders if the overallotment option is exercised; accordingly, there is no dilutive impact as a result of these sales.

The table below summarizes as of March 31, 2018, on a pro forma as adjusted basis described above, the number of shares of our common stock, the total consideration and the average price per share (i) paid to us by existing shareholders, and (ii) to be paid by new investors purchasing our common stock in this offering at an assumed initial public offering price of $15.00 per share (in thousands except per share and percentage data) and giving effect to the 2018 Plan Issuances.

	Shares Purchased		Total Consideration		Average Price
	Number	**Percent**	**Amount**	**Percent**	**Per Share**
Existing shareholders(1)	13,360	55.5%	$ 12.52	0.01%	$ 0.001
New investors	10,700	44.5%	$ 160,500	99.99%	$ 15.000
Total	24,060	100.00%	$ 160,512	100.00%	$ 6.671

(1) The number of shares purchased by existing shareholders is based upon the exercise of warrants to purchase shares of our common stock over the past five years, each with an exercise price of $0.004 per share. The remaining shares held by existing shareholders, listed at zero cost, were either (i) issued to claimholders in our bankruptcy proceedings, or (ii) issued in connection with the vesting of equity awards under our 2011 Plan, 2017 Plan or RSU Plan.

The number of shares of our common stock outstanding after this offering is based on 12,394,215 shares outstanding as of March 31, 2018, 10,890,905 shares issuable upon exercise of warrants with an exercise price of $0.004 per share, 250,000 shares issuable upon exercise of warrants with an exercise price of $3.20 per share (which were terminated in June 2018) and 966,022 shares of restricted common stock to be issued under our 2018 Plan immediately following the completion of this offering in exchange for vested SARs previously issued under our SAR Plan.

If the underwriters exercise in full their option to purchase additional shares of our common stock from us, our existing shareholders would own 50.8% and our new investors would own 49.2% of the total number of shares of our common stock outstanding upon completion of this offering. The total consideration paid by our existing shareholders would be approximately $12.52, or 0.001%, and the total consideration paid by investors purchasing shares in this offering would be $184,575 million, or 99.9%.

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SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

You should read the following selected consolidated historical financial and operating data below in conjunction with *Management s Discussion and Analysis of Financial Condition and Results of Operations* and the consolidated financial statements, related notes and other financial information included in this prospectus. The selected consolidated financial data in this section are not intended to replace the consolidated financial statements and are qualified in their entirety by the financial statements and related notes included in this prospectus.

The selected consolidated statement of operations data for our fiscal years ended September 30, 2016 and 2017 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The selected consolidated balance sheet data for the six months ended March 31, 2018 has been derived from our unaudited consolidated financial statements appearing elsewhere in this prospectus. The selected consolidated statements of operations data for our fiscal years ended September 30, 2013, 2014 and 2015 have been derived from our consolidated financial statements that are not included in this prospectus. Our historical results are not necessarily indicative of the results to be expected in the future, and results for the six months ended March 31, 2018 are not indicative of the results expected for the full year.

	Year Ended September 30,					Six Months Ended March 31,	
	2013[(1)]	**2014[(1)]**	**2015**	**2016**	**2017**	**2017**	**2018**
	(in thousands, except per share data)						
Operating revenues:							
Contract revenue	$ 382,125	$ 407,408	$ 481,168	$ 569,373	$ 618,698	$ 309,711	$ 310,904
Pass-through and other	33,131	28,617	24,931	18,463	24,878	9,619	21,420
Total operating revenues	**415,256**	**436,025**	**506,099**	**587,836**	**643,576**	**319,330**	**332,324**
Operating expenses:							
Flight operations	78,685	93,092	118,600	141,422	155,516	72,349	103,807
Fuel	13,531	6,092	1,017	753	766	400	198
Maintenance	102,473	123,506	142,643	225,130	210,729	117,422	105,756
Aircraft rent	77,243	80,942	69,083	71,635	72,551	36,060	36,582
Aircraft and traffic servicing	28,363	20,817	13,274	3,936	3,676	1,580	1,744
Promotions and sales[(2)]	5,406	2,795	11				
General and administrative	31,598	34,501	39,940	42,182	38,996	20,676	21,267
Depreciation and amortization	32,945	33,425	42,296	46,020	61,048	29,600	31,598
Asset impairment	7,942						
Total operating expenses	**378,186**	**395,170**	**426,864**	**531,078**	**543,282**	**278,087**	**300,952**

Operating income	**37,070**	**40,855**	**79,235**	**56,758**	**100,294**	**41,243**	**31,372**
Other (expense) income, net:							
Interest expense	(9,043)	(9,881)	(16,984)	(32,618)	(46,110)	(21,840)	(27,474)
Interest income	71	14	21	325	32	15	19
Other income (expense), net	2,458	(475)	975	381	(514)	(394)	(102)

	Year Ended September 30,					Six Months Ended March 31,	
	2013[1]	2014[1]	2015	2016	2017	2017	2018
	(in thousands, except per share data)						
Total other (expense) income, net	**(6,514)**	**(10,342)**	**(15,988)**	**(31,912)**	**(46,592)**	**(22,219)**	**(27,557)**
Income before taxes	30,556	30,513	63,247	24,846	53,702	19,024	3,815
Income tax (benefit) expense	(11,078)	11,749	24,248	9,926	20,874	7,110	(21,181)
Net income	**$ 41,634**	**$ 18,764**	**$ 38,999**	**$ 14,920**	**$ 32,828**	**$ 11,914**	**$ 24,996**
Net income per share attributable to common shareholders:							
Basic[3]	$ 5.83	$ 2.53	$ 5.03	$ 1.56	$ 3.01	$ 1.11	$ 2.18
Diluted[3]	$ 1.81	$ 0.82	$ 1.61	$ 0.62	$ 1.40	$ 0.51	$ 1.06
Pro forma net income per share attributable to common shareholders (unaudited)[4]:							
Basic					$ 1.54		$ 1.18
Diluted					$ 0.97		$ 0.76
Weighted-average common shares outstanding:							
Basic	7,146,165	7,425,165	7,749,665	9,558,242	10,918,527	10,780,678	11,441,271
Diluted	23,029,960	22,983,286	24,161,935	24,082,114	23,385,778	23,443,541	23,562,884
Non-GAAP financial data:							
EBITDA[5]	$ 72,473	$ 73,805	$ 122,506	$ 103,159	$ 160,828	$ 70,449	$ 62,868
EBITDAR[5]	$ 149,716	$ 154,747	$ 191,589	$ 174,794	$ 233,379	$ 106,509	$ 99,450

(1) Our operations data for our fiscal years ended September 30, 2013 and 2014 include results from our historical *go!* operations. We operated *go!* as an inter-island air carrier in Hawaii from 2006 to 2014.
(2) Promotion and sales primarily consists of reservations and marketing costs related to our historical *go!* operations. We do not pay promotion and sales expenses under our capacity purchase agreements.
(3) See Note 10 to our consolidated financial statements included elsewhere in this prospectus for an explanation of the method used to calculate the basic and diluted earnings per share.
(4) Pro forma net income per share attributable to common shareholders data is presented for our fiscal year ended September 30, 2017 and the six months ended March 31, 2018 to give effect to: (i) the issuance of 10,700,000 shares of our common stock pursuant to this offering; (ii) our application of the net proceeds from this offering as set forth under *Use of Proceeds*, assuming an initial public offering price of $15.00 per share (which is the mid-point of the estimated price range set forth on the cover page of this prospectus); and (iii) the issuance of shares of restricted common stock under our 2018 Plan immediately following the completion of this offering as part of the 2018 Plan Issuances. For a description of the method used to calculate the number of shares of restricted common stock to be issued under the 2018 Plan immediately after this offering, see *Shares Eligible for Future Sale Proposed Equity Exchange and 2018 Plan Issuances* elsewhere in this prospectus. See *Use of Proceeds* for a description of the assumptions underlying the pro forma data related to our anticipated use of proceeds. This pro forma net income per share attributable to common shareholders data is presented for informational purposes only and does not purport to represent what our pro forma net income (loss) or net income (loss) per share attributable to common shareholders actually would have been had this offering or the 2018 Plan Issuances been completed on October 1, 2016, or to project our net income or net income per share attributable to common shareholders for any future period.
(5) We define EBITDA as earnings before interest, income taxes, and depreciation and amortization. We define EBITDAR as earnings before interest, income taxes, depreciation and amortization and aircraft rent. EBITDA and EBITDAR are included as supplemental disclosure because our senior management believes that they are well recognized valuation metrics in the airline industry that are frequently used by companies, investors, securities analysts and other interested parties in comparing companies in our industry.

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EBITDA and EBITDAR have limitations as analytical tools. Some of the limitations applicable to these measures include: (i) EBITDA and EBITDAR do not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations; (ii) EBITDA and EBITDAR do not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments; (iii) EBITDA and EBITDAR do not reflect changes in, or cash requirements for, our working capital needs; (iv) EBITDA and EBITDAR do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our debts; (v) although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future; and (vi) EBITDA and EBITDAR do not reflect any cash requirements for such replacements and other companies in our industry may calculate EBITDA and EBITDAR differently than we do, limiting its usefulness as a comparative measure. Because of these limitations, EBITDA and EBITDAR should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. In addition, EBITDAR should not be viewed as a measure of overall performance because it excludes aircraft rent, which is a normal, recurring cash operating expense that is necessary to operate our business. For the foregoing reasons, each of EBITDA and EBITDAR has significant limitations which affect its use as an indicator of our profitability. Accordingly, you are cautioned not to place undue reliance on this information.

The following table sets forth a reconciliation of net income and basic and diluted shares used to calculate pro forma basic and diluted net income per share attributable to common shareholders:

	Year Ended September 30, 2017	Six Months Ended March 31, 2018
	(in thousands, except per share data)	
Reconciliation:		
Net income	$ 32,828	$ 24,996
Pro forma adjustment to reflect reduction of interest expense related to the repayment of outstanding indebtedness under our CIT Revolving Credit Facility	270	742
Pro forma adjustment to reflect reduction of interest expense related to partial repayment and refinancing of our Spare Engine Credit Facility and Subordinated GECAS Notes(1)	2,606	2,241
Pro forma adjustment to reflect tax effect at statutory rates(2)	(1,007)	(732)
Total pro forma adjustment(3)	1,869	2,251
Net income used in calculating pro forma net income per share attributable to common shareholders, basic and diluted	$ 34,697	$ 27,247
Weighted average shares outstanding used to calculate net income per share attributable to common shareholders, basic	10,918,527	11,441,271
Pro forma adjustment to reflect issuance of 10,700,000 shares of our common stock pursuant to this offering	10,700,000	10,700,000
Pro forma adjustment to reflect issuance of shares of restricted common stock under our 2018 Plan in exchange for vested SARs	966,022	966,022
	22,584,549	23,107,293

Weighted average shares used to calculate pro forma net income per share attributable to common shareholders, basic				
Effect of dilutive warrants and unvested shares of common stock		12,467,250		12,121,613
Pro forma effect of dilutive issuance of shares of restricted common stock under our 2018 Plan in exchange for unvested SARs and unvested restricted stock units		747,456		747,456
Weighted average shares used to calculate pro forma net income per share attributable to common shareholders, diluted		35,799,255		35,976,362
Pro forma net income per share attributable to common shareholders:				
Basic	$	1.54	$	1.18
Diluted		0.97		0.76

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(1) We have received a nonbinding financing letter relating to a proposed refinancing of the Spare Engine Credit Facility and Subordinated GECAS Notes, which, if completed, would reduce the applicable interest rate from LIBOR plus a spread ranging from 7.25% to 7.50% to LIBOR plus 4.0%. For each 1/8 percent variance in the applicable interest rates in excess of LIBOR plus 4.0%, pro forma interest expense would change by approximately $0.05 million and $0.04 million, respectively, for the periods presented.
(2) We have used a blended federal statutory income tax rate of 24.5% on taxable income earned during our 2018 fiscal year as a result of the Tax Act. For our 2017 fiscal year, we used a federal statutory income tax rate of 35%.
(3) See *Use of Proceeds* for a description of the assumptions underlying the pro forma data related to our anticipated use of proceeds.

The following table presents the reconciliation of net income to EBITDA and EBITDAR for the periods presented below:

	Year Ended September 30,					Six Months Ended March 31,	
	2013	2014	2015	2016	2017	2017	2018
	(in thousands)						
Reconciliation:							
Net income	$ 41,634	$ 18,764	$ 38,999	$ 14,920	$ 32,828	$ 11,914	$ 24,996
Interest expense	9,043	9,881	16,984	32,618	46,110	21,840	27,474
Interest income	(71)	(14)	(21)	(325)	(32)	(15)	(19)
Income tax expense (benefit)	(11,078)	11,749	24,248	9,926	20,874	7,110	(21,181)
Depreciation and amortization	32,945	33,425	42,296	46,020	61,048	29,600	31,598
EBITDA	72,473	73,805	122,506	103,159	160,828	70,449	62,868
Aircraft rent	77,243	80,942	69,083	71,635	72,551	36,060	36,582
EBITDAR	149,716	154,747	191,589	174,794	233,379	106,509	99,450

The following table presents our historical balance sheet data as of March 31, 2018:

	As of March 31, 2018	
	Actual	Pro Forma(1)
	(in thousands)	
Balance Sheet Data:		
Cash and cash equivalents	$ 52,699	$ 142,968
Total assets	1,342,638	1,432,907
Long-term debt, including current portion	929,029	873,379
Shareholders equity	248,705	395,682

(1) The unaudited adjusted pro forma consolidated balance sheet gives effect to: (i) the issuance of 10,700,000 shares of our common stock pursuant to this offering; (ii) our application of the net proceeds from this offering as set forth under *Use of Proceeds*, assuming an initial public offering price of $15.00 per share (which is the mid-point of the estimated price range set forth on the cover page of this prospectus); and (iii) the issuance of 966,022 shares of restricted common stock under our 2018 Plan immediately following the completion of this offering as part of the 2018 Plan Issuances. For a description of the method used to calculate the number of shares of restricted common stock to be issued under the 2018 Plan immediately after this offering, see *Shares Eligible for Future Sale Proposed Equity Exchange and 2018 Plan Issuances* elsewhere in this prospectus. See *Use of Proceeds* for a description of the assumptions underlying the pro forma data related to our anticipated use of proceeds.

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OPERATING DATA

The following table summarizes certain operating data that we believe are useful indicators of our operating performance for our fiscal years ended September 30, 2013, 2014, 2015, 2016 and 2017, respectively, and the six months ended March 31, 2017 and 2018. The definitions of certain terms related to the airline industry used in the table can be found under *Glossary of Airline Terms* at the end of this prospectus.

	Year Ended September 30,					Six Months Ended March 31,	
	2013(1)	2014(1)	2015	2016	2017	2017	2018
Operating Data							
Block hours	206,431	225,720	308,681	368,468	395,083	199,303	195,559
Departures	134,805	140,165	172,033	208,399	221,990	109,419	107,043
Passengers	7,872,574	8,520,917	10,632,903	12,497,424	13,005,844	6,393,651	6,332,521
Available seat miles ASMs (thousands)	4,283,272	4,932,516	7,356,450	8,823,595	9,471,911	4,828,892	4,621,380
Revenue passenger miles RPMs (thousands)	3,703,837	4,103,834	6,019,316	7,019,586	7,392,688	3,759,481	3,640,092
Contract revenue per available seat mile CRASM (in cents)	¢ 8.92	¢ 8.26	¢ 6.54	¢ 6.45	¢ 6.53	¢ 6.41	¢ 6.73
Operating cost per available seat mile CASM (in cents)	¢ 8.83	¢ 8.01	¢ 5.80	¢ 6.02	¢ 5.74	¢ 5.76	¢ 6.51
Average stage length (miles)	452	475	565	557	561	580	567
Regional aircraft							
Owned	23	40	47	64	66	66	66
Leased	48	37	37	37	37	37	37
Leased from United		7	30	30	37	30	42
Total aircraft	71	84	114	131	140	133	145
E-175	0	7	30	46	55	48	60
CRJ-900	47	57	63	64	64	64	64
CRJ-700	20	20	20	20	20	20	20
CRJ-200	4	1	1	1	1	1	1
Employees (FTE)	1,819	2,186	2,766	3,102	3,132	3,073	3,229

(1) Our operations data for our fiscal years ended September 30, 2013 and 2014 include results from our historical *go!* operations. We operated *go!* as an inter-island air carrier in Hawaii from 2006 to 2014.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations in conjunction with the annual consolidated financial statements, condensed consolidated interim financial statements and the notes thereto included elsewhere in this prospectus. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this prospectus, particularly in Risk Factors.

Overview

We are a regional air carrier providing scheduled passenger service to 110 cities in 38 states, the District of Columbia, Canada, Mexico, Cuba and the Bahamas. All of our flights are operated as either American Eagle or United Express flights pursuant to the terms of capacity purchase agreements we entered into with American and United. We have a significant presence in several of our major airline partners key domestic hubs and focus cities, including Dallas, Houston, Phoenix and Washington-Dulles.

As of March 31, 2018, we operated a fleet of 145 aircraft with approximately 610 daily departures. We operate 64 CRJ-900 aircraft under our American Capacity Purchase Agreement and 20 CRJ-700 and 60 E-175 aircraft under our United Capacity Purchase Agreement. For the six months ended March 31, 2018, approximately 55% of our aircraft in scheduled service were operated for United and approximately 45% were operated for American. All of our operating revenue in our 2017 fiscal year and the six months ended March 31, 2018 was derived from operations associated with our American and United Capacity Purchase Agreements.

Our long-term capacity purchase agreements provide us guaranteed monthly revenue for each aircraft under contract, a fixed fee for each block hour and flight actually flown, and reimbursement of certain direct operating expenses in exchange for providing regional flying on behalf of our major airline partners. Our capacity purchase agreements also shelter us from many of the elements that cause volatility in airline financial performance, including fuel prices, variations in ticket prices, and fluctuations in number of passengers. Our major airline partners control route selection, pricing, seat inventories, marketing and scheduling, and provide us with ground support services, airport landing slots and gate access.

Trends and Uncertainties Affecting Our Business

We believe our operating and business performance is driven by various factors that typically affect regional airlines and their markets, including trends which affect the broader airline and travel industries, though our capacity purchase agreements reduce our exposure to fluctuations in certain trends. The following key factors may materially affect our future performance:

Availability and Training of Qualified Pilots. On July 8, 2013, as directed by the U.S. Congress, the FAA issued more stringent pilot qualification and crew member flight training standards, which, among other things, increased the required training time for new airline pilots from 250 hours to 1,500 hours of flight time. With these changes, the supply of qualified pilot candidates eligible for hiring by the airline industry has been dramatically reduced. To address the diminished supply of qualified pilot candidates, regional airlines implemented significant pilot wage and bonus increases.

In prior periods, these factors caused our pilot attrition rates to be higher than our ability to hire and retain replacement pilots and we have been unable to provide flight services at or exceeding the minimum flight operating levels expected by our major airline partners. See *Business Capacity Purchase Agreements*. However, on July 13, 2017, we reached a new four-year collective bargaining agreement with our pilots that provides increases in our pilots wages, premium pay for flying on scheduled days off and competitive signing bonuses for prospective new pilots. See *Business Employees*. Following the ratification of our new collective bargaining agreement in July 2017, the average number of new pilot applications per month has increased by 45.3%.

We believe that our average number of new pilot applications per month will continue to exceed pilot attrition during our 2018 fiscal year. However, we face a significant training backlog for our new pilot candidates before we are able to resume flight services at or exceeding the minimum flight operating levels expected by our major airline partners. We are carefully optimizing pilot scheduling and providing premium pay to incentivize our pilots to fly on scheduled days off to maintain the flight schedules expected by our major airline partners. We have also negotiated increased access to flight simulators with our vendors and hired additional instructors to streamline our backlog of pilot training, but our results of operations may be negatively impacted if we are unable to hire and train our pilots in a timely manner.

Pilot Attrition. In recent years, we have experienced significant volatility in our attrition as a result of pilot wage and bonus increases at other regional air carriers, the growth of cargo, low-cost and ultra low-cost carriers and the number of pilots at major airlines reaching the statutory mandatory retirement age of 65 years. Following the ratification of our new collective bargaining agreement in July 2017, our average pilot attrition per month has decreased by 16.2%. If our actual pilot attrition rates are materially different than our projections, our operations and financial results could be materially and adversely affected.

Labor. The airline industry is heavily unionized. The wages, benefits and work rules of unionized airline industry employees are determined by collective bargaining agreements. As of March 31, 2018, approximately 76.7% of our workforce was represented by the ALPA and AFA. Our pilots and flight attendants ratified new four-year collective bargaining agreements during calendar 2017. The agreements include rate increases for three years and two years, respectively, after the amendable dates. The new agreements are amendable following their four-year term and include labor rate structures for two years (flight attendants) and three years (pilots), respectively, after the amendable dates. The terms and conditions of our future collective bargaining agreements may be affected by the results of collective bargaining negotiations at other airlines that may have a greater ability, due to larger scale, greater efficiency or other factors, to bear higher costs than we can. In addition, conflicts between airlines and their unions can lead to work slowdowns or stoppages. A strike or other significant labor dispute with our unionized employees may adversely affect our ability to conduct business.

Competition. The airline industry is highly competitive. We compete principally with other regional airlines. Major airlines typically award capacity purchase agreements to regional airlines based on the following criteria: ability to fly contracted schedules, availability of labor resources, including pilots, low operating cost, financial resources, geographical infrastructure, overall customer service levels relating to on-time arrival and flight completion percentages and the overall image of the regional airline. We expect that, over the next five years, capacity purchase agreements representing up to 300 aircraft currently flown by our competitors on behalf of our major airline partners will expire by their terms and be subject to rebidding. In addition, our United Capacity Purchase Agreement expires with respect to 50 aircraft between June 2019 and August 2020. Our ability to renew our existing agreements and earn additional flying opportunities in the future will depend, in significant part, on our ability to maintain a low-cost structure competitive with other regional air carriers. See *Business Competition*.

Market Volatility. The airline industry is volatile and affected by economic cycles and trends. Consumer confidence and discretionary spending, fear of terrorism or war, weakening economic conditions, fare

initiatives, fluctuations in fuel prices, labor actions, changes in governmental regulations on taxes and fees, weather and other factors have contributed to a number of reorganizations, bankruptcies, liquidations and business combinations among major and regional airlines. The effect of economic cycles and trends may be somewhat mitigated by our reliance on capacity purchase agreements. If, however, any of our major airline partners experiences a prolonged decline in the number of passengers or is negatively affected by low ticket prices or high fuel prices, it may seek rate reductions in future capacity purchase agreements, or materially reduce our scheduled flights in order to reduce its costs. Our financial performance could be negatively impacted by any adverse changes to the rates, number of aircraft or utilization under our capacity purchase agreements.

Maintenance Contracts, Costs and Timing. Our employees perform routine airframe and engine maintenance along with periodic inspections of equipment at their respective maintenance facilities. We also use third-party vendors, such as AAR, Aviall, Bombardier, GE and StandardAero, for certain heavy airframe and engine maintenance work, along with parts procurement and component overhaul services for our aircraft fleet. As of March 31, 2018, $58.9 million of parts inventory was consigned to us by AAR and Aviall under long-term contracts that is not reflected on our balance sheet.

The average age of our E-175, CRJ-900 and CRJ-700 type aircraft is approximately 2.4, 11.5 and 14.2 years, respectively. Due to the relatively young age of our E-175 aircraft, they require less maintenance now than they will in the future. Over the past five years, we have incurred relatively low maintenance expenses on our E-175 aircraft because most of the parts are under multi-year warranties and a limited number of heavy airframe checks and engine overhauls have occurred. As our E-175 aircraft age and these warranties expire, we expect that maintenance costs will increase in absolute terms and as a percentage of revenue. In addition, because our current aircraft were acquired over a relatively short period of time, significant maintenance events scheduled for these aircraft will occur at roughly the same intervals, meaning we will incur our most expensive scheduled maintenance obligations across our present fleet at approximately the same time. These more significant maintenance activities result in out-of-service periods during which aircraft are dedicated to maintenance activities and unavailable for flying under our capacity purchase agreements.

We use the direct expense method of accounting for our maintenance of regional jet engine overhauls, airframe, landing gear, and normal recurring maintenance wherein we recognize the expense when the maintenance work is completed, or over the repair period, if materially different. While we keep a record of expected maintenance events, the actual timing and costs of major engine maintenance expense are subject to variables such as estimated usage, government regulations and the level of unscheduled maintenance events and their actual costs. Accordingly, we cannot reliably quantify the costs or timing of future maintenance-related expenses for any significant period of time. For more information, see *Critical Accounting Policies Maintenance* elsewhere in this prospectus.

Aircraft Leasing and Finance Determinations. We have generally funded aircraft acquisitions through a combination of operating leases and debt financing. Our determination to lease or finance the acquisition of aircraft may be influenced by a variety of factors, including the preferences of our major airline partners, the strength of our balance sheet and credit profile and those of our major airline partners, the length and terms of the available lease or financing alternatives, the applicable interest rates, and any lease return conditions. When possible, we prefer to finance aircraft through debt rather than operating leases, due to lower operating costs, extended depreciation period, opportunity for aircraft equity, absence of lease return conditions and greater flexibility in renewing the aircraft under our capacity purchase agreements with our major airline partners after paying off the principal balance.

Subsequent to the initial acquisition of an aircraft, we may also refinance the aircraft or convert one form of financing to another (e.g., replacing an aircraft lease with debt financing). The purchase of leased aircraft allows us to lower our operating costs and avoid lease-related use restrictions and return conditions.

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As of March 31, 2018, we had 79 aircraft in our fleet under lease, including 42 E-175 aircraft owned by United and leased to us at nominal amounts. In order to determine the proper classification of our leased aircraft as either operating leases or capital leases, we must make certain estimates at the inception of the lease relating to the economic useful life and the fair value of an asset as well as select an appropriate discount rate to be used in discounting future lease payments. These estimates are utilized by management in making computations as required by existing accounting standards that determine whether the lease is classified as an operating lease or a capital lease. All of our aircraft leases have been classified as operating leases, which results in rental payments being charged to expense over the terms of the related leases.

We are also subject to lease return provisions that require a minimum portion of the life of an overhaul remain on the engine at the lease return date. We estimate the cost of maintenance lease return obligations and accrue such costs over the remaining lease term when the expense is probable and can be reasonably estimated. Additionally, operating leases are not reflected on our consolidated balance sheet and, accordingly, neither a lease asset nor an obligation for future lease payments is reflected in our consolidated balance sheets. See *Recent Accounting Pronouncements* below for a discussion of a new accounting standard that is likely to have an impact on our aircraft lease accounting beginning in our 2020 fiscal year.

Seasonality. Our results of operations for any interim period are not necessarily indicative of those for the entire year, since the airline industry is subject to seasonal fluctuations and general economic conditions. Our operations are somewhat favorably affected by increased utilization of our aircraft, historically occurring in the summer months, and are unfavorably affected by increased fleet maintenance during the months from November through January and by inclement weather which occasionally results in cancelled flights, principally during the winter months.

Key Components of Consolidated Statements of Operations

The following discussion summarizes the key components of our consolidated statements of operations and consolidates historical components.

Operating Revenues

Our consolidated operating revenues consist primarily of contract revenue flight services as well as pass-through and other revenues.

Contract Revenue. Contract revenue consists of the fixed monthly amounts per aircraft received pursuant to our capacity purchase agreements with our major airline partners, along with the additional amounts received based on the number of flights and block hours flown. Contract revenues we receive from our major airline partners are paid and recognized by us on a weekly basis.

Pass-Through and Other. Pass-through and other revenue consists of passenger and hull insurance, aircraft property taxes, landing fees, catering and certain maintenance costs related to our E-175 aircraft that we equally recognize as both a revenue and expense.

Operating Expenses

Our operating expenses consist of the following items:

Flight Operations. Flight operations expense includes costs related to salaries, bonuses and benefits earned by our pilots, flight attendants, and dispatch personnel, as well as costs related to technical publications, lodging of our flight crews and pilot training expenses.

Fuel. Fuel expense includes fuel and related fueling costs for flying we undertake outside of our capacity purchase agreements, including aircraft repositioning and maintenance. As of March 31, 2018, all aircraft fuel and related fueling costs for flying under our capacity purchase agreements were directly paid and supplied by our major airline partners. Accordingly, we do not record an expense or the related revenue for fuel supplied by American and United for flying under our capacity purchase agreements.

Maintenance. Maintenance includes costs related to engine overhauls, airframe, landing gear and normal recurring maintenance, which includes pass-through maintenance costs related to our E-175 aircraft, as well as maintenance lease return obligations on our leased aircraft when the expense is probable and can be reasonably estimated. We record these expenses using the direct expense method of accounting, wherein the expense is recognized when the maintenance work is completed, or over the repair period, if materially different. As a result of using the direct expense method, the timing of maintenance expense reflected in the financial statements may vary significantly period to period.

Aircraft Rent. Aircraft rent includes costs related to leased engines and aircraft.

Aircraft and Traffic Servicing. Aircraft and traffic servicing includes expenses related to our capacity purchase agreements, including aircraft cleaning, passenger disruption reimbursements, international navigation fees and wages of airport operations personnel, a portion of which are reimbursable by our major airline partners.

General and Administrative. General and administrative expense includes insurance and taxes, non-operational administrative employee wages and related expenses, building rents, real property leases, utilities, legal, audit and other administrative expenses.

Depreciation and Amortization. Depreciation expense is a periodic non-cash charge primarily related to aircraft, engine and equipment depreciation. Amortization expense is a periodic non-cash charge related to our customer relationship intangible asset.

Other Expense

Interest Expense. Interest expense is related to interest on our debt to finance purchases of aircraft, engines, equipment as well as debt financing costs amortization.

Interest Income. Interest income includes interest income on our cash and cash equivalent balances.

Other Income (Expense). Other income includes income derived from activities not classified in any other area of the consolidated statements of income, including write-offs of miscellaneous third-party fees.

Segment Reporting

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing operating performance. In consideration of Accounting Standards Codification (ASC) 280, Segment Reporting, we are not organized around specific services or geographic regions. We currently operate in one service line providing scheduled passenger services in accordance with our capacity purchase agreements.

While we operate under two separate capacity purchase agreements, we do not manage our business based on any performance measure at the individual contract level. Additionally, our chief operating

decision maker uses consolidated financial information to evaluate our performance, which is the same basis on which he communicates our results and performance to our Board of Directors. He bases all significant decisions regarding the allocation of our resources on a consolidated basis. Based on the information described above and in accordance with the applicable literature, management has concluded that we are organized and operated as one operating and reportable segment.

Results of Operations

Six Months Ended March 31, 2017 Compared to Six Months Ended March 31, 2018

We had operating income of $41.2 million in our six months ended March 31, 2017 compared to operating income of $31.4 million in our six months ended March 31, 2018. Our operating results for the six months ended March 31, 2018 reflected an increase in contract revenue primarily related to the addition of 10 E-175 aircraft under our United Capacity Purchase Agreement, which was partially offset by reduced flying in our CRJ fleet. We also experienced an increase in flight operations expense driven by an increase in pilot training and related expenses and an increase in premium pilot pay to incentivize pilots to fly additional routes until additional pilots complete their training.

Our maintenance expense decreased due to the timing of significant maintenance events, including engine overhauls, which occurred more frequently during the six months ended March 31, 2017 than during the six months ended March 31, 2018.

In our six months ended March 31, 2017, we had net income of $11.9 million compared to net income of $25.0 million in our six months ended March 31, 2018. Our six months ended March 31, 2018 results reflected an increase in net income of $13.1 million primarily related to income tax benefits resulting from changes in tax laws.

Operating Revenues

	Six Months Ended March 31, 2017	Six Months Ended March 31, 2018	Change	
Operating revenues:				
Contract	$ 309,711	$ 310,904	$ 1,193	0.4%
Pass-through and other	9,619	21,420	11,801	122.7%
Total operating revenues	$ 319,330	$ 332,324	$ 12,994	4.1%
Operating data:				
Available seat miles ASMs (thousands)	4,828,892	4,621,380	(207,512)	(4.3)%
Block hours	199,303	195,559	(3,744)	(1.9)%
Revenue passenger miles RPMs (thousands)	3,759,481	3,640,092	(119,389)	(3.2)%
Average stage length (miles)	580	567	(13)	(2.2)%
Contract revenue per available seat mile CRASM (in cents)	¢ 6.41	¢ 6.73	¢ 0.32	5.0%
Passengers	6,393,651	6,332,521	(61,130)	(1.0)%

Total operating revenue increased by $13.0 million, or 4.1%, from our six months ended March 31, 2017 to our six months ended March 31, 2018. Contract revenue increased by $1.2 million, or 0.4%, primarily due to an increase in flying with our expanded E-175 fleet and higher block hour compensation from our major airline partners, partially offset by reduced flying in our CRJ fleet and the net impact of incentives earned and credits given to our major airline partners based on contractual utilization levels. Our block hours flown during our six months ended March 31, 2018 decreased 1.9% compared to the six months ended March 31, 2017 due to reduced flight schedules caused by

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increased pilot training times. Our pass-through and other revenue increased during our six months ended March 31, 2018 by $11.8 million, or 122.7%, primarily due to pass-through maintenance costs related to our E-175 fleet.

Operating Expenses

	Six Months Ended March 31, 2017	Six Months Ended March 31, 2018	Change	
Operating expenses ($ in thousands):				
Flight operations	$ 72,349	$ 103,807	$ 31,458	43.5%
Fuel	400	198	(202)	(50.5)%
Maintenance	117,422	105,756	(11,666)	(9.9)%
Aircraft rent	36,060	36,582	522	1.4%
Aircraft and traffic servicing	1,580	1,744	164	10.4%
General and administrative	20,676	21,267	591	2.9%
Depreciation and amortization	29,600	31,598	1,998	6.8%
Total operating expenses	**$ 278,087**	**$ 300,952**	**$ 22,865**	**8.2%**
Operating data:				
Available seat miles ASMs (thousands)	4,828,892	4,621,380	(207,512)	(4.3)%
Block hours	199,303	195,559	(3,744)	(1.9)%
Revenue passenger miles RPMs (thousands)	3,759,481	3,640,092	(119,389)	(3.2)%
Average stage length (miles)	580	567	(13)	(2.2)%
Departures	109,419	107,043	(2,376)	(2.2)%
Operating cost per available seat mile CASM (in cents)	¢ 5.76	¢ 6.51	¢ 0.75	13.0%

Flight Operations. Flight operations expense increased $31.5 million, or 43.5%, to $103.8 million for our six months ended March 31, 2018 compared to the prior year period. The increase was primarily driven by an increase in pilot training related expenses, an increase in premium pilot pay to incentivize pilots to fly additional routes until additional pilots complete their training, additional pilot wages and a one-time, $2.5 million non-cash vacation accrual related to our new collective bargaining agreements.

Fuel. Fuel expense decreased $0.2 million, or 50.5%, to $0.2 million for our six months ended March 31, 2018 compared to the prior year period. The decrease was primarily driven by a smaller number of ferry flights and maintenance fuel in our Phoenix hub. All fuel costs related to flying under our capacity purchase agreements during our six months ended March 31, 2017 and 2018 were directly paid to suppliers by our major airline partners.

Maintenance. Aircraft maintenance costs decreased $11.7 million, or 9.9%, to $105.8 million for our six months ended March 31, 2018 compared to the prior year period. This decrease was primarily driven by a decrease in engine overhaul events and expenses and partially offset by an increase in C-check expense. During our six months ended March 31, 2018, $5.2 million of engine overhaul expenses were reimbursable by our major airline partners. Total pass-through maintenance expenses reimbursed by our major airline partners increased by $12.1 million during our six months ended March 31, 2018.

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The following table presents information regarding our maintenance costs during our six months ended March 31, 2017 and 2018:

	Six Months Ended March 31, 2017	Six Months Ended March 31, 2018	Change	
	(in thousands)			
Engine overhaul	$ 45,111	$ 27,939	$ (17,172)	(38.1)%
Pass-through engine overhaul	0	5,201	5,201	0.0%
C-check	9,710	7,804	(1,906)	(19.6)%
Pass-through C-check	483	5,711	5,228	1082.4%
Component contracts	16,473	15,275	(1,198)	(7.3)%
Rotable and expendable parts	14,704	11,690	(3,014)	(20.5)%
Other pass-through	2,120	3,765	1,645	77.6%
Labor and other	28,821	28,371	(450)	(1.6)%
Total	$ 117,422	$ 105,756	$ (11,666)	(9.9)%

Aircraft Rent. Aircraft rent expense increased $0.5 million, or 1.4%, to $36.6 million from $36.1 million for our six months ended March 31, 2018, compared to the prior year period. The increase is attributable to a $0.5 million increase in engine rent.

Aircraft and Traffic Servicing. Aircraft and traffic servicing expense increased $0.1 million, or 10.4%, to $1.7 million from $1.6 million for our six months ended March 31, 2018, compared to the prior year period. The increase is primarily due to an increase in pass-through regulatory charges and partially offset by lower interrupted trip expense. For our six months ended March 31, 2017 and 2018, 41.8% and 53.5%, respectively, of our aircraft and traffic servicing expenses were reimbursed by our major airline partners.

General and Administrative. General and administrative expense increased $0.6 million, or 2.9%, to $21.3 million from $20.7 million for our six months ended March 31, 2018, compared to the prior year period. The increase is primarily related to legal expenses associated with preparing for this offering and partially offset by a decrease in wages and employee related expense.

Depreciation and Amortization. Depreciation and amortization expense increased $2.0 million, or 6.8%, to $31.6 million from $29.6 million for our six months ended March 31, 2018, compared to the prior year period. The increase is attributable to a $2.0 million increase in depreciation expense related to our purchase of spare engines.

Other Expense

Other expense increased $5.4 million, or 24.0%, to $27.6 million from $22.2 million for our six months ended March 31, 2018, compared to the prior year period. The increase is primarily due to an increase in interest expense of $2.7 million related to the financing of 23 spare engines, $0.3 million in costs related to refinancing nine aircraft and higher LIBOR rates. Our expenses related to debt financing amortization were also higher by $1.4 million, attributable to legal and commitment fees incurred in connection with our aircraft engine financing and aircraft debt refinancing. The remainder of the increase is primarily due to an increase in interest expenses related to our line of credit with CIT, a deferment of certain payments under our RASPRO Lease Facility and engine overhaul financing.

Income Taxes

In our six months ended March 31, 2017, our effective tax rate was 37.4% compared to (555.2)% in our six months ended March 31, 2018. Our tax rate can vary depending on changes in tax laws, adoption of accounting standards, the amount of income we earn in each state and the state tax rate applicable to such income, as well as any valuation allowance required on our state net operating losses.

We recorded an income tax provision of $7.1 million and an income tax benefit of $21.2 million for the six months ended March 31, 2017 and 2018, respectively.

The income tax provision for the six months ended March 31, 2017 results in an effective tax rate of 37.4%, which differs from the U.S. federal statutory rate of 35% primarily due to state taxes, changes in the valuation allowance against state net operating losses, expired state attributes, and the benefit resulting from changes in state apportionment and statutory rates.

The income tax provision for the six months ended March 31, 2018 results in an effective tax rate of (555.2)%, which differs from the U.S. federal statutory rate of 35% through December 31, 2017 and 21% as of January 1, 2018 primarily due to a remeasurement of our net deferred tax liability due to federal tax law changes and the adoption of Accounting Standards Update (ASU) 2016-09. Other factors include changes in the valuation allowance against state net operating losses, expired state attributes and state apportionment and statutory rates.

On December 22, 2017, the President signed the Tax Act into law. The Tax Act incorporates several new provisions that will have an impact on our financial statements. Most notably, the Tax Act decreased the federal statutory rate to 24.5% for the year ending September 30, 2018, and 21% for the years ending September 30, 2019 and forward. The decrease in federal statutory rate resulted in a net tax benefit due to the remeasurement of our net deferred tax liability. The change in our future effective tax rate is not anticipated to have an effect on our taxes until all of our U.S. federal net operating losses and credits have been utilized.

Additional provisions of the Tax Act that may impact our financial statements include 100% expensing of qualified property placed in service after September 27, 2017 and before January 1, 2023, refundable minimum tax credits over a four year period, net interest expense deductions limited to 30% of earnings before interest, taxes, depreciation, and amortization through 2021 and of earnings before interest and taxes thereafter, and net operating losses incurred in tax years beginning after December 31, 2017 are only allowed to offset up to 80% of a taxpayer s taxable income. These net operating losses are allowed to be carried forward indefinitely.

We continue to maintain a valuation allowance on a portion of our state net operating losses in jurisdictions with shortened carryforward periods or in jurisdictions where our operations have significantly decreased as compared to prior years in which the net operating losses were generated.

Fiscal Year 2016 Compared to Fiscal Year 2017

We had operating income of $56.8 million in our 2016 fiscal year compared to operating income of $100.3 million in our 2017 fiscal year. In our 2016 fiscal year, we had net income of $14.9 million compared to net income of $32.8 million in our 2017 fiscal year. Our 2017 fiscal year results reflected an increase in contract revenue primarily related to the addition of seven E-175 aircraft under our United Capacity Purchase Agreement, along with a reduction in maintenance expense due to the timing of significant maintenance events, including engine overhauls, which occurred less frequently in our 2017 fiscal year than in our 2016 fiscal year.

Our 2017 fiscal year financial results reflect the execution of our strategy to add additional aircraft pursuant to our capacity purchase agreements while maintaining cost discipline. In fiscal year 2017 we were able to increase our block hour compensation from our partners and add seven E-175 aircraft to our fleet. We also ratified a new four-year collective bargaining agreement, which allows us to maintain competitive labor costs, which are consistently among our largest expenses.

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Operating Revenues

	Year Ended September 30, 2016	Year Ended September 30, 2017	Change	
Operating revenues ($ in thousands):				
Contract	$ 569,373	$ 618,698	$ 49,325	8.7%
Pass-through and other	$ 18,463	$ 24,878	$ 6,415	34.7%
Total operating revenues	$ 587,836	$ 643,576	$ 55,740	9.5%
Operating data:				
Available seat miles ASMs (miles in thousands)	8,823,595	9,471,911	648,316	7.3%
Block hours	368,468	395,083	26,615	7.2%
Revenue passenger miles RPMs (miles in thousands)	7,019,586	7,392,688	373,102	5.3%
Average stage length (miles)	557	561	4	0.7%
Contract revenue per available seat mile CRASM (in cents)	¢ 6.45	¢ 6.53	¢ 0.08	1.2%
Passengers	12,497,424	13,005,844	508,420	4.1%

Total operating revenue increased by $55.7 million, or 9.5%, from our 2016 fiscal year to our 2017 fiscal year. Contract revenue increased by $49.3 million, or 8.7%, primarily due to the addition of seven new E-175 aircraft to our fleet in 2017 and higher block hour compensation, primarily driven by the aircraft added to our fleet. In addition, we added 16 E-175 aircraft to our fleet between our second and fourth quarters of our 2016 fiscal year, which more directly impacted our contract revenue during our 2017 fiscal year. Our block hours flown during our fiscal 2017 increased 7.2% over our 2016 fiscal year, primarily due to the additional E-175 aircraft. Likewise, our pass-through and other revenue increased during our fiscal 2017 by $6.4 million, or 34.7%, primarily due to pass-through maintenance costs related to our E-175 fleet.

Operating Expenses

	Year Ended September 30, 2016	Year Ended September 30, 2017	Change	
Operating expenses ($ in thousands):				
Flight operations	$ 141,422	$ 155,516	$ 14,094	10.0%
Fuel	753	766	13	1.7%
Maintenance	225,130	210,729	(14,401)	(6.4)%
Aircraft rent	71,635	72,551	916	1.3%
Aircraft and traffic servicing	3,936	3,676	(260)	(6.6)%
General and administrative	42,182	38,996	(3,186)	(7.6)%
Depreciation and amortization	46,020	61,048	15,028	32.7%
Total operating expenses	$ 531,078	$ 543,282	$ 12,204	2.3%

Operating data:

Available seat miles ASMs (miles in thousands)	8,823,595	9,471,911	648,316	7.3%
Block hours	368,468	395,083	26,615	7.2%
Average stage length (miles)	557	561	4	0.7%
Departures	208,399	221,990	13,591	6.5%
Operating cost per available seat mile CASM (in cents)	¢ 6.02	¢ 5.74	¢ (0.28)	(4.7)%

Flight Operations. In our 2017 fiscal year, flight operations expense increased $14.1 million, or 10.0%, to $155.5 million from $141.4 million for our 2016 fiscal year. The increase is primarily driven by $11.5 million in additional wages, taxes, and benefits under our new collective bargaining agreements and an increase in our block hours flown.

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Fuel. Fuel expense remained relatively consistent from our 2016 fiscal year to our 2017 fiscal year. In our 2016 fiscal year and our 2017 fiscal year, all fuel costs related to flying under our capacity purchase agreements were directly paid to suppliers by our major airline partners.

Maintenance. Aircraft maintenance costs decreased by $14.4 million, or 6.4%, from our 2016 fiscal year to our 2017 fiscal year. This decrease was primarily driven by a $26.9 million decrease in engine overhaul expense, due to the timing of significant maintenance events, including engine overhauls, which occurred less frequently in our 2017 fiscal year than in our 2016 fiscal year. That decrease was partially offset by an increase of $9.5 million related to performing more C maintenance checks than in our 2016 fiscal year. Total pass-through maintenance expense reimbursed by our major airline partners increased by $7.4 million from our 2016 fiscal year to our 2017 fiscal year.

The following table presents information regarding our maintenance costs during our 2016 and 2017 fiscal years:

(in thousands)	Year Ended September 30, 2016	2017	Change	
Engine overhaul	$ 90,890	$ 63,719	$ (27,171)	(29.9)%
Pass-through engine overhaul		270	270	0.0%
C-check	13,185	17,755	4,570	34.7%
Pass-through C-check		4,889	4,889	0.0%
Component contracts	31,702	31,671	(32)	(0.1)%
Rotable and expendable parts	27,160	26,098	(1,062)	(3.9)%
Other pass-through	3,728	6,003	2,275	61.0%
Labor and other	58,464	60,324	1,860	3.2%
Total	$ 225,130	$ 210,729	$ (14,401)	(6.4)%

Aircraft Rent. In our 2017 fiscal year, aircraft rent expense increased $0.9 million, or 1.3%, to $72.6 million from $71.6 million for our 2016 fiscal year. The increase is attributable to a $1.5 million manufacturer lease credit that expired in December 2015, which was partially offset by a $0.6 million increase in engine rent.

Aircraft and Traffic Servicing. In our 2017 fiscal year, aircraft and traffic servicing expense decreased by $0.3 million, or 6.6%, to $3.7 million from $3.9 million for our 2016 fiscal year. The decrease is primarily due to a reduction in interrupted trip expenses and international navigation fees as compared to our 2016 fiscal year. For our fiscal years ended September 30, 2016 and 2017, 42.6% and 46.5% respectively, of our aircraft and traffic servicing expense were reimbursed by our major airline partners.

General and Administrative. In our 2017 fiscal year, general and administrative expense decreased $3.2 million, or 7.6%, to $39.0 million from $42.2 million for our 2016 fiscal year. The decrease is primarily related to a decrease in insurance costs of $1.1 million and a decrease in wages and employee related expense of $2.1 million.

Depreciation and Amortization. Depreciation and amortization expense increased by $15.0 million, or 32.7%, from our 2016 fiscal year to our 2017 fiscal year. This increase was due to an increase of $9.8 million in aircraft depreciation due to placing 16 E-175 aircraft into service during 2016, which resulted in partial depreciation in 2016. The increase is also attributable to an increase of $4.4 million in spare engine depreciation due to purchasing additional spare engines during our 2017 fiscal year.

Other Expense

Other expense increased by $14.7 million, or 46.1%, from $31.9 million in our 2016 fiscal year to $46.6 million in our 2017 fiscal year due to an increase in aircraft interest expense of $7.3 million

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related to the financing of 16 E-175 aircraft between the second and fourth quarter of 2016, along with an increase in interest expense of $5.5 million related to the financing of 20 spare engines. Expenses related to debt financing amortization was also higher, by $0.8 million, for legal and commitment fees incurred in connection with the financing of aircraft engines and acquisition of E-175 aircraft.

Income Taxes

In our 2017 fiscal year, our effective tax rate was 38.9% compared to 40.0% in our 2016 fiscal year. Our tax rate can vary depending on the amount of income we earn in each state and the state tax rate applicable to such income, as well as any valuation allowance required on our state net operating losses.

We recorded an income tax provision of $20.9 million and an income tax provision of $9.9 million for the years ended September 30, 2017 and 2016, respectively.

This income tax provision for the year ended September 30, 2017 results in an effective tax rate of 38.9%, which differs from the U.S. federal statutory rate of 35% primarily due to state taxes, changes in the valuation allowance against state net operating losses, expired state attributes, and the benefit from changes in state apportionment and statutory rates.

This income tax provision for the year ended September 30, 2016 results in an effective tax rate of 40.0%, which differs from the U.S. federal statutory rate of 35% primarily due to state taxes, changes in the valuation allowance against state net operating losses, expired state attributes, and the benefit resulting from changes in state apportionment and statutory rates.

We continue to maintain a valuation allowance on a portion of our state net operating losses in jurisdictions with shortened carryforward periods or in jurisdictions where our operations have significantly decreased as compared to prior years in which the net operating losses were generated.

On December 22, 2017, the President signed into law the legislation colloquially known as the Tax Act. The Tax Act incorporates several new provisions that will have an impact on our financial statements going forward. Most notably, the Tax Act will decrease the federal statutory rate to 24.5% for the year ending September 30, 2018, and 21% for years ending September 30, 2019 and forward. This decrease in federal statutory rate will result in a net tax benefit due to the remeasurement of our net deferred tax liability. The change in our future effective tax rate is not anticipated to have an effect on our cash tax until all of our U.S. federal net operating losses and credits have been utilized.

Additional provisions of the Tax Act that may impact our financial statements include 100% expensing of qualified property placed in service after September 27, 2017 and before January 1, 2023, refundable minimum tax credits over a four year period, net interest expense deductions limited to 30% of earnings after interest, taxes, depreciation, and amortization through 2021 and of earnings before interest and taxes thereafter, and net operating losses incurred in tax years beginning after December 31, 2017 are only allowed to offset up to 80% of a taxpayer s taxable income. These net operating losses are allowed to be carried forward indefinitely.

See Note 12: *Income Taxes* in the notes to the audited consolidated financial statements included elsewhere in this prospectus.

Quarterly Results of Operations and Operating Statistics

The following table sets forth our unaudited quarterly condensed consolidated statements of operations data for each of the 10 quarters ended March 31, 2018. In management s opinion, the data below have been prepared on the same basis as the audited consolidated financial statements included elsewhere

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in this prospectus, and reflect all necessary adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of this data. The results of historical periods are not necessarily indicative of the results to be expected for a full year or any future period. The following quarterly financial data should be read in conjunction with our audited financial statements and related notes included elsewhere in this prospectus.

Our financial results can vary materially from quarter to quarter due to the timing of engine overhauls and major airframe inspections and maintenance events. Our quarterly results may also be favorably impacted by higher rates of flight activity and utilization in the June and September calendar quarters compared to the December and March calendar quarters. During our fiscal 2018, we expect that our June and September calendar quarters will benefit from relatively low levels of engine and airframe maintenance costs.

	Year Ending September 30, 2018	
	First Quarter	Second Quarter
	(in thousands)	
Operating revenues:		
Contract	$ 154,389	$ 156,515
Pass-through and other	10,295	11,125
Total operating revenues	164,684	167,640
Operating expenses:		
Engine overhaul	17,181	10,758
Engine overhaul pass-through	2,327	2,874
All other	130,151	137,659
Total operating expenses	149,661	151,291
Total other (expense) income	(14,188)	(13,369)
Income tax (benefit) expense	(21,789)	608
Net income	$ 22,624	$ 2,372
Net income per share attributable to common shareholders:		
Basic(1)	$ 2.00	$ 0.20
Diluted(1)	$ 0.96	$ 0.10
Weighted-average common shares outstanding:		
Basic	11,294	11,592
Diluted	23,559	23,563
Operating data:(2)		
Block hours	97,705	97,853
Departures	55,364	51,679

Passengers		3,311,007		3,021,514
Available seat miles ASMs (thousands)		2,308,312		2,313,068
Revenue passenger miles RPMs (thousands)		1,833,459		1,806,633
Contract revenue per available seat mile CRASM (in cents)	¢	6.69	¢	6.77
Operating cost per available seat mile CASM (in cents)	¢	6.48	¢	6.54

(1) See Note 10 to our quarterly condensed consolidated statements of operations data included elsewhere in this prospectus for an explanation of the method used to calculate the basic and diluted earnings per share.

(2) The definitions of certain terms related to the airline industry used in the table can be found under *Glossary of Airline Terms* at the end of this prospectus.

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	Year Ended September 30, 2017			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands)			
Operating revenues:				
Contract	$ 155,502	$ 154,210	$ 157,411	$ 151,575
Pass-through and other	4,733	4,886	9,541	5,718
Total operating revenues	160,235	159,096	166,952	157,293
Operating expenses:				
Engine overhaul	23,930	21,181	8,436	10,171
Engine overhaul pass-through				270
All other	115,467	117,510	122,156	124,161
Total operating expenses	139,397	138,691	130,592	134,602
Total other (expense) income	(10,281)	(11,938)	(11,862)	(12,511)
Income tax (benefit) expense	3,947	3,163	9,066	4,698
Net income	$ 6,610	$ 5,304	$ 15,432	$ 5,482
Net income per share attributable to common shareholders:				
Basic[1]	$ 0.62	$ 0.48	$ 1.40	$ 0.49
Diluted[1]	$ 0.28	$ 0.23	$ 0.66	$ 0.23
Weighted-average common shares outstanding				
Basic	10,593	10,973	10,993	11,117
Diluted	23,409	23,407	23,223	23,459
Operating data:[2]				
Block hours	100,784	98,519	100,671	95,109
Departures	55,373	54,046	57,054	55,517
Passengers	3,273,813	3,119,838	3,364,121	3,248,072
Available seat miles ASMs (thousands)	2,452,657	2,376,234	2,384,960	2,258,060
Revenue passenger miles RPMs (thousands)	1,930,489	1,828,991	1,875,934	1,757,274
Contract revenue per available seat mile CRASM (in cents)	¢ 6.34	¢ 6.49	¢ 6.60	¢ 6.71
Operating cost per available seat mile CASM (in cents)	¢ 5.68	¢ 5.84	¢ 5.48	¢ 5.96

(1) See Note 10 to our quarterly condensed consolidated statements of operations data included elsewhere in this prospectus for an explanation of the method used to calculate the basic and diluted earnings per share.

(2) The definitions of certain terms related to the airline industry used in the table can be found under *Glossary of Airline Terms* at the end of this prospectus.

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	Year Ended September 30, 2016			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands)			
Operating revenues:				
Contract	$ 133,219	$ 137,598	$ 143,078	$ 155,478
Pass-through and other	4,432	4,346	4,713	4,972
Total operating revenues	137,651	141,944	147,791	160,450
Operating expenses:				
Engine overhaul	20,883	16,115	28,724	25,169
Engine overhaul pass-through				
All other	104,461	106,831	110,935	117,960
Total operating expenses	125,344	122,946	139,659	143,129
Total other (expense) income	(5,832)	(7,975)	(8,222)	(9,883)
Income tax (benefit) expense	2,404	4,140	(259)	3,641
Net income	$ 4,071	$ 6,883	$ 169	$ 3,797
Net income per share attributable to common shareholders:				
Basic[(1)]	$ 0.46	$ 0.77	$ 0.02	$ 0.37
Diluted[(1)]	$ 0.17	$ 0.28	$ 0.01	$ 0.16
Weighted-average common shares outstanding				
Basic	8,847	8,932	10,108	10,345
Diluted	24,405	24,380	24,079	24,204
Operating data:[(2)]				
Block hours	87,911	87,737	93,050	99,771
Departures	50,329	49,610	52,416	56,044
Passengers	3,111,047	2,875,459	3,165,759	3,345,159
Available seat miles ASMs (thousands)	2,070,485	2,102,082	2,229,331	2,421,697
Revenue passenger miles RPMs (thousands)	1,693,066	1,618,158	1,788,910	1,919,453
Contract revenue per available seat mile CRASM (in cents)	¢ 6.43	¢ 6.55	¢ 6.42	¢ 6.42
Operating cost per available seat mile CASM (in cents)	¢ 6.05	¢ 5.85	¢ 6.26	¢ 5.91

(1) See Note 10 to our quarterly condensed consolidated statements of operations data included elsewhere in this prospectus for an explanation of the method used to calculate the basic and diluted earnings per share.

(2) The definitions of certain terms related to the airline industry used in the table can be found under *Glossary of Airline Terms* at the end of this prospectus.

Liquidity and Capital Resources

Sources and Uses of Cash

We require cash to fund our operating expenses and working capital requirements, including outlays for capital expenditures, aircraft pre-delivery payments, maintenance, aircraft rent and to pay debt service obligations, including principal and interest payments. Our cash needs vary from period to period primarily based on the timing and costs of significant maintenance events. Our principal sources of liquidity are cash on hand, cash generated from operations and funds from external borrowings. In the near term, we expect to fund our primary cash requirements through cash generated from operations and cash and cash equivalents on hand. We also have the ability to utilize our CIT Revolving Credit Facility.

We believe that the key factors that could affect our internal and external sources of cash include:

- Factors that affect our results of operations and cash flows, including the impact on our business and operations as a result of changes in demand for our services, competitive pricing pressures, and our ability to achieve further reductions in operating expenses; and

- Factors that affect our access to bank financing and the debt and equity capital markets that could impair our ability to obtain needed financing on acceptable terms or to respond to business opportunities and developments as they arise, including interest rate fluctuations, macroeconomic conditions, sudden reductions in the general availability of lending from banks or the related increase in cost to obtain bank financing, and our ability to maintain compliance with covenants under our debt agreements in effect from time to time.

Our ability to service our long-term debt obligations, including our equipment notes and CIT Revolving Credit Facility, to remain in compliance with the various covenants contained in our debt agreements and to fund working capital, capital expenditures and business development efforts will depend on our ability to generate cash from operating activities, which is subject to, among other things, our future operating performance, as well as to other factors, some of which may be beyond our control.

If we fail to generate sufficient cash from operations, we may need to raise additional equity or borrow additional funds to achieve our longer-term objectives. There can be no assurance that such equity or borrowings will be available or, if available, will be at rates or prices acceptable to us.

We believe that cash flow from operating activities coupled with existing cash and cash equivalents, short-term investments and existing credit facilities will be adequate to fund our operating and capital needs, as well as enable us to maintain compliance with our various debt agreements, through at least the next 12 months. To the extent that results or events differ from our financial projections or business plans, our liquidity may be adversely impacted.

During the ordinary course of business, we evaluate our cash requirements and, if necessary, adjust operating and capital expenditures to reflect the current market conditions and our projected demand. Our capital expenditures are primarily directed toward our aircraft fleet and flight equipment. During 2016, we paid $490.1 million for capital expenditures, primarily related to the purchase of 18 E-175 aircraft and four spare engines, or $7.3 million net of aircraft and spare engine financing. In 2017 we paid $84.5 million in capital expenditures, primarily related to the purchase of 15 spare engines, or $7.6 million of capital expenditures net of aircraft and spare engine financing. In our six months ended March 31, 2018, we paid $17.0 million in capital expenditures primarily related to the purchase of three spare engines. Our capital expenditures for the six months ended March 31, 2018 were $1.6 million net of aircraft and spare engine financing. Our capital expenditures, net of aircraft and spare engine financing, have historically been approximately 1.2% of annual revenues and we expect to continue to incur capital expenditures to support our business activities. Future capital expenditures may be impacted by events and transactions that are not currently forecasted.

As of March 31, 2018, our principal sources of liquidity were cash and cash equivalents of $52.7 million. In addition, we had restricted cash of $3.8 million as of March 31, 2018. Restricted cash includes certificates of deposit that secure letters of credit issued for particular airport authorities as required in certain lease agreements. Furthermore, as of March 31, 2018, we also had $778.4 million in secured indebtedness incurred in connection with our financing of 65 total aircraft. Primary uses of liquidity are capital expenditures, aircraft pre-delivery payments and debt repayments. As of March 31, 2018, we had $143.4 million of short-term debt, excluding capital leases, and $788.6 million of long-term debt excluding capital leases. As set forth in *Use of Proceeds*, we intend to use the net proceeds from this offering to, among other things (i) repay all outstanding indebtedness under our CIT Revolving Credit Facility in the amount of $25.7 million, (ii) repay from $20.0 to $40.0 million of existing indebtedness under our Spare Engine Facility and the Subordinated GECAS Notes and (iii) in connection with the repayment, refinance the remaining portion of indebtedness under our Spare Engine Facility and the Subordinated GECAS Notes. We estimate that a refinancing of our existing indebtedness under our Spare Engine Facility and the Subordinated GECAS Notes could decrease our interest expense by an aggregate of approximately $13.7 to $16.1 million from our 2019 fiscal year to our 2021 fiscal year, assuming a refinanced interest rate of LIBOR plus 4.0%. Following our repayment of all funds drawn under our CIT Revolving Credit Facility, the $35.0 million commitment amount will remain available for future borrowing through the maturity date. Assuming no additional borrowings, we expect that repayment of all funds drawn under our CIT Revolving Credit Facility will decrease our annual interest expense by approximately $1.6 million, beginning in our 2019 fiscal year.

Sources of cash for the six months ended March 31, 2018 were primarily cash flows from operations of $41.2 million. This positive cash flow was driven by receipts from performance under our capacity purchase agreements.

As of March 31, 2018, we had net receivables of approximately $17.0 million, compared to net receivables of approximately $8.9 million as of September 30, 2017. The amounts due consist primarily of receivables and reimbursable pass-through maintenance costs from our major airline partners under our capacity purchase agreements. Accounts receivable from our major airline partners were 71.6% and 81.8% of total gross accounts receivable at September 30, 2017 and March 31, 2018, respectively.

Restricted Cash

As of March 31, 2018, we had $3.8 million in restricted cash. We have an agreement with a financial institution for a $6.0 million letter of credit facility and to issue letters of credit for landing fees, worker s compensation insurance and other business needs. Pursuant to the agreement, $3.8 million of outstanding letters of credit are required to be collateralized by amounts on deposit.

Cash Flows

The following table presents information regarding our cash flows during our two most recent fiscal years and for the six months ended March 31, 2017 and 2018:

	Year Ended September 30,		**Six Months Ended March 31,**	
	2016	**2017**	**2017**	**2018**
	(in thousands)			
Net cash provided by operating activities	$ 104,492	$ 74,727	$ 16,543	$ 41,208
Net cash used in investing activities	(491,127)	(84,122)	(66,026)	(17,224)
Net cash provided by (used in) financing activities	365,848	28,497	37,067	(28,073)
Net (decrease) increase in cash and cash equivalents	(20,787)	19,102	(12,416)	(4,089)
	58,473	37,686	37,686	56,788

Cash and cash equivalents at beginning of period				
Cash and cash equivalents at end of period	$ 37,686	$ 56,788	$ 25,270	$ 52,699

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Net Cash Flow Provided By Operating Activities

During our six months ended March 31, 2018, cash flow provided by operating activities of $41.2 million reflects our growth and execution of our strategic initiatives. We had net income of $25.0 million adjusted for the following significant non-cash items: depreciation and amortization of $31.6 million, amortization of stock-based compensation of $0.8 million, deferred income taxes of $(18.7) million, amortization of unfavorable lease liabilities and deferred credits of $(5.6) million and amortization of debt financing costs and accretion of interest on non-interest bearing subordinated notes of $2.6 million. We had net inflows of $5.1 million within other net operating assets and liabilities largely driven by the timing of aircraft lease payments during our six months ended March 31, 2018.

During our six months ended March 31, 2017, cash flow provided by operating activities of $16.5 million reflects our growth and execution of our strategic initiatives. We had net income of $11.9 million adjusted for the following significant non-cash items: depreciation and amortization of $29.6 million, amortization of stock-based compensation of $0.6 million, deferred income taxes of $7.1 million, amortization of unfavorable lease liabilities and deferred credits of $(5.1) million and amortization of debt financing costs and accretion of interest on non-interest bearing subordinated notes of $0.7 million. We had net outflows of $(29.0) million within other net operating assets and liabilities largely driven by aircraft lease payments during our six months ended March 31, 2017.

During our 2017 fiscal year, cash flow provided by operating activities of $74.7 million reflects our growth and execution of our strategic initiatives. We had net income of $32.8 million adjusted for the following significant non-cash items: depreciation and amortization of $61.0 million, amortization of stock-based compensation of $1.3 million, deferred income taxes of $20.5 million, amortization of unfavorable lease liabilities and deferred credits of $(10.6) million and amortization of debt financing costs and accretion of interest on non-interest bearing subordinated notes of $2.7 million. We had net outflows of $33.9 million within other net operating assets and liabilities largely driven by aircraft leases payments and payments for acquired spare engines during our 2017 fiscal year.

During our 2016 fiscal year, net cash flow provided by operating activities was approximately $104.5 million driven by our growth, execution of strategic initiatives and improved credit position. We had net income of approximately $14.9 million adjusted for the following non-cash items: depreciation and amortization of $46.0 million, amortization of stock-based compensation of $1.5 million, deferred income taxes of $9.5 million, amortization of unfavorable lease liabilities and deferred credits of $(9.6) million and amortization of debt financing costs and accretion of interest on non-interest bearing subordinated notes of $2.0 million. We had a net increase of $39.1 million within other net operating assets and liabilities largely driven by timing of payments made on aircraft leases, engine repair work and other payables during our 2016 fiscal year.

Net Cash Flows Used In Investing Activities

During our six months ended March 31, 2018, net cash flow used in investing activities totaled $(17.2) million. We invested $17.0 million in three spare engines and aircraft improvements.

During our six months ended March 31, 2017, net cash flow used in investing activities totaled $(66.0) million. We invested $63.3 million in 12 spare engines and aircraft improvements, offset partially by returns of equipment deposits.

During our 2017 fiscal year, net cash flow used in investing activities totaled $(84.1) million. We invested $84.5 million in purchase of 15 spare engines and aircraft improvements, offset partially by returns of equipment deposits.

During our 2016 fiscal year, net cash flow used in investing activities totaled $(491.1) million. We invested $490.1 million in 18 E-175 aircraft, four spare engines and aircraft improvements.

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Net Cash Flows Provided By Financing Activities

During our six months ended March 31, 2018, net cash flow used in financing activities was $(28.1) million. We received $85.4 million in proceeds from long-term debt primarily related to refinancing debt on aircraft, as well as spare aircraft engine and aircraft engine kit financing. We made $110.8 million of principal repayments on long-term debt during the year. We also incurred $2.7 million of costs related to debt financing.

During our six months ended March 31, 2017, net cash flow provided by financing activities was $37.1 million. We received $127.7 million in proceeds from long-term debt primarily related to spare aircraft engine and aircraft engine kit financing. We made $87.8 million of principal repayments on long-term debt and incurred $2.3 million of costs related to debt financing during the six months ended March 31, 2017.

During our 2017 fiscal year, net cash flow provided by financing activities was $28.5 million. We received $185.9 million in proceeds from long-term debt primarily related to spare aircraft engine and aircraft engine kit financing. We made $153.0 million of principal repayments on long-term debt during the year. We also incurred $3.4 million of costs related to debt financing and $1.0 million of costs related to the repurchase of shares of our common stock.

During our 2016 fiscal year, net cash flow provided by financing activities was $365.9 million. We received $452.8 million in proceeds from long-term debt primarily related to aircraft financing. We made $75.5 million of principal repayments on long-term debt during the year. We also incurred $10.1 million of costs related to debt financing and $1.4 million of costs related to the repurchase of our stock.

Commitments and Contractual Obligations

As of September 30, 2017, we had $1,514.8 million of long-term debt (including principal and projected interest obligations) and operating lease obligations (including current maturities). This amount consisted of $994.5 million in notes payable related to owned aircraft used in continuing operations, $162.4 million of our notes payable related to spare engines and engine kits, and $28.8 million of our working capital line of credit. We also had $329.1 million of operating lease obligations primarily related to aircraft used under our capacity purchase agreements. Our long-term debt reflected below includes an aggregate of $221.7 million in projected interest costs through our 2028 fiscal year.

The following table sets forth our cash obligations as of September 30, 2017:

		Payment Due by Period			
	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
			(in thousands)		
Aircraft notes	$ 994,539	$ 146,325	$ 249,292	$ 211,277	$ 387,645
Engine notes	162,405	39,558	68,831	54,016	
Operating lease obligations	329,121	97,185	121,297	82,359	28,280
Working capital line of credit	28,768	1,544	27,224		
Total	$ 1,514,833	$ 284,612	$ 466,644	$ 347,652	$ 415,925

Operating Leases

We have significant long-term lease obligations primarily relating to our aircraft fleet. The leases are classified as operating leases and are therefore excluded from our consolidated balance sheets. At

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September 30, 2017, we have 37 aircraft on lease (excluding aircraft leased from United) with remaining lease terms ranging from approximately 2 to 6.5 years. Future minimum lease payments due under all long-term operating leases were approximately $329.1 million at September 30, 2017.

RASPRO Lease Facility. On September 23, 2005, Mesa Airlines, as lessee, entered into an aircraft lease facility with RASPRO as lessor, for 15 of our CRJ-900 aircraft (the RASPRO Lease Facility). The obligations under the RASPRO Lease Facility are guaranteed by us, and basic rent is paid quarterly on each aircraft. On each of March 10, 2014, June 5, 2014 and December 8, 2017, the RASPRO Lease Facility was amended to defer certain payments of basic rent (the Deferred Amounts). Until the principal of and accrued interest on the Deferred Amounts are paid in full, (i) we and Mesa Airlines are prohibited from paying any dividends to holders of our common stock, (ii) we are prohibited from repurchasing any of our warrants or other equity interests, (iii) Mesa Airlines must maintain available a minimum of $10 million of cash, cash equivalents and availability under lines of credit, (iv) Mesa Airlines must provide RASPRO with periodic monthly, quarterly and annual reports containing certain financial information and forecasted engine repair costs and (v) we must maintain a minimum debt-to-assets ratio.

Pursuant to the December 2017 amendment referenced above, we deferred $29.3 million of payments originally due in December 2017 through March 2018. The deferred amounts are charged 7.5% interest per annum and due for repayment in December 2021. As of March 31, 2018, we were in compliance with these covenants.

GECAS Lease Facility. On May 27, 2014, Mesa Airlines, as lessee, entered into an aircraft lease facility with Wells Fargo Bank Northwest, National Association, as owner trustee and lessor, governing the lease of 17 of our CRJ-700 and CRJ-900 aircraft (the GECAS Lease Facility). The obligations under the GECAS Lease Facility are guaranteed by us, and basic rent is paid monthly on each aircraft. In consideration for the lease, we issued the GE Warrant to GE Capital Aviation Services LLC, which we mutually agreed to terminate in connection with our purchase of nine CRJ-900 aircraft that we previously leased under the GECAS Lease Facility. The GECAS Lease Facility requires Mesa Airlines and us to maintain a balance of unrestricted cash of not less than $10 million and prohibits us from paying dividends to holders of our common stock prior to September 30, 2018 without the prior written consent of the GECAS Lease Facility parties. As of March 31, 2018, we were in compliance with these covenants.

As more fully described under *Aircraft Notes* below, on June 26, 2018, we purchased nine CRJ-900 aircraft, which were previously leased under the GECAS Lease Facility, for $76.5 million and terminated the GE Warrant.

Capital Leases

On February 7, 2018, Mesa Airlines, as lessee, entered into two agreements for the lease of two spare aircraft engines (the Engine Leases). Basic rent on the engines is paid monthly and at the end of the lease term, November 2022, Mesa Airlines has the option to purchase the engines for $935,230 each. The Engine Leases are reflected as debt obligations of $10.3 million on our balance sheet as of March 31, 2018. The Engine Leases set forth specific redelivery requirements and conditions, but do not contain operational or financial covenants.

Working Capital Line of Credit

In August 2016, we, as guarantor, our wholly owned subsidiaries, Mesa Airlines and MAG-AIM, as borrowers, CIT, as administrative agent, and the lenders party thereto, entered into a credit and guaranty agreement (the CIT Revolving Credit Facility) pursuant to which the CIT

Lenders committed to lend to Mesa Airlines and MAG-AIM revolving loans in the aggregate principal amount of up to $35.0 million. The borrowers and guarantor s obligations under the CIT Revolving Credit Facility are secured primarily by a first priority lien on certain engines, spare parts and related collateral, including engine warranties and proceeds of the foregoing. The CIT Revolving Credit Facility contains affirmative, negative and financial covenants that are typical in the industry for similar financings, including, but not limited to, covenants that, subject to exceptions described in the CIT Revolving Credit Facility, restrict our ability and the ability of Mesa Airlines and MAG-AIM and their subsidiaries to: (i) enter into, create, incur, assume or suffer to exist any liens; (ii) merge, dissolve, liquidate, consolidate or sell or transfer substantially all of its assets; (iii) sell assets; (iv) enter into transactions with affiliates; (v) amend certain material agreements and organizational documents; (vi) make consolidated unfinanced capital expenditures; or (viii) maintain a consolidated interest and rental coverage ratio above the amount specified in the CIT Revolving Credit Facility. On April 27, 2018, we entered into an amendment to our CIT Revolving Credit Facility to lower the consolidated interest and rental coverage ratio through the end of the term of the agreement. As of March 31, 2018, we were in compliance with the financial covenants under the CIT Revolving Credit Facility. The CIT Revolving Credit Facility also includes customary events of defaults, including, but not limited to: (i) payment defaults; (ii) breach of covenants; (iii) breach of representations and warranties; (iv) cross-defaults; (v) certain bankruptcy-related defaults; (vi) change of control; and (vii) revocation of instructions with respect to certain controlled accounts.

The loan under the CIT Revolving Credit Facility matures on August 12, 2019. As of September 30, 2017, $25.7 million of borrowings were outstanding under this facility. Funds available under the CIT Revolving Credit Facility are subject to certain administrative and commitment fees, and funds drawn under the facility bear interest at LIBOR plus a margin of 4.25%.

Engine Notes

Spare Engine Facility. In December 2016, Mesa Airlines, as borrower, Obsidian Agency Services, Inc., as security trustee, Cortland Capital Market Services LLC, as administrative agent, and the lenders party thereto (the Engine Financing Lenders) entered into a credit agreement (the Spare Engine Facility) pursuant to which the Engine Financing Lenders committed to lend to Mesa Airlines term loans in the aggregate principal amount of up to approximately $99.1 million. In February 2018, the parties amended the Spare Engine Facility to increase the commitment of the Engine Financing Lenders by an additional aggregate principal amount of up to approximately $4.1 million.

Mesa Airlines obligations under the Spare Engine Facility are secured primarily by a first priority lien on certain engines acquired with the proceeds of the Spare Engine Facility and related collateral, including engine warranties and proceeds of the foregoing. The Spare Engine Facility contains affirmative and negative covenants that are typical in the industry for similar financings, including, but not limited to, covenants that, subject to exceptions described in the Spare Engine Facility, restrict the ability of Mesa Airlines to: (i) enter into, create, incur, assume or suffer to exist any liens; and (ii) merge, dissolve, liquidate, consolidate or sell or transfer substantially all of its assets. As of March 31, 2018, we were in compliance with these covenants. The Spare Engine Facility also includes customary events of defaults, including, but not limited to: (i) payment defaults; (ii) breach of covenants; (iii) breach of representations and warranties; and (iii) material adverse changes.

There are four tranches of debt under our Spare Engine Facility, which mature between January 2022 and February 2023. As of March 31, 2018, $92.3 million of borrowings were outstanding under our Spare Engine Facility. Funds drawn under this facility bear interest at the rate of 7.25% per annum plus the greater of (a) 0.5% or (b) the Eurodollar rate. The facility will be repaid periodically according to amortization schedules, with the entire remaining outstanding principal balance to be paid on the applicable maturity date. As of September 30, 2017, $93.0 million of borrowings were outstanding under this facility, and $94.7 million of Mesa Airlines equipment is pledged under this facility.

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EDC Credit Facilities. In August 2015, Mesa Airlines, as borrower, and EDC, as lender entered into a credit and agreement (the EDC 2015 Credit Facility) pursuant to which EDC committed to purchase notes from Mesa Airlines from time to time in the aggregate principal amount of up to $11.0 million. The borrower s obligations under the EDC 2015 Credit Facility are unsecured and guaranteed by us. The EDC 2015 Credit Facility contains affirmative and negative covenants that are typical in the industry for similar financings, including, but not limited to, covenants that, subject to exceptions described in the EDC 2015 Credit Facility, restrict the ability of Mesa Airlines and the Company to: (i) merge, dissolve, liquidate, consolidate or sell or transfer substantially all of its assets; or (ii) sell assets. The EDC 2015 Credit Facility also includes customary events of defaults, including, but not limited to: (i) payment defaults; (ii) breach of covenants; (iii) breach of representations and warranties; (iv) cross-defaults; (v) certain bankruptcy-related defaults of Mesa Airlines or of specified carriers; and (vi) termination or material adverse change in the terms of any code sharing agreement. Each note matures on the date that is five years after such note was issued. As of September 30, 2017, $6.4 million of borrowings were outstanding under this facility. As of March 31, 2018, we were in compliance with these covenants.

Funds drawn under the EDC 2015 Credit Facility are subject to certain arrangement and commitment fees, and funds drawn under the facility bear interest at (i) LIBOR plus a margin of 2.66% plus a margin benchmark of 0.41% or (ii) a fixed amount based on a swap rate of floating rate debt to fixed rate debt plus a margin of 2.66% plus a margin benchmark of 0.58%. Installment payments must be made on each note issued under this facility.

In January 2016, Mesa Airlines, as borrower, and EDC entered into a credit and agreement (the EDC January 2016 Credit Facility) pursuant to which EDC committed to purchase notes from Mesa Airlines from time to time in the aggregate principal amount of up to $37.0 million. The borrower s obligations under the EDC January 2016 Credit Facility are secured by the underlying equipment and guaranteed by us. The EDC January 2016 Credit Facility contains affirmative and negative covenants that are typical in the industry for similar financings, including, but not limited to, covenants that, subject to exceptions described in the EDC January 2016 Credit Facility, restrict our ability to: (i) merge, dissolve, liquidate, consolidate or sell or transfer substantially all of its assets; or (ii) sell assets. The EDC January 2016 Credit Facility also contains a financial covenant that requires us to maintain a fixed charge coverage ratio at the end of each fiscal quarter above the amount specified in the agreement. As of March 31, 2018, we were in compliance with these covenants.

The EDC January 2016 Credit Facility also includes customary events of defaults, including, but not limited to: (i) payment defaults; (ii) breach of covenants; (iii) breach of representations and warranties; (iv) cross-defaults; (v) certain bankruptcy-related defaults of Mesa Airlines or of specified carriers; (vi) termination or material adverse change in the terms of any code sharing agreement; and (vii) breach or termination of our agreement with StandardAero. Each note matures on the date that is three to four years after such note was issued. As of September 30, 2017, $9.2 million of borrowings were outstanding under this facility.

Funds drawn under the EDC January 2016 Credit Facility are subject to certain arrangement and commitment fees, and funds drawn under the facility bear interest at (i) LIBOR plus a margin of, initially, 2.49% plus a margin benchmark of 0.47% or (ii) a fixed amount based on a swap rate of floating rate debt to fixed rate debt plus a margin of, initially, 2.49% plus a margin benchmark of 0.68%. Installment payments must be made on each note issued under this facility.

On April 30, 2018, Mesa Airlines and EDC amended the EDC January 2016 Credit Facility to, among other things, lower the required fixed charge ratio covenant through the end of the term of the agreement and provide for mandatory principal prepayments of $1 million per quarter over the next five fiscal quarters, beginning on September 30, 2018.

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In June 2016, Mesa Airlines, as borrower, and EDC entered into a credit and agreement (the EDC June 2016 Credit Facility) pursuant to which EDC committed to purchase notes from Mesa Airlines from time to time in the aggregate principal amount of up to $25.0 million. The borrower s obligations under the EDC June 2016 Credit Facility are unsecured and guaranteed by us. The EDC June 2016 Credit Facility contains affirmative and negative covenants and events of default that are typical in the industry for similar financings. Each note matures on the date that is two years after such note was issued. As of September 30, 2017, $18.5 million of borrowings were outstanding under this facility.

The EDC June 2016 Credit Facility contains an affirmative covenant that requires us to maintain a consolidated interest and rental coverage ratio above the amount specified in the agreement. As of March 31, 2018, we were in compliance with these covenants.

Funds drawn under the EDC June 2016 Credit Facility are subject to certain arrangement and commitment fees, and funds drawn under the facility bear interest at (i) LIBOR plus a margin of 2.81% plus a margin benchmark of 0.49% or (ii) a fixed amount based on a swap rate of floating rate debt to fixed rate debt plus a margin of 2.81% plus a margin benchmark of 0.71%. Installment payments must be made on each note issued under this facility.

Midfirst Engine Facility. In May 2015, Mesa Airlines, as borrower, and MidFirst Bank entered into a business loan agreement and accompanying promissory note (the MidFirst Credit Facility) pursuant to which MidFirst Bank committed to lend to Mesa Airlines the principal amount of $8.5 million. The borrower s obligations under the MidFirst Credit Facility are guaranteed by us and are secured primarily by a lien on certain spare engines acquired with the proceeds of the MidFirst Credit Facility and related collateral. The MidFirst Credit Facility contains affirmative and negative covenants and events of default that are typical in the industry for similar financings. The promissory note matures on September 21, 2020. As of September 30, 2017, $5.0 million of borrowings were outstanding under this facility. As of March 31, 2018, we were in compliance with these covenants.

Funds drawn under the MidFirst Credit Facility bear interest at the rate of 5.163% per annum. Installment payments of principal must be made on the promissory note issued under this facility.

***Aircraft Note*s**

As of September 30, 2017, we had 65 aircraft in our fleet financed with debt (collectively, the Aircraft Notes):

In fiscal year 2004, we permanently financed five CRJ-700 and six CRJ-900 aircraft with $254.7 million in debt and in our fiscal 2005, we permanently financed five CRJ-900 aircraft with $118 million in debt. The debt bears interest at the monthly LIBOR plus 3% (4.232% at September 30, 2017) and requires monthly principal and interest payments. As of September 30, 2017, we had $58.3 million outstanding under these notes.

In fiscal year 2007, we permanently financed three CRJ-900 and three CRJ-700 aircraft for $120.3 million. The debt bears interest at the monthly LIBOR plus 2.25% (3.482% at September 30, 2017) and requires monthly principal and interest payments. As of September 30, 2017, we had $48.8 million outstanding under these notes.

In fiscal year 2014, we permanently financed 10 CRJ-900 aircraft for $88.4 million. The debt bears interest at the monthly LIBOR, plus a spread ranging from 1.95% to 7.25% (3.182% to 8.482% at September 30, 2017) and requires monthly principal and interest payments. As of September 30, 2017, we had $64.8 million outstanding under these notes.

In fiscal year 2014, we permanently financed eight CRJ-900 aircraft with $114.5 million in debt. The debt bears interest at 5% and requires monthly principal and interest payments. As of September 30, 2017, we had $82.8 million outstanding under these notes.

In fiscal year 2015, we financed seven CRJ-900 aircraft with $170.2 million in debt. The senior notes payable of $151 million bear interest at monthly LIBOR plus 2.71% (3.942% at September 30, 2017) and require monthly principal and interest payments. The subordinated notes payable are noninterest-bearing and become payable in full on the last day of the term of the notes. We have imputed an interest rate of 6.25% on the subordinated notes payable and recorded a related discount of $8.1 million, which is being accreted to interest expense over the term of the notes. As of September 30, 2017, we had $144.0 million outstanding under these notes.

In fiscal year 2016, we financed 10 E-175 aircraft with $246 million in debt under an EETC financing arrangement. The debt bears interest ranging from 4.75% to 6.25% and requires semi-annual principal and interest payments. As of September 30, 2017, we had $226.4 million outstanding under these notes.

In fiscal year 2016, we financed eight E-175 aircraft with $195.3 million in debt. The senior notes payable of $172 million bear interest at the three-month LIBOR plus a spread ranging from 2.20% to 2.32% (3.533% to 3.654% at September 30, 2017) and require quarterly principal and interest payments. The subordinated notes payable bear interest at 4.50% and require quarterly principal and interest payments. As of September 30, 2017, we had $181.1 million outstanding under these notes.

In December 2017, we refinanced $41.9 million of debt on nine CRJ-900 aircraft (due between 2019 and 2022) with $74.9 million of debt, resulting in net cash proceeds to us of $30.5 million after transaction related fees. The senior notes payable of $46.9 million bear interest at monthly LIBOR plus 3.5%. The subordinated notes payable bear interest at monthly LIBOR plus 4.5%. The refinanced debt requires quarterly payments of principal and interest through fiscal 2022.

On June 27, 2018, we refinanced $16.0 million of debt on six CRJ-900 aircraft (due in 2019), with $27.5 million of debt, resulting in net cash proceeds to us of $10.4 million after transaction related fees. The notes payable require quarterly payments of principal and interest through fiscal 2022 bearing interest at LIBOR plus 3.50%.

On June 28, 2018, we purchased nine CRJ-900 aircraft, which were previously leased under the

GECAS Lease Facility, for $76.5 million. We financed the aircraft purchase with $69.6 million in new debt and proceeds from the June 2018 aircraft refinancing. The notes payable of $69.6 million require quarterly payments of principal and interest through fiscal 2022 bearing interest at LIBOR plus a spread ranging from 3.50% for the senior promissory notes to 7.50% for the Subordinated GECAS Notes. We recorded non-cash lease termination expense of $15.1 million in connection with the lease buyout. Also, as part of the transaction, we (i) received $4.5 million of future goods and services credits and $5.6 million of loan forgiveness for loans with a maturity date in 2027 from the aircraft manufacturer, and (ii) mutually agreed with GE Capital Aviation Services LLC to terminate the GE Warrant.

The Aircraft Notes are secured by the respective aircraft, which had a net book value of $1,023.8 million as of September 30, 2017. The weighted-average effective interest rate of the fixed and floating rate aircraft and equipment notes at September 30, 2017 and March 31, 2018, was 4.89% and 5.32%, respectively.

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Maintenance Commitments

In August 2005, we entered into a ten-year agreement with AAR, for the maintenance and repair of certain of our CRJ-200, CRJ-700 and CRJ-900 aircraft. The agreement has been amended since with a term through 2021, also to include certain E-175 aircraft rotable spare parts with a term through December 2027. Under the agreements, we pay AAR a monthly access fee per aircraft for certain consigned inventory as well as a fixed cost per flight hour fee on a monthly basis for repairs on certain repairable parts during the term of the agreement, which fees are subject to annual adjustment based on increases in the cost of labor and component parts.

In July 2012, we entered into a heavy check maintenance contract with Bombardier, to perform heavy check maintenance on all CRJ-700 and CRJ-900 aircraft, which has been extended through November 2020. We are charged on a time and materials basis by Bombardier for the heavy check maintenance work performed under this agreement.

In July 2013, we entered into an engine maintenance contract with GE to perform heavy maintenance on certain CRJ-700, CRJ-900 and E-175 engines based on a fixed pricing schedule. The pricing may escalate annually in accordance with GE s spare parts catalog for engines. The engine maintenance contract extends through 2024.

In 2014, we entered into a ten-year contract with Aviall to provide maintenance and repair services on the wheels, brakes and tires of our CRJ-700 and CRJ-900 aircraft. Under the agreement, we pay Aviall a fixed cost per landing fee for all landings of our aircraft during the term of the agreement, which fee is subject to annual adjustment based on increases in the cost of labor and component parts.

We entered into an engine maintenance contract with StandardAero, which became effective on June 1, 2015, to perform heavy maintenance on certain CRJ-700 and CRJ-900 engines based on a fixed pricing schedule. The pricing may escalate annually in accordance with the GE s spare parts catalog for engines. The engine maintenance contract extends through 2020.

Our employees perform routine airframe and engine maintenance along with periodic inspections of equipment at their respective maintenance facilities. We also use third-party vendors, such as AAR, Aviall and GE, for certain heavy airframe and engine maintenance work, along with parts procurement and component overhaul services for our aircraft fleet. As of September 30, 2017, $57.8 million of parts inventory was consigned to us by AAR and Aviall under long-term contracts that is not reflected on our balance sheet.

We use the direct expense method of accounting for our maintenance of regional jet engine overhauls, airframe, landing gear, and normal recurring maintenance wherein we recognize the expense when the maintenance work is completed, or over the repair period, if materially different. While we keep a record of expected maintenance events, the actual timing and costs of major engine maintenance expense are subject to variables such as estimated usage, government regulations and the level of unscheduled maintenance events and their actual costs. Accordingly, we cannot reliably quantify the costs or timing of future maintenance-related expenses for any significant period of time.

Off-Balance Sheet Arrangements

An off-balance sheet arrangement is any transaction, agreement or other contractual arrangement involving an unconsolidated entity under which a company has (i) made guarantees, (ii) a retained or a contingent interest in transferred assets, (iii) an obligation under derivative instruments classified as equity or (iv) any obligation arising out of a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the company, or that engages in leasing, hedging or research and development arrangements with the company.

We have no off-balance sheet arrangements of the types described in the four categories above that we believe may have material current or future effect on financial condition, liquidity or results of operations.

A majority of our leased aircraft are leased through trusts formed for the sole purpose of purchasing, financing and leasing aircraft to us. Because these are single-owner trusts in which we do not participate, we are not at risk for losses and we are not considered the primary beneficiary. We believe that our maximum exposure under the leases are the remaining lease payments.

Quantitative and Qualitative Disclosure About Market Risk

We are subject to market risks in the ordinary course of our business. These risks include interest rate risk and, on a limited basis, commodity price risk with respect to foreign exchange transactions. The adverse effects of changes in these markets could pose a potential loss as discussed below. The sensitivity analysis provided does not consider the effects that such adverse changes may have on overall economic activity, nor does it consider additional actions we may take to mitigate our exposure to such changes. Actual results may differ.

Interest Rates. We are subject to market risk associated with changing interest rates on our variable rate long-term debt; the variable interest rates are based on LIBOR. The interest rates applicable to variable rate notes may rise and increase the amount of interest expense on our variable rate long-term debt. We do not purchase or hold any derivative instruments to protect against the effects of changes in interest rates.

As of September 30, 2017, we had $613.0 million of variable rate debt including current maturities. A hypothetical 50 basis point change in interest rates would have affected interest expense by approximately $3.1 million in the year ended September 30, 2017. As of March 31, 2018, we had $603.5 million of variable-rate debt including current maturities. A hypothetical 50 basis point change in market interest rates would have affected interest expense by approximately $1.5 million in the six months ended March 31, 2018.

As of September 30, 2017, we had $343.9 million of fixed-rate debt, including current maturities. A hypothetical 50 basis point change in market interest rates would not impact interest expense or have a material effect on the fair value of our fixed-rate debt instruments as of September 30, 2017 or March 31, 2018.

Foreign Exchange. We have *de minimis* foreign currency risks related to our station operating expenses denominated in currencies other than the U.S. dollar, primarily the Canadian dollar. Our revenue is U.S. dollar denominated.

Unlike other airlines, our capacity purchase agreements largely shelter us from volatility related to fuel prices, which are directly paid and supplied by our major airline partners.

Inflation

We do not believe that inflation had a material effect on our business, financial condition, or results of operations in the last two fiscal years. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition, and results of operations.

Critical Accounting Policies

We prepare our consolidated financial statements in accordance with generally accepted accounting principles in U.S. GAAP. In doing so, we have to make estimates and assumptions that affect our

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reported amounts of assets, liabilities, revenue and expenses, as well as related disclosure of contingent assets and liabilities. To the extent that there are material differences between these estimates and actual results, our financial condition or results of operations would be affected. We base our estimates on past experience and other assumptions that we believe are reasonable under the circumstances, and we evaluate these estimates on an ongoing basis. We refer to accounting estimates of this type as critical accounting estimates, which we discuss below.

We have identified the accounting policies discussed below as critical to us. The discussion below is not intended to be a comprehensive list of our accounting policies. Our significant accounting policies are more fully described in Note 2 to the consolidated financial statements.

Revenue Recognition

Under our capacity purchase agreements, our major airline partners generally pay a fixed monthly minimum amount per aircraft, plus certain additional amounts based upon the number of flights and block hours flown. The contracts also include reimbursement of certain costs that we incur in performing flight services. These costs, known as pass-through costs, may include passenger and hull insurance, aircraft property taxes, as well as landing fees and catering. Additionally, for the E-175 aircraft owned by United, our United Capacity Agreement provides that United will reimburse us for heavy airframe and engine maintenance, landing gear, auxiliary power units (APU) and component maintenance, which are treated as pass-through and will increase revenue (and expense for the same amount) upon completion of the work. We also receive compensation under our capacity purchase agreements for heavy maintenance expenses at a fixed hourly rate or per-aircraft rate for all aircraft in scheduled service, other than the E-175 aircraft owned by United. We record reimbursement of pass-through costs as other revenue in the consolidated statements of operations as service is provided. In addition, our major airline partners also provide, at no cost to us, certain ground handling and customer service functions, as well as airport-related facilities and gates at their hubs and other cities. Services and facilities provided by major airline partners at no cost to us are presented net in our consolidated financial statements; hence, no amounts are recorded for revenue or expense for these items. The contracts also include a profit margin on certain reimbursable costs, as well as a profit margin, incentives and penalties based on certain operational benchmarks. We recognize revenue under our capacity purchase agreements when the transportation is provided, including an estimate of the profit component based upon the information available at the end of the accounting period. All revenue recognized under these contracts is presented as the gross amount billed to our major airline partners.

Under our capacity purchase agreements with American and United, we are reimbursed under a fixed rate per-block hour, plus an amount per aircraft designed to reimburse us for certain aircraft ownership costs.

We have concluded that a component of our revenue under our capacity purchase agreements is rental income, as these agreements identify the right of use of a specific type and number of aircraft over a stated period of time. We calculate the amount of rental income using the contractual ownership rates set forth in our capacity purchase agreements. The amount deemed to be rental income during our fiscal 2016, 2017 and the six months ended March 31, 2017 and 2018 were $190.1 million, $217.6 million, $108.6 million and $108.5 million, respectively, and has been included in contract revenue on our consolidated statements of income. We have not separately stated aircraft rental income and aircraft rental expense in the consolidated statements of operations because the use of the aircraft is not a separate activity of the total service provided.

Our capacity purchase agreements contain an option that allows our major airline partners to assume the contractual responsibility for procuring and providing the fuel necessary to operate the flights that we operate for them. Both airlines have exercised this option. Accordingly, we do not record an expense or revenue for fuel and related fueling costs for flying under our capacity purchase agreements.

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Our capacity purchase agreements contain provisions pursuant to which the parties could terminate their respective agreements, subject to certain conditions. Our revenues could be impacted by a number of factors, including amendment or termination of our capacity purchase agreements, contract modifications resulting from contract renegotiations and our ability to earn incentive payments contemplated under applicable agreements. In the event contracted rates are not finalized at a quarterly or annual financial statement date, we record that period s revenues based on the lower of the prior period s approved rates or our estimate of rates that will be implemented upon completion of negotiations. Also, in the event we have a reimbursement dispute with a major airline partner at a quarterly or annual financial statement date, we evaluate the dispute under established revenue recognition criteria and, provided the revenue recognition criteria have been met, we recognize revenue for that period based on our estimate of the resolution of the dispute. Accordingly, we are required to exercise judgment and use assumptions in the application of our revenue recognition policy. See *Recent Accounting Pronouncements* set forth below for a discussion of a new accounting standard that we anticipate implementing beginning in our 2019 fiscal year.

Maintenance

We operate under an FAA-approved continuous inspection and maintenance program. We use the direct expense method of accounting for our maintenance of regional jet engine overhauls, airframe, landing gear, and normal recurring maintenance wherein we recognize the expense when the maintenance work is completed, or over the repair period, if materially different. For leased aircraft, we are subject to lease return provisions that require a minimum portion of the life of an overhaul be remaining on the engine at the lease return date. We estimate the cost of maintenance lease return obligations and accrue such costs over the remaining lease term when the expense is probable and can be reasonably estimated.

Under our aircraft operating lease agreements and FAA operating regulations, we are obligated to perform all required maintenance activities on our fleet, including component repairs, scheduled air frame checks and major engine restoration events. We estimate the timing of the next major maintenance event based on assumptions including estimated usage, FAA-mandated maintenance intervals and average removal times as recommended by the manufacturer. The timing and the cost of maintenance are based on estimates, which can be impacted by changes in utilization of our aircraft, changes in government regulations and suggested manufacturer maintenance intervals. Major maintenance events consist of overhauls to major components.

Engine overhaul expense totaled $90.9 million, $64.0 million, for the years ended September 30, 2016 and 2017, respectively, of which $0 and $0.3 million was pass-through expense. Airframe C-check expense totaled $13.2 million and $22.6 million for the years ended September 30, 2016 and 2017, respectively, of which $0 and $4.9 million was pass-through expense.

Engine overhaul expense totaled $45.1 million and $33.1 million, for the six months ended March 31, 2017 and March 31, 2018, respectively, of which $0 and $5.2 million was pass-through expense. Airframe C-check expense totaled $10.2 million and $13.5 million for the six months ended March 31, 2017 and March 31, 2018, respectively, of which $0.5 million and $5.7 million was pass-through expense.

Aircraft Leases

In addition to the aircraft we receive from United, approximately 19% of our aircraft are leased from third parties. In order to determine the proper classification of a lease as either an operating lease or a capital lease, we must make certain estimates at the inception of the lease relating to the economic useful life and the fair value of an asset as well as select an appropriate discount rate to be used in discounting future lease payments. These estimates are utilized by management in making

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computations as required by existing accounting standards that determine whether the lease is classified as an operating lease or a capital lease. All of our aircraft leases have been classified as operating leases, which results in rental payments being charged to expense over the term of the related leases. Additionally, operating leases are not reflected in our consolidated balance sheets and accordingly, neither a lease asset nor an obligation for future lease payments is reflected in our consolidated balance sheets. In the event that we or one of our major airline partners decide to exit an activity involving leased aircraft, losses may be incurred. In the event that we exit an activity that results in exit losses, these losses are accrued as each aircraft is removed from operations for early termination penalties, lease settle up and other charges. See *Recent Accounting Pronouncements* set forth below for a discussion of a new accounting standard that is likely to have an impact on our aircraft lease accounting beginning in 2019.

Income Taxes

Income taxes are accounted for using the asset and liability method. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided for those deferred tax assets for which we cannot conclude that it is more likely than not that such deferred tax assets will be realized.

In determining the amount of the valuation allowance, estimated future taxable income, as well as feasible tax planning strategies for each taxing jurisdiction, are considered. If we determine it is more likely than not that all or a portion of the remaining deferred tax assets will not be realized, the valuation allowance will be increased with a charge to income tax expense. Conversely, if we determine it is more likely than not to be able to utilize all or a portion of the deferred tax assets for which a valuation allowance has been provided, the related portion of the valuation allowance will be recorded as a reduction to income tax expense.

We recognize and measure benefits for uncertain tax positions using a two-step approach. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that is it more likely than not that the tax positions will be sustained upon audit, including resolution of any related appeals or litigation processes. For tax positions that are more likely than not to be sustained upon audit, the second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon settlement. Our practice is to recognize interest and/or penalties related to income tax matters in income tax expense. Significant judgment is required to evaluate uncertain tax positions. Evaluations are based upon a number of factors, including changes in facts or circumstances, changes in tax law, correspondence with tax authorities during the course of tax audits and effective settlement of audit issues. Changes in the recognition or measurement of uncertain tax positions could result in material increases or decreases in income tax expense in the period in which the change is made, which could have a material impact to our effective tax rate. See Note 12: *Income Taxes* in the notes to our audited consolidated financial statements included elsewhere in this Form S-1 for additional information. See also *Management s Discussion and Analysis Results of Operations Income Taxes* for additional information.

For a further listing and discussion of our accounting policies, see Note 2: *Summary of Significant Accounting Policies* in the notes to our audited consolidated financial statements included elsewhere in this prospectus.

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Accounting Methodology for Stock Appreciation Rights

We have historically accounted for compensation expense related to our liability-classified SARs using the intrinsic value method, as permitted by ASC 718 for nonpublic entities, with changes to the value of the SARs recognized as compensation expense at each quarterly reporting date. Upon becoming a public company, as defined in ASC 718, we are required to change our methodology for valuing the SARs. While the SARs will continue to be re-measured at each quarterly reporting date, the SARs are required to be accounted for prospectively at fair value using a fair value pricing model, such as Black-Scholes. We plan to record the impact of the change in valuation methods as a cumulative effect of a change in accounting principle, as permitted by ASC 250. The effect of the change will be to increase or decrease the SAR liability by the difference in compensation cost measured using the intrinsic value method and the fair value method with an equal and offsetting change to retained earnings in the consolidated balance sheet. Any changes in fair value after the initial adoption will be recorded as compensation expense in the consolidated statement of operations.

Emerging Growth Company Status

The JOBS Act permits an emerging growth company such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies until those standards would otherwise apply to private companies. We have irrevocably elected to opt out of this provision and, as a result, we will comply with new or revised accounting standards when they are required to be adopted by public companies that are not emerging growth companies.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The standard establishes a new recognition model that requires revenue to be recognized in a manner to depict the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. We may adopt the requirements of ASU 2014-09 using either of two acceptable methods: (i) retrospective adoption to each prior period presented with the option to elect certain practical expedients; or (ii) adoption with the cumulative effect recognized at the date of initial application and providing certain disclosures. In July 2015, the FASB approved a one-year deferral of the effective date of the new standard, making it effective for our reporting periods beginning October 1, 2018. We are currently evaluating the potential impact of the adoption of this new guidance on our financial position or results of operations, including the method of adoption to be used.

In August 2014, The FASB issued ASU No. 2014-15, *Presentation of Financial Statements - Going Concern: Disclosure of Uncertainties about an Entity s Ability to Continue as a Going Concern* (Topic 205), which provides guidance on determining when and how to disclose going-concern uncertainties in the condensed consolidated financial statements. The new standard requires management to perform interim and annual assessments of an entity s ability to continue as a going concern within one year of the date the consolidated financial statements are issued. An entity must provide certain disclosure if conditions or events raise substantial doubt about the entity s ability to continue as a going concern. The update applies to all entities and is effective for annual periods ending after December 15, 2016, and interim periods thereafter. We adopted this ASU in fiscal year 2017, and the adoption did not have a material impact on the consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842) (ASU 2016-02), which provides guidance requiring lessees to recognize a right-of-use asset and a lease liability on the balance sheet for substantially all leases, with the exception of short-term leases. Leases will be classified as either financing or operating, with classification affecting the pattern of expense

recognition in the statement of income. The guidance is effective for annual periods beginning after December 15, 2018, with early adoption permitted. We are currently evaluating the potential impact of the adoption of this new guidance on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, Compensation - Stock Compensation (Topic 718) - Improvements to Employee Share-Based Payment Accounting, which simplifies several areas of accounting for share-based compensation arrangements, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 requires that the tax impact related to the difference between share-based compensation for book and tax purposes be recognized as income tax benefit or expense in the reporting period in which such awards vest. ASU 2016-09 also required a modified retrospective adoption for previously unrecognized excess tax benefits. The guidance in ASU 2016-09 is effective for public business entities for annual periods beginning after December 15, 2016, including interim periods within those annual reporting periods. We adopted ASU 2016-09 in the first quarter of fiscal 2018 on a modified retrospective basis, recognizing all excess tax benefits previously unrecognized, as a cumulative-effect adjustment increasing deferred tax assets by $0.4 million, increasing income tax expense by $0.3 million, and increasing retained earnings by $0.7 million. Adoption of ASU 2016-09 did not have any other material effect on our results of operations, financial position or cash flows.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows* (Topic 230): *Classification of Certain Cash Receipts and Cash Payments (a consensus of the FASB Emerging Issues Task Force)*, which clarifies how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The new standard is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. We are currently evaluating the impact that the standard will have on the consolidated statements of cash flows. Further, in November 2016, the FASB issued ASU No. 2016-18 that requires restricted cash and cash equivalents to be included with cash and cash equivalents on the statement cash flows. The new standard is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. We have restricted cash of $3.8 million as of March 31, 2018 and intend to adopt the new guidance in our 2019 fiscal year.

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INDUSTRY BACKGROUND

Overview of the Passenger Airline Industry

According to the FAA, the number of total paying passengers in the United States that traveled on scheduled domestic and international flights, commonly referred to as total revenue passenger enplanements, was 842.4 million in 2017, up 3.0% from 817.6 million in 2016, and enplanements in 2016 were up 3.95% from 786.5 million in 2015. Historically, airline passenger growth depends upon, but has occurred at a rate in excess of, GDP growth. The 2017 *Current Market Outlook*, a 20-year forecast of The Boeing Company, foresees average annual growth in North American enplanements of 3.0% per year over the 2017-2036 timeframe, assuming a 2.1% annual GDP growth rate.

As a result of a series of merger transactions between 2008 and 2016, there are currently five major airlines in the United States: American, Delta, United, Alaska and Southwest, which collectively control in excess of 85% of U.S. industry passenger capacity when including both flights operated themselves and flights operated under contract by their regional airline partners. The major airlines offer scheduled flights to many large cities within the United States and to cities in other parts of the world. These carriers benefit from wide name recognition and long operating histories. In recent years, major airlines have enjoyed sustained profitability achieved through scale efficiencies, disciplined capacity planning, profit-oriented management and increased passenger demand. The revenues of the U.S. regional airline sector are derived overwhelmingly from these financially strong major airlines, in particular American, Delta and United.

Most major airlines have adopted a hub and spoke system of operations. This arrangement permits travelers to fly from their point of origin to more destinations without switching airlines. Hub airports permit carriers to transport passengers between large numbers of destinations with substantially more frequent service than if each city-pair were served nonstop. The hub and spoke system also allows the airline to add service to a new destination from a large number of cities using only one or a limited number of aircraft. Regional airlines play a vital role in the major airlines hub and spoke networks by serving markets that would be too small for the major airline to serve economically with the major carrier s larger aircraft. In addition, regional aircraft are well suited to serve larger city pairs during off-peak times when load factors on larger jets are low. Flights by regional airlines help build schedule density and feed passenger traffic to major airlines hub airports that is essential for the economic viability of the entire hub operation. Regional airlines have added importance to their major airline partners because the city pairs served by regional airlines often have traffic levels and other attributes that make them very difficult to contest by the low-cost airlines that otherwise compete with major carriers on much of their route networks.

Low-cost airlines, such as jetBlue Airways, typically offer fewer classes of service and have lower cost structures than major airlines, thus permitting them to offer flights to many of the same destinations as the major airlines, but at lower prices. Ultra low-cost airlines, including Allegiant Travel Company, Spirit Airlines and Frontier Airlines, expanded upon the low-cost airline model by adding a focus on increased aircraft utilization, increased seat density and the unbundling of revenue sources by charging fees for multiple products and services previously provided free to passengers. Some ultra low-cost airlines utilize a hub and spoke strategy, while others offer predominantly point-to-point service between designated city pairs, a strategy that increases efficiency and lowers fares, but often results in less convenient flight schedules and service to fewer markets. In recent years, the business models of ultra low-cost, low-cost and major airlines have become increasingly blurred, with major airlines offering inexpensive basic economy fares with fewer amenities to compete for price-sensitive travelers, and some low-cost carriers now offering premium seating and classes of service. At present, none of the business models of the ultra low-cost or low-cost airlines or Southwest Airlines include affiliation with regional air carriers, and there is no expectation that this will occur in the

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near term. However, if in the future we are invited to provide regional flying to new partners in this segment, we expect to experience incremental growth.

Regional airlines operate smaller aircraft, with seating for 50-76 passengers, that have far lower trip costs than the larger aircraft operated by the major, low-cost and ultra low-cost airlines, which typically have seating for 120 passengers or more. Independent regional airlines, such as us and SkyWest (as defined below), typically provide service to more than one major airline. Conversely, captive regional airlines, including Envoy (owned by American), Endeavor (owned by Delta), PSA (owned by American), Piedmont (owned by American) and Horizon (owned by Alaska), are wholly owned subsidiaries of major airlines and tend to fly exclusively in cooperation with their respective parent airlines. In contrast to low-cost and ultra low-cost airlines, regional airlines generally work cooperatively with major airlines and do not try to establish an independent route system or brand to compete with the major airlines. Regional airlines typically enter into capacity purchase agreements with one or more major airline partners under which the regional airline agrees to use its lower-cost aircraft to carry passengers booked and ticketed by the major airline between city pairs selected by the major airline partner. In exchange for such services, the regional airline is either paid a fixed-fee per flight by the major airline or receives a pro-rata portion of the total fare generated for a given passenger itinerary.

Regional Airline Industry

Regional airlines play a daily, essential role in the U.S. air travel system. According to the Regional Airline Association, 42% of all scheduled airline flights in the United States in 2016 were performed by regional airlines. Of all the U.S. airports with scheduled airline service, 64% of them are served exclusively by regional airlines. Some of the most popular U.S. airports have more than half of all their flights on regional airlines, including New York-LaGuardia, Philadelphia, Washington-Dulles, Charlotte, Houston-Bush and Chicago-O Hare.

The regional airline industry grew rapidly from the mid-1990s until the 2007-2010 timeframe, driven by the introduction of regional jet aircraft, which were a significant aerospace advancement over previous regional aircraft and broadly adopted due to their high speed, range, cabin class comfort, and low noise levels. In the 2007-2010 timeframe, growth of the regional sector stalled due to a confluence of factors, including: bankruptcy filings by several U.S. major airlines that were large purchasers of regional airline capacity; rising fuel prices, which challenged the economics of small regional jet aircraft; the 2008 financial crisis; and a wave of major airline mergers that drove fleet rationalization and a reduction in the number of hub airports. These industry changes adversely affected the regional airline sector, and three of the then-largest regional airlines restructured under bankruptcy protection (us and Pinnacle Airlines) or sold their business under duress (ExpressJet Holdings).

In our case, we filed for protection under Chapter 11 of the federal bankruptcy laws on January 5, 2010 and successfully emerged from bankruptcy on March 1, 2011. We filed for protection under Chapter 11 primarily to address an excess of 50-seat CRJ-200 aircraft that were not extended by certain of our major airline partners under our prior capacity purchase agreements. The lease terms of the excess CRJ-200 aircraft extended four or more years beyond the expiration date of their related capacity purchase agreements. At the time of our Chapter 11 filing, higher fuel prices had caused the 50-seat CRJ-200 to be uneconomical for major airlines to fly, making it untenable for us to renew our capacity purchase agreements with respect to these aircraft or place them into service with other major airlines. Our restructuring did not seek to renegotiate the terms of our then-existing labor agreements, which we believe has contributed to our strong ongoing relationship with our employees and their labor representatives.

Since 2007, depending on the metric used, the overall size of the U.S. regional airline industry has been largely unchanged. The first reason for this relates to mergers, hub consolidation, and route

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network rationalization among the major airlines that were the primary purchasers of regional airline capacity: Delta s combination with Northwest, United s combination with Continental, American s combination with US Airways, and US Airways previous combination with America West. The second reason has been a pilot shortage resulting from new federal regulations implemented in August 2013 which dramatically increased minimum pilot training time. According to the Regional Airline Association, from 2007 until 2016, U.S. regional air carriers collectively grew revenue passenger miles from 72.9 billion to 75.5 billion, though passenger enplanements declined from 160.2 million to 154.9 million over the same period. The industry has changed in important ways since 2007, including: growth in average aircraft size from 51 seats to 62 seats, growth in average passenger trip length from 456 miles to 488 miles, near complete elimination of aircraft under 50-seat capacity from U.S. scheduled airline service, attrition of many smaller carriers, and significant reductions in flight frequencies and served destinations for many small and medium-sized cities across the United States.

We believe the effects of the pilot shortage and major airline consolidation are now fully reflected in the structure and trade practices of the regional airline sector, and that our sector is poised to grow again as the significant recent increases in regional airline pilot compensation draw additional qualified individuals into the profession, and once again permit fleet expansion. For the 2018-2038 timeframe, the FAA has projected revenue passenger miles for U.S. regional carriers to grow by 2.1% per year, with average aircraft size continuing to climb to 75 seats per aircraft. We believe the intensity of competition among regional air carriers for capacity-purchase contracts has lessened in recent years, due to the scarcity of pilots, and we do not expect this competitive characteristic to change in the near term. See *Business Our Growth Opportunities*.

Relationship Between Regional and Major Airlines

Regional airlines typically operate short- and medium-haul scheduled airline service, often connecting smaller cities with major airline hubs. Regional airlines generally enter into capacity purchase agreements with one or more major airline partners under which the regional airline uses the major airline s logos, service marks and aircraft paint schemes in providing regional flying services. Under these agreements, the major airline typically controls route selection, marketing, scheduling, pricing and seat inventories, and provides the regional airline with ground support services, airport landing slots and gate access. The regional airline, in turn, provides flight crews, flight services, maintenance and other operational functions. In most cases, the regional airline itself owns or leases the aircraft used, but there are many instances where the major airline partner will provide the aircraft.

The commercial relationship between the regional airline and its major airline partner usually involves either a capacity purchase agreement or revenue sharing arrangement, as explained below. All of our revenues are derived under capacity purchase agreements, and the overwhelming majority of revenues for the regional airline sector today are from capacity purchase agreements rather than revenue sharing arrangements.

Capacity Purchase Agreements. Under a capacity purchase agreement (also referred to as a revenue guarantee agreement, fixed fee contract or contract flying), the major airline generally pays the regional airline a fixed fee for each departure, flight hour (measured from takeoff to landing, excluding taxi time) or block hour (measured from takeoff to landing, including taxi time) incurred, and an amount per aircraft in service each month with additional incentives based on completion of flights, on-time performance and other operating metrics. In exchange for that, the major airline keeps all of the revenue paid by the passengers travelling on that regional airline flight leg. Under these agreements the major airline bears the risk of changes in the price of fuel and certain other costs that are passed through dollar-for-dollar to the major airline partner. Regional airlines benefit from a capacity purchase agreement because they are sheltered from many of the elements that cause volatility in airline financial performance, including fuel prices, variations in ticket prices, and fluctuations in number of

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passengers. Correspondingly, regional airlines in capacity purchase agreements generally do not benefit from positive trends in ticket prices (including ancillary revenue programs), the number of passengers enplaned or fuel prices.

Revenue-Sharing Arrangements. Under a revenue-sharing arrangement (also referred to as prorate flying), the major airline and regional airline negotiate a passenger fare proration formula, pursuant to which the regional airline receives a percentage of the ticket revenues for those passengers traveling for one portion of their trip on the regional airline and the other portion of their trip on the major airline. Substantially all costs associated with the regional airline flight are borne by the regional airline. In a revenue-sharing arrangement, the regional airline may realize increased profits as ticket prices and passenger loads increase or fuel prices decrease and, correspondingly, the regional airline may realize decreased profits as ticket prices and passenger loads decrease or fuel prices increase.

We currently have capacity purchase agreements with United, where we operate under the United Express banner, and American, where we operate under the American Eagle banner.

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BUSINESS

Overview

Mesa Airlines is a regional air carrier providing scheduled passenger service to 110 cities in 38 states, the District of Columbia, Canada, Mexico, Cuba and the Bahamas. All of our flights are operated as either American Eagle or United Express flights pursuant to the terms of capacity purchase agreements we entered into with American and United. We have a significant presence in several of our major airline partners key domestic hubs and focus cities, including Dallas, Houston, Phoenix and Washington-Dulles. We have been the fastest growing regional airline in the United States over our last five fiscal years, based on fleet growth, with a cumulative increase in aircraft of 137%.

As of March 31, 2018, we operated a fleet of 145 aircraft with approximately 610 daily departures. We operate 64 CRJ-900 aircraft under our American Capacity Purchase Agreement and 20 CRJ-700 and 60 E-175 aircraft under our United Capacity Purchase Agreement. Over the last five calendar years, our share of the total regional airline fleet of American and United has increased from 7% to 11% and from 4% to 15%, respectively. Driven by this fleet growth, our total operating revenues have grown by 55% from $415.2 million in fiscal 2013 to $643.6 million in fiscal 2017, respectively. We believe we have expanded our share with our major airline partners because of our competitive cost structure, access to pilots under our labor agreements and track record of reliable performance. All of our operating revenue in our 2017 fiscal year and the six months ended March 31, 2018 was derived from operations associated with our American and United Capacity Purchase Agreements.

Our long-term capacity purchase agreements provide us guaranteed monthly revenue for each aircraft under contract, a fixed fee for each block hour and flight flown, and reimbursement of certain direct operating expenses, in exchange for providing regional flying on behalf of our major airline partners. Our capacity purchase agreements shelter us from many of the elements that cause volatility in airline financial performance, including fuel prices, variations in ticket prices, and fluctuations in number of passengers. In providing regional flying under our capacity purchase agreements, we use the logos, service marks, flight crew uniforms and aircraft paint schemes of our major airline partners. Our major airline partners control route selection, pricing, seat inventories, marketing and scheduling, and provide us with ground support services, airport landing slots and gate access, allowing us to focus all of our efforts on delivering safe, reliable and cost-competitive regional flying.

Regional aircraft are optimal for short and medium-haul scheduled flights that connect outlying communities with larger cities and act as feeders for domestic and international hubs. In addition, regional aircraft are well suited to serve larger city pairs during off-peak times when load factors on larger jets are low. The lower trip costs and operating efficiencies of regional aircraft, along with the competitive nature of the capacity purchase agreement bidding process, provide significant value to major airlines. According to the Regional Airline Association, we were the fifth largest regional airline company in the United States in 2016, as measured by passenger enplanements, and our flights accounted for approximately 8.4% of all passengers carried on U.S. regional airlines.

Regional airlines play a daily, essential role in the U.S. air travel system. According to the Regional Airline Association, 42% of all scheduled passenger flights in the United States in 2016 were operated by regional airlines. Of all the U.S. airports with scheduled passenger service, 64% are served exclusively by regional airlines. Some of the most popular U.S. airports have more than half of all their flights on regional airlines, including New York-LaGuardia, Philadelphia, Washington-Dulles, Charlotte, Houston-Bush and Chicago-O Hare.

Our Competitive Strengths

We believe that our primary strengths are:

Low-Cost Operator. We believe that we are among the lowest cost operators of regional jet service in the United States. There are several key elements that contribute to our cost efficiencies:

- *Efficient Fleet Composition*. We exclusively operate large regional aircraft with 70+ passenger seats on a single FAA certificate. Operating large regional aircraft allows us to enjoy unit cost advantages over smaller regional aircraft. Larger regional aircraft require less fuel and crew resources per passenger carried, and may also have maintenance cost efficiencies.

- *Cost Effective, Long-Term Collective Bargaining Agreements*. Our pilots and flight attendants ratified new four-year collective bargaining agreements effective as of July 13, 2017 and October 1, 2017, respectively, which are among the longest in the regional airline industry and include labor rate structures through 2023 for our pilots and 2022 for our flight attendants. We believe that our collective bargaining agreements and favorable labor relationships are critical for pilot retention and will provide more predictable labor costs into 2023. We derive cost advantages from efficient work rules and the relatively low average seniority of our pilots.

- *Low Corporate Overhead.* Our general and administrative expenses per block hour have decreased by more than 35% over the five-year period ended September 30, 2017. We have significantly reduced our overhead costs by operating with a modest administrative and corporate team, offering cost-effective benefit programs and implementing automated solutions to improve efficiency.

- *Competitive Procurement of Certain Operating Functions.* We have long-term maintenance agreements with expirations extending from December 2020 to December 2027 with AAR, GE, StandardAero, Aviall and Bombardier, respectively, to provide parts procurement, inventory and engine, airframe and component overhaul services. We expect that our long-term agreements with these and other strategic vendors will provide predictable high-quality and cost-effective solutions for most maintenance categories over the next several years. In prior periods, we also invested in long-term engine overhauls on certain aircraft, which we believe will reduce related maintenance obligations in future periods.

Advantages in Pilot Recruitment and Retention. We believe that we are well positioned to attract and retain qualified pilot candidates. Following the ratification of our collective bargaining agreements in July 2017, the average number of new pilot applications per month has increased by 45.3% compared to the six months prior to the ratification. In addition, our average pilot attrition has decreased by 16.2% over the same period.

The following chart presents our cumulative increase in new pilots who have completed training, net of attrition, from July 2017 through June 2018:

We believe that the increased number of new pilot applications per month will continue with the introduction of our CPP with United. In addition to offering competitive compensation, bonuses and benefits, we believe the following elements contribute to our recruiting advantage:

Career Path Program. We recently announced our CPP with United, which is designed to provide our qualified current and future pilots a path to employment as a pilot at United. We believe that our CPP will help us continue to attract qualified pilots, manage natural attrition and further strengthen our decades-long relationship with United.

Modern, Large-Gauged Regional Jets. We exclusively operate large regional aircraft with advanced flight deck avionics. We believe that pilot candidates prefer advanced flight deck avionics because they are similar to those found in the larger commercial aircraft types flown by major airlines.

Opportunities for Advancement. We believe that our career progression is among the most attractive in the regional airline industry. During fiscal 2017, our pilots had the opportunity to be promoted from first officer to captain in as little as 12 months.

Stable Labor Relations. Throughout our long operating history, we believe that we have had constructive relationships with our employees and their labor representatives. We have never been the subject of a labor strike or labor action that impacted our operations.

Enthusiastic and Supportive Culture. Our pilots helping pilots philosophy helps us attract, retain and inspire our next generation of pilots. Our team-oriented culture, as demonstrated by the mentorship of our senior pilots, is both encouraged and expected. We strive to create an environment for our personnel where open communication is customary and where we celebrate our successes together.

Stable, Long-Term Revenue-Guarantee Capacity Purchase Agreements. We have long-term capacity purchase agreements with American and United that extend beyond 2020 for 94 of our 144 aircraft in scheduled service (with 34 aircraft expiring between June and December 2019 and 16 aircraft expiring between January and August 2020, if not extended prior to contract expiration). Both of our capacity purchase agreements are capacity purchase, rather than revenue sharing arrangements. This contractual structure provides us with a predictable revenue stream and allows us to increase our profit margin to the extent that we are able to lower our operating costs below the costs anticipated by the agreements. In addition, we are not exposed to price fluctuations for fuel, certain insurance expenses, ground operations or landing fees as those costs are either reimbursed under our capacity purchase agreements or paid directly to suppliers by our major airline partners.

Fleet Exclusively Comprised of Large, Efficient Regional Jets. We exclusively operate large regional aircraft with 70+ passenger seats. These aircraft are the highest in demand across the regional airline industry and provide us with best-in-class operating efficiencies, providing our major airline partners greater flexibility in route structuring and increased passenger revenues. As of March 31, 2018, we had 145 aircraft (owned and leased) consisting of the following:

	Embraer Regional Jet-175 (76 seats)[1]	Canadair Regional Jet-700 (70 seats)	Canadair Regional Jet-900 (76-79 seats)	Canadair Regional Jet-200 (50 seats)[2]	Total
American Eagle			64		64
United Express	60	20			80
Subtotal	60	20	64		144
Unassigned				1	1
Total	60	20	64	1	145

(1) In February 2018, we mutually agreed with United to temporarily remove two aircraft from service under our United Capacity Purchase Agreement. These aircraft were placed back in service in July 2018 and are reflected here.

(2) CRJ-200 is an operational spare not assigned for service under our capacity purchase agreements.

Longstanding Relationships with American and United. We began flying for United in 1991 and American, through its predecessor entities, in 1992. Since 2013, we have added 26 aircraft to our American Capacity Purchase Agreement and 60 aircraft to our United Capacity Purchase Agreement.

Strong Recent Record of Operational Performance. We were ranked the number one regional airline for on-time performance by DOT Air Travel Consumer Report for three of the first four months of 2018. In addition, we believe that we were the number one regional airline for on-time performance in 2016 and 2017 based on a comparison of our internal data to publicly available DOT data for reporting airlines. Under our capacity purchase agreements, we may receive financial incentives or incur penalties based upon our operational performance, including controllable on-time departures and controllable completion percentages.

Experienced, Long-Tenured Management Team. Our senior management team has extensive operating experience in the regional airline industry. Our Chief Executive Officer and President/Chief Financial Officer have served us in senior officer positions since 1998, and our management team has helped us navigate through and emerge successfully from bankruptcy in early 2011. From 2013 to September 30, 2017, we have significantly grown the business in the following ways:

- achieved revenue growth of 55%;
- expanded the number of aircraft flown under our American Capacity Purchase Agreement from 38 to 64;
- expanded the number of aircraft flown under our United Capacity Purchase Agreement from 20 to 80;
- closed the first EETC financing by a regional airline; and
- improved our operating efficiencies and maintained our cost advantage.

Our Business Strategy

Our business strategy consists of the following elements:

Maintain Low-Cost Structure. We have established ourselves as a low cost, efficient and reliable provider of regional airline services. We intend to continue our disciplined cost control approach through responsible outsourcing of certain operating functions, by flying large regional aircraft with associated lower maintenance costs and common flight crews across fleet types, and through the diligent control of corporate and administrative costs implementing company-wide efforts to improve our cost position. Additionally, we expect our long-term collective bargaining agreements to protect us from significant labor cost increases over the next five years. These efficiencies, coupled with the low average seniority of our pilots, has enabled us to compete aggressively on price in our capacity purchase agreement negotiations.

Attractive Work Opportunities. We believe our employees have been, and will continue to be, a key to our success. Our ability to attract, recruit and retain pilots has supported our industry-leading fleet growth. We intend to continue to offer competitive compensation packages, foster a positive and supportive work environment and provide opportunities to fly state-of-the-art, large-gauged regional jets to differentiate us from other carriers and make us an attractive place to work and build a career.

Maintain a Prudent and Conservative Capital Structure. We intend to continue to maintain a prudent capital structure. We believe that the strength of our balance sheet and credit profile will enable us to optimize terms with lessors and vendors and, when preferred by our major airline partners, allow us to procure and finance aircraft on competitive terms. Also, once we complete this offering, our financial resources and publicly traded securities may allow us to take advantage of attractive acquisition opportunities should they arise. We may use a portion of the offering proceeds to purchase some of our leased aircraft. The purchase of leased aircraft would allow us to lower our operating costs and avoid lease-related use restrictions and return conditions.

Minimize Tail Risk. We have structured our aircraft leases and financing arrangements to minimize or eliminate, as much as possible, so-called tail risk, which is the amount of aircraft-related lease obligations or projected negative equity existing beyond the term of that aircraft s corresponding capacity purchase agreement. We currently have 18 aircraft with leases extending past the term of their corresponding capacity purchase agreements with an aggregate exposure of less than $33.0 million and no financing arrangements with projected negative equity. We intend to continue to align the terms of our aircraft leases and financing agreements with the terms of our capacity purchase agreements in order to maintain low tail risk.

Our Growth Opportunities

During our last five fiscal years, our total operating revenues grew at a compounded annual rate of 11.6% and our fleet size increased from 59 to 140 regional aircraft, a cumulative growth rate of 137%. We believe that our cost discipline, strong operational performance and financial resources will provide additional opportunities to expand our operations, including:

Expand Flying With New and Existing Airline Partners. We enjoy strong relationships with our major airline partners and have significantly expanded our fleet size and flight operations with American and United over the last five years. As the demand for air travel among our major airline partners continues to grow, we expect to have the opportunity to increase our flight services for each major airline partner. In addition, over the next five years, we expect that capacity purchase agreements representing up to 300 aircraft currently flown by our competitors on behalf of major airlines will expire by their terms and be subject to rebidding or replacement by more desirable types of aircraft. We believe that our cost structure and operational efficiencies position us well to compete for this flying. Additionally, we intend to pursue opportunities to provide regional flying to other major airlines with hub cities that do not overlap with our existing major airline partners. In addition, if a market for regional flying on behalf of low-cost and ultra low-cost carriers materializes, we believe that we are well positioned to partner with them, as one of the lowest cost regional airlines in the United States.

Acquisitions of Other Regional Airlines. In the future, we may evaluate the strategic acquisition of other regional air carriers. The opportunity to make an acquisition may arise if, for example, a major airline makes a divestiture of a captive regional airline, as major airlines have done in the past.

Opportunities in the Air Cargo and Express Package Sector. We believe that our cost structure and business model may be successfully deployed in the burgeoning air cargo and express shipping sectors. Amazon.com, Inc. and several of the largest integrated logistics companies, including United Parcel Service, Inc., FedEx Corporation and DHL International GmbH, utilize contractual arrangements similar to our capacity purchase agreements with regional air cargo carriers to service outlying areas. We intend to explore future regional air cargo opportunities.

Regulatory Relief. We actively support the efforts of trade organizations, industry leaders, policymakers and other airlines to encourage regulatory reforms related to the current shortage of qualified pilots, lowering the cost of pilot training and providing access to air service for small communities. While the regulatory reform agenda and policies of the current administration are not fully known, it is possible that favorable regulatory changes may take place. We believe that favorable regulatory changes by the current administration, were they to occur, could increase the number of qualified pilots, lower our operating costs and create incremental opportunities for us with our existing and other potential future major airline partners.

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Aircraft Fleet

We fly only large regional jets manufactured by Bombardier and Embraer. Operating large regional aircraft allows us to enjoy operational, recruiting and cost advantages over other regional airlines that operate smaller regional aircraft.

The following table lists the aircraft we own and lease as of March 31, 2018:

	Number of Aircraft			
Type of Aircraft	Owned	Leased	Total	Passenger Capacity
E-175 Regional Jet	18	42[(1)]	60	76
CRJ-900 Regional Jet	39	25	64	76/79
CRJ-700 Regional Jet	8	12	20	70
CRJ-200 Regional Jet	1		1	50
Total	66	79	145	

(1) These aircraft are owned by United and leased to us at nominal amounts.

The Bombardier and Embraer regional jets are among the quietest commercial jets currently available and offer many of the amenities of larger commercial jet aircraft, including flight attendant service, a stand-up cabin, overhead and under seat storage, lavatories and in-flight snack and beverage service. The speed of Bombardier and Embraer regional jets is comparable to larger aircraft operated by major airlines, and they have a range of approximately 1,600 miles and 2,100 miles, respectively. We do not currently have any existing arrangements with Bombardier or Embraer to acquire additional aircraft.

Route Network

As of March 31, 2018, we served 110 airports throughout the United States, Canada, Mexico and the Bahamas. Our flight schedules are structured to facilitate the connection of our passengers with the flights of our major airline partners at their hub airports and to maximize local and connecting service to other carriers. Under our American and United Capacity Purchase Agreements, market selection, pricing and yield management functions are performed by our respective major airline partners.

Capacity Purchase Agreements

Our capacity purchase agreements consist of the following:

- Operation of CRJ-900 aircraft under our American Capacity Purchase Agreement; and

- Operation of CRJ-700 and E-175 aircraft under our United Capacity Purchase Agreement.

The financial arrangement underlying our American and United Capacity Purchase Agreements includes a revenue-guarantee arrangement. Under the revenue-guarantee provisions of our capacity purchase agreements, our major airline partners pay us a fixed minimum monthly amount per aircraft under contract, plus additional amounts related to departures and block hours flown. We also receive direct reimbursement of certain operating expenses, including landing fees and insurance. Other expenses, including fuel and ground operations are directly paid to suppliers by our major airline partners. We are in good standing under and in material compliance with the terms of our capacity purchase agreements and enjoy good relationships with our major airline partners.

We benefit from our capacity purchase agreements and revenue guarantees because we are sheltered, to an extent, from some of the elements that cause volatility in airline financial performance, including variations in ticket prices, fluctuations in number of passengers and fuel prices. However, we do not benefit from positive trends in ticket prices (including ancillary revenue programs), the number of passengers enplaned or reductions in fuel prices. Our major airline partners retain all revenue collected from passengers carried on our flights. In providing regional flying under our capacity purchase agreements, we use the logos, service marks and aircraft paint schemes of our major airline partners.

The following table summarizes our ASMs flown and passenger revenue recognized under our capacity purchase agreements for the years ended September 30, 2016 and 2017, and six months ended March 31, 2018, respectively:

	Year Ended September 30, 2016			Year Ended September 30, 2017			Six Months Ended March 31, 2018		
	Available Seat Miles	Contract Revenue	Contract Revenue per ASM	Available Seat Miles	Contract Revenue	Contract Revenue per ASM	Available Seat Miles	Contract Revenue	Contract Revenue per ASM
	(in thousands)			(in thousands)			(in thousands)		
American	4,702,987	$ 366,911	¢ 7.80	4,427,870	$ 354,614	¢ 8.01	2,110,731	$ 175,204	¢ 8.30
United	4,120,608	$ 202,462	¢ 4.91	5,044,041	$ 264,084	¢ 5.24	2,510,649	$ 135,700	¢ 5.40
Total	8,823,595	$ 569,373	¢ 6.45	9,471,911	$ 618,698	¢ 6.53	4,621,380	$ 310,904	¢ 6.73

American Capacity Purchase Agreement

As of March 31, 2018, we operated 64 CRJ-900 aircraft for American under our American Capacity Purchase Agreement. In exchange for providing flight services under our American Capacity Purchase Agreement, we receive a fixed monthly minimum amount per aircraft under contract plus certain additional amounts based upon the number of flights and block hours flown during each month. In addition, we may also receive incentives or incur penalties based upon our operational performance, including controllable on-time departures and controllable completion percentages. American also reimburses us for certain costs on an actual basis, including passenger liability and hull insurance and aircraft property taxes, all as set forth in our American Capacity Purchase Agreement. Other expenses, including fuel and certain landing fees, are directly paid to suppliers by American. In addition, American also provides, at no cost to us, certain ground handling and customer service functions, as well as airport-related facilities and gates at American hubs and cities where we operate.

Our American Capacity Purchase Agreement establishes minimum levels of flight operations. In prior periods, the FAA Qualification Standards have negatively impacted our ability to hire pilots at a rate sufficient to support required utilization levels, and, as a result, we have issued credits to American pursuant to the terms of our American Capacity Purchase Agreement. For our fiscal year ended September 30, 2017, and the six-month period ended March 31, 2018, we issued credits of approximately $6.0 million and $3.9 million, respectively, under the American Capacity Agreement.

Our American Capacity Purchase Agreement will terminate with respect to different tranches of aircraft between 2021 and 2025, unless otherwise extended or amended. American has the option to unilaterally extend the term of our American Capacity Purchase Agreement up to three times for one year each (on the same terms) with respect to certain aircraft by providing us prior written notice. Our American Capacity Purchase Agreement is subject to termination prior to that date, subject to our right to cure, in various circumstances including:

If either American or we become insolvent, file for bankruptcy or fail to pay our debts as they become due, the non-defaulting party may terminate the agreement;

Failure by us or American to perform the covenants, conditions or provisions of our American Capacity Purchase Agreement, subject to 15 days notice and cure rights;

If we are required by the FAA or the DOT to suspend operations and we have not resumed operations within three business days, except as a result of an emergency airworthiness directive from the FAA affecting all similarly equipped aircraft, American may terminate the agreement;

If our controllable flight completion factor falls below certain levels for a specified period of time, subject to our right to cure; or

Upon a change in our ownership or control without the written approval of American.

In the event that American has the right to terminate our American Capacity Purchase Agreement, American may, in lieu of termination, withdraw up to an aggregate of 14 aircraft from service under our American Capacity Purchase Agreement. Upon any such withdrawal, American s payments to us would be correspondingly reduced by the number of withdrawn aircraft.

As of March 31, 2018, American held 20.2% of our outstanding common stock (or 10.6% on a fully-diluted basis), which interest American received in exchange for its claims in our bankruptcy proceeding. We entered into a Shareholders Agreement and an Investor Rights Agreement on March 1, 2011 with US Airways, Inc., which later assigned its rights and obligations thereunder by operation of law to American following the merger of US Airways, Inc. and American. See *Certain Relationships and Related Party Transactions Shareholders Agreement* and *Description of Capital Stock Registration Rights.*

United Capacity Purchase Agreement

As of March 31, 2018, we operated 20 CRJ-700 and 58 E-175 aircraft for United under our United Capacity Purchase Agreement. In exchange for providing the flight services under our United Capacity Purchase Agreement, we receive a fixed monthly minimum amount per aircraft under contract plus certain additional amounts based upon the number of flights and block hours flown and the results of passenger satisfaction surveys. United also reimburses us for certain costs on an actual basis, including property tax per aircraft and passenger liability insurance. Other expenses, including fuel and certain landing fees, are directly paid to suppliers by United. We also receive a minimum profit margin based upon our operational performance. Under our United Capacity Purchase Agreement, United has purchased 42 of the 60 E-175 aircraft and leases them to us at nominal amounts. United reimburses us on a pass-through basis for all costs related to heavy airframe and engine maintenance, landing gear, APUs and component maintenance for the 42 E-175 aircraft owned by United.

Our United Capacity Purchase Agreement permits United, subject to certain conditions, including the payment of certain costs tied to aircraft type, to terminate the agreement in its discretion, or remove aircraft from service, by giving us notice of 90 days or more. In February 2018, we mutually agreed with United to temporarily remove two aircraft from service under our United Capacity Purchase Agreement. In July 2018, we were able to fully staff flight operations and these aircraft were placed back into service under our United Capacity Purchase Agreement. During the temporary removal, we agreed to pay the lease costs associated with the two E-175 aircraft, which totaled $0.6 million as of March 31, 2018. If United elects to terminate our United Capacity Purchase Agreement in its entirety or permanently remove select aircraft from service, we are permitted to return any of the affected E-175 aircraft leased from United at no cost to us. In addition, if United removes any of our 18 owned E-175 aircraft from service at its direction, United would remain obligated to assume the debt with respect to such aircraft through the end of the term of the agreement.

Our United Capacity Purchase Agreement expires between June and December 2019 with respect to 34 CRJ-700 and E-175 aircraft, between January and August 2020 with respect to 16 E-175 aircraft, and between 2021 and 2028 with respect to 30 of our E-175 aircraft, subject to United s early termination rights and right to extend (on the same terms) for a total of four additional two-year terms. We intend to work with United to extend our United Capacity Purchase Agreement with respect to these aircraft, but there can be no assurance that we will be able to extend the agreement at acceptable rates, on acceptable terms, or at all.

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Our United Capacity Purchase Agreement is subject to early termination under various circumstances including:

- By United if certain operational performance factors fall below a specified percentage for a specified time, subject to notice under certain circumstances;
- By United if we fail to perform the material covenants, agreements, terms or conditions of our United Capacity Purchase Agreement or similar agreements with United, subject to thirty (30) days notice and cure rights;
- If either United or we become insolvent, file bankruptcy or fail to pay debts when due, the non-defaulting party may terminate the agreement; or
- By United if we merge with, or if control of us is acquired by another air carrier or a corporation directly or indirectly owning or controlling another air carrier.

Maintenance and Repairs

A key element of our business and low-cost strategy is the responsible outsourcing of certain aircraft maintenance and other operating functions. We use competitive bidding among qualified vendors to procure these services on the best possible terms. In March 2014, August 2015 and January 2017, we entered into long-term maintenance contracts with AAR to provide fixed-rate parts procurement and component overhaul services for our aircraft fleet. Under these agreements, AAR provides maintenance and engineering services on any aircraft that we designate during the term of the agreement, along with access to spare parts inventory pool in exchange for a fixed monthly fee. Our agreements with AAR expire in 2026, unless earlier terminated for cause. We have not experienced difficulty obtaining spare parts on a timely basis for our aircraft fleet. As of September 30, 2017, $50.8 million of parts inventory was consigned to us by AAR under long-term contracts that is not reflected on our balance sheet.

In July 2012, we entered into a heavy check maintenance contract with Bombardier, to perform heavy check maintenance on our CRJ-700 and CRJ-900 aircraft, which extends through November 2020.

In July 2013, we entered into an engine maintenance contract with GE to perform heavy maintenance on certain CRJ-700 and CRJ-900 engines based on a fixed pricing schedule. The pricing may escalate annually in accordance with GE s spare parts catalog for engines. The engine maintenance contract extends through 2024.

In 2014, we entered into a ten-year contract with Aviall to provide maintenance and repair services on the wheels, brakes and tires of our CRJ-700 and CRJ-900 aircraft. Under the agreement, we pay Aviall a fixed cost per landing fee for all landings of our aircraft during the term of the agreement, which fee is subject to annual adjustment based on increases in the cost of labor and component parts. As of September 30, 2017, $7.0 million of parts inventory was consigned to us by Aviall under long-term contracts that is not reflected on our balance sheet.

We entered into an engine maintenance contract with StandardAero, which became effective on June 1, 2015, to perform heavy maintenance on certain CRJ-700 and CRJ-900 engines based on a fixed pricing schedule. The pricing may escalate annually in accordance with GE s spare parts catalog for engines. The engine maintenance contract extends through 2020.

Apart from our outsourcing of certain maintenance functions, we have a FAA mandated and approved maintenance program. Our maintenance technicians undergo extensive initial and recurrent training. Aircraft maintenance and repair consists of routine and non-routine maintenance, and work performed is divided into three general categories: line maintenance, heavy maintenance and component service.

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Line maintenance consists of routine daily and weekly scheduled maintenance checks on our aircraft. We categorize our line maintenance into four stations and each line maintenance station is categorized by the scope and complexity of work performed. Line maintenance is performed in Dallas, Houston, Phoenix and Washington, D.C. and represents the majority of and most extensive maintenance we perform.

Major airframe maintenance checks consist of a series of more complex tasks that can take from one to four weeks to accomplish and typically are required approximately every 28 months, on average across our fleet. Engine overhauls and engine performance restoration events are quite extensive and can take two months. We maintain an inventory of spare engines to provide for continued operations during engine maintenance events. We expect to begin the initial planned engine maintenance overhauls on our new engine fleet approximately four to six years after the date of manufacture and introduction into our fleet, with subsequent engine maintenance every four to six years thereafter. Due to our current fleet size, we believe outsourcing all of our heavy maintenance, engine restoration and major part repair, is more economical than performing this work using our internal maintenance team.

Competition

We consider our competition to be those U.S. regional airlines that currently hold or compete for capacity purchase agreements with major airlines. Our competition includes, therefore, nearly every other domestic regional airline, including Air Wisconsin Airlines Corporation (Air Wisconsin); Endeavor (owned by Delta); Envoy, PSA and Piedmont (Envoy, PSA and Piedmont are owned by American); Horizon (owned by Alaska Air Group, Inc.); SkyWest Inc., parent of SkyWest Airlines, Inc. and ExpressJet Airlines, Inc. (collectively, SkyWest); Republic Airways Holdings Inc. (Republic); and Trans States Airlines, Inc. (Trans States). Our primary competitors are listed below:

Regional Airline[(1)]	2016 Passengers Enplaned	Ownership	Estimated Large Regional Aircraft in Service (greater than 50 seats)	Estimated Small Regional Aircraft in Service (50 seats or less)
SkyWest, parent of SkyWest Airlines and ExpressJet Airlines	53,518,235	Publicly traded	288	307
American Airlines Group, parent of PSA, Envoy and Piedmont	26,161,882	Captive subsidiaries of American	159	173
Republic	17,090,399	Private; majority owned by American, Delta and United	189	
Trans States Holdings, parent of Compass, GoJet and Trans States regional airlines	14,688,699	Privately owned	110	51
Mesa Air Group	13,065,404	Publicly traded, following this transaction; 10.6%	144	

		owned by American(2)		
Endeavor	10,977,002	Captive subsidiary of Delta	93	50
Horizon	7,801,880	Captive subsidiary of Alaska	59	0
Air Wisconsin	5,395,587	Privately owned	0	65
CommutAir	1,341,379	Private, 40% owned by United	0	22

(1) Certain smaller independent regional airlines with some code-share or capacity purchase relationships with major airlines have been excluded due to size.

(2) Reflects American s ownership of common stock on a fully-diluted basis as of March 31, 2018.

Major airlines typically offer capacity purchase arrangements to regional airlines on the basis of the following criteria: availability of labor resources; proposed contract economic terms; reliable and on-time flight operations; corporate financial resources including ability to procure and finance aircraft; customer service levels; and other factors.

Certain of our competitors are larger and have significantly greater financial and other resources than we do. Moreover, economic downturns, combined with competitive pressures, have contributed to a number of reorganizations, bankruptcies, liquidations and business combinations among major and regional carriers. The effect of economic downturns is somewhat mitigated by our reliance on capacity purchase agreements with revenue-guarantee provisions, but the renewal and continued profitability of these partnerships with our major airline partners is not guaranteed.

Aircraft Fuel

Our capacity purchase agreements provide that our major airline partners source, procure and directly pay third-party vendors for all fuel used in the performance of those agreements. Accordingly, we do not recognize fuel expenses or revenues for flying under our capacity purchase agreements and we face very limited exposure to fuel price fluctuations.

Insurance

We maintain insurance policies we believe are of types customary in the airline industry and as required by the DOT, lessors and other financing parties and our major airline partners under the terms of our capacity purchase agreements. The policies principally provide liability coverage for public and passenger injury; damage to property; loss of or damage to flight equipment; fire; auto; directors and officers liability; advertiser and media liability; cyber risk liability; fiduciary; workers compensation and employer s liability; and war risk (terrorism). Although we currently believe our insurance coverage is adequate, we cannot assure you that the amount of such coverage will not be changed or that we will not be forced to bear substantial losses from accidents.

Employees

As of March 31, 2018, we employed approximately 3,229 employees, consisting of 1,317 pilots or pilot recruits, 1,159 flight attendants, 53 flight dispatchers, 411 mechanics and 289 employees in administrative roles. Our continued success is partly dependent on our ability to continue to attract and retain qualified personnel. We have never been the subject of a labor strike or labor action that materially impacted our operations.

FAA regulations require pilots to have an ATP license with specific ratings for the aircraft to be flown, and to be medically certified as physically fit to fly. FAA and medical certifications are subject to periodic renewal requirements including recurrent training and recent flying experience. Mechanics, quality-control inspectors, and flight dispatchers must be certificated and qualified for specific aircraft. Flight attendants must have initial and periodic competency training and qualification. Training programs are subject to approval and monitoring by the FAA. Management personnel directly involved in the supervision of flight operations, training, maintenance, and aircraft inspection must also meet experience standards prescribed by FAA regulations. All safety-sensitive employees are subject to pre-employment, random, and post-accident drug testing.

The airline industry has from time to time experienced a shortage of qualified personnel, particularly with respect to pilots and maintenance technicians. In addition, as is common with most of our competitors, we have faced considerable turnover of our employees. Regional airline pilots, flight attendants and maintenance technicians often leave to work for larger airlines, which generally offer

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higher salaries and better benefit programs than regional airlines are financially able to offer. During fiscal 2017, we experienced higher than average turnover as a result of pilot wage increases at certain other regional air carriers and expanded hiring by major carriers. Should the turnover of employees, particularly pilots, sharply increase, the result will be significantly higher training costs than otherwise would be necessary and we may need to request a reduced flight schedule with our major airline partners, which may result in operational performance penalties under our capacity purchase agreements. We cannot assure you that we will be able to recruit, train and retain the qualified employees that we need to carry out our expansion plans or replace departing employees.

As of March 31, 2018, approximately 76.7% of our employees were represented by labor unions under collective-bargaining agreements, as set forth below. No other employees of ours or our subsidiaries are parties to any other collective bargaining agreement or union contracts.

Employee Groups	Number of Employees	Representative	Labor Agreement Expiration
Pilots	1,317	Air Line Pilots Association	7/13/2021(1)
Flight Attendants	1,159	Association of Flight Attendants	10/1/2021(2)
Dispatchers	53	N/A	
Mechanics	411	N/A	
Administrative	289	N/A	

(1) On July 13, 2017, our pilots ratified a new four-year collective bargaining agreement.
(2) On October 1, 2017, our flight attendants also ratified a new four-year collective bargaining agreement.

The RLA governs our relations with labor organizations. Under the RLA, the collective bargaining agreements generally do not expire, but instead become amendable as of a stated date. If either party wishes to modify the terms of any such agreement, they must notify the other party in the manner agreed to by the parties. Under the RLA, after receipt of such notice, the parties must meet for direct negotiations, and if no agreement is reached, either party may request the NMB to appoint a federal mediator. The RLA prescribes no set timetable for the direct negotiation and mediation process. It is not unusual for those processes to last for many months, and even for a few years. If no agreement is reached in mediation, the NMB in its discretion may declare at some time that an impasse exists, and if an impasse is declared, the NMB proffers binding arbitration to the parties. Either party may decline to submit to arbitration. If arbitration is rejected by either party, a 30-day cooling off period commences. During that period (or after), a Presidential Emergency Board (PEB) may be established, which examines the parties positions and recommends a solution. The PEB process lasts for 30 days and is followed by another cooling off period of 30 days. At the end of a cooling off period, unless an agreement is reached or action is taken by Congress, the labor organization may strike and the airline may resort to self-help, including the imposition of any or all of its proposed amendments and the hiring of new employees to replace any striking workers. Congress and the President have the authority to prevent self-help by enacting legislation that, among other things, imposes a settlement on the parties. The table above sets forth our employee groups and status of the collective bargaining agreements.

Safety and Security

We are committed to the safety and security of our passengers and employees. We have taken many steps, both voluntarily and as mandated by governmental authorities, to increase the safety of our operations. Some of the safety and security measures we have taken with our major airline partners include: aircraft security and surveillance, positive bag matching procedures, enhanced passenger and baggage screening and search procedures, and securing of cockpit doors. We are committed to complying with future safety and security requirements.

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Our ongoing focus on safety relies on training our employees to proper standards and providing them with the tools and equipment they require so they can perform their job functions in a safe and efficient manner. Safety in the workplace targets several areas of our operation including: dispatch, flight operations and maintenance.

The TSA and the U.S. Customs and Border Protection, each a division of the U.S. Department of Homeland Security, are responsible for certain civil aviation security matters, including passenger and baggage screening at U.S. airports, and international passenger prescreening prior to entry into or departure from the U.S. international flights are subject to customs, border, immigration and similar requirements of equivalent foreign governmental agencies. We are currently in compliance with all directives issued by such agencies. We maintain active, open lines of communication with the TSA at all of our locations to ensure proper standards for security of our personnel, equipment and facilities are exercised throughout the operation.

Facilities

In addition to aircraft, we have office and maintenance facilities to support our operations. Each of our facilities are summarized in the following table:

Type	Location	Ownership	Approximate Square Feet
Corporate Headquarters	Phoenix, Arizona	Leased	33,770
Office, Hangar and Warehouse	El Paso, Texas	Leased	31,292
Warehouse	Dulles, Washington	Leased	1,475
Hangar	Houston, Texas	Leased	74,524
Parts/Stores	Phoenix, Arizona	Leased	12,000
Training Center	Phoenix, Arizona	Leased	23,783
Hangar	Phoenix, Arizona	Leased	22,467
Warehouse	Tucson, Arizona	Leased	4,676
Warehouse	Dallas, Texas	Leased	3,420
Hangar	Dulles, Washington	Leased	27,235
Crew Lounge	Louisville, Kentucky	Leased	1,171
Crew Lounge	Dulles, Washington	Leased	1,834

Our corporate headquarters and training facilities in Phoenix, Arizona are subject to long-term leases expiring on November 30, 2025 and May 31, 2025, respectively.

We believe our facilities are suitable and adequate for our current and anticipated needs.

Foreign Ownership

Under DOT regulations and federal law, we must be owned and controlled by U.S. citizens. The restrictions imposed by federal law and regulations currently require that at least 75% of our voting stock must be owned and controlled, directly and indirectly, by persons or entities who are U.S. citizens, as defined in the Federal Aviation Act, that our president and at least two-thirds of the members of our Board of Directors and other managing officers be U.S. citizens, and that we be under the actual control of U.S. citizens. In addition, at least 51% of our total outstanding stock must be owned and controlled by U.S. citizens and no more than 49% of our stock may be held, directly or indirectly, by persons or entities who are not U.S. citizens and are from countries that have entered into open skies air transport agreements with the U.S. which allow unrestricted access between the United States and the applicable foreign country and to points beyond the foreign country on flights serving the foreign country. We are currently in compliance with these ownership provisions. As of

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March 31, 2018, there were outstanding warrants to purchase 10,890,905 shares of our common stock, with an exercise price of $0.004 per share and warrants to purchase 250,000 shares of our common stock with an exercise price of $3.20 per share (which were terminated in June 2018). The warrants are not exercisable in violation of the restrictions imposed by federal law requiring that no more than 24.9% of our stock be voted, directly or indirectly, or controlled by persons who are not U.S. citizens. For a discussion of the procedures we instituted to ensure compliance with these foreign ownership rules, see *Description of Capital Stock Anti-Takeover Provisions of Our Articles of Incorporation, Bylaws and Nevada Law Limited Ownership and Voting by Foreign Owners.*

Government Regulation

Aviation Regulation

The DOT and FAA have regulatory authority over air transportation in the United States and all international air service is subject to certain U.S. federal requirements and approvals, as well as the regulatory requirements of the appropriate authorities of the foreign countries involved. The DOT has authority to issue certificates of public convenience and necessity, exemptions and other economic authority required for airlines to provide domestic and foreign air transportation. International routes and international code-sharing arrangements are regulated by the DOT and by the governments of the foreign countries involved. A U.S. airline s ability to operate flights to and from international destinations is subject to the air transport agreements between the United States and the foreign country and the carrier s ability to obtain the necessary authority from the DOT and the applicable foreign government.

The U.S. government has negotiated open skies agreements with many countries, which allow broad access between the United States and the applicable foreign country. With certain other countries, however, the United States has a restricted air transportation agreement. Our international flights to Mexico are governed by a recently implemented liberalized bilateral air transport agreements which the DOT has determined has all of the attributes of an open skies agreement. Our flights to Canada, Cuba and the Bahamas are governed by bilateral air transport agreements between the United States and such countries. Changes in U.S., Mexican, Canadian, Cuban or Bahamian aviation policies could result in the alteration or termination of the corresponding air transport agreement, or otherwise affect our operations to and from these countries. In particular, there is still a degree of uncertainty about the future of scheduled commercial flight operations between the United States and Cuba as a result of changes in diplomatic relations between the two governments, as well as travel and trade restrictions implemented by the U.S. government in 2017. We are largely sheltered from the economic impact changes to existing open skies agreements or volatility in U.S., Mexican, Canadian, Cuban or Bahamian aviation polices because our major airline partners control route selection and scheduling under our capacity purchase agreements.

The FAA is responsible for regulating and overseeing matters relating to the safety of air carrier flight operations, including the control of navigable air space, the qualification of flight personnel, flight training practices, compliance with FAA airline operating certificate requirements, aircraft certification and maintenance requirements and other matters affecting air safety. The FAA requires each commercial airline to obtain and hold an FAA air carrier certificate. We currently hold an FAR-121 air carrier certificate.

Airport Access

Flights at three major domestic airports are regulated through allocations of landing and takeoff authority (i.e., slots and operating authorizations) or similar regulatory mechanisms, which limit

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take-offs and landings at those airports. Each slot represents the authorization to land at or take off from the particular airport during a specified time period. In the United States, the FAA currently regulates the allocation of slots, slot exemptions, operating authorizations or similar capacity allocation mechanisms at two of the airports we serve, Ronald Reagan Washington National Airport (DCA) in Washington, D.C. and New York s LaGuardia Airport (LGA). In addition, John Wayne Airport (SNA) in Orange County, California, has a locally imposed slot system. Our operations at these airports generally require the allocation of slots or analogous regulatory authorizations, which are obtained by our major airline partners.

Consumer Protection Regulation

The DOT also has jurisdiction over certain economic issues affecting air transportation and consumer protection matters, including unfair or deceptive practices and unfair methods of competition, lengthy tarmac delays, air carriers, airline advertising, denied boarding compensation, ticket refunds, baggage liability, contracts of carriage, customer service commitments, customer complaints and transportation of passengers with disabilities. The DOT frequently adopts new consumer protection regulations, such as rules to protect passengers addressing lengthy tarmac delays, chronically delayed flights, capacity purchase disclosure and undisclosed display bias, and is reviewing new guidelines to address the transparency of airline non-ticket fees and refunding baggage fees for delayed checked baggage. The DOT also has authority to review certain joint venture agreements, code-sharing agreements (where an airline places its designator code on a flight operated by another airline) and wet-leasing agreements (where one airline provides aircraft and crew to another airline) between carriers and regulates other economic matters such as slot transactions.

Environmental Regulation

We are subject to various federal, state, local and foreign laws and regulations relating to environmental protection matters. These laws and regulations govern such matters as environmental reporting, storage and disposal of materials and chemicals and aircraft noise. We are, and expect in the future to be, involved in various environmental matters and conditions at, or related to, our properties. We are not currently subject to any environmental cleanup orders or actions imposed by regulatory authorities. We are not aware of any active material environmental investigations related to our assets or properties.

Other Regulations

Airlines are also subject to various other federal, state, local and foreign laws and regulations. For example, the U.S. Department of Justice has jurisdiction over certain airline competition matters. Labor relations in the airline industry are generally governed by the RLA. The privacy and security of passenger and employee data is regulated by various domestic and foreign laws and regulations.

The U.S. government and foreign governments may consider and adopt new laws, regulations, interpretations and policies regarding a wide variety of matters that could directly or indirectly affect our results of operations. We cannot predict what laws, regulations, interpretations and policies might be considered in the future, nor can we judge what impact, if any, the implementation of any of these proposals or changes might have on our business.

Legal Proceedings

We are subject to commercial and employment litigation claims and to administrative and regulatory proceedings and reviews. We currently believe that the ultimate outcome of such claims, proceedings and reviews will not, individually or in the aggregate, have a material adverse effect on our financial position, liquidity or results of operations.

Additionally, from time to time we are subject to legal proceedings and regulatory oversight in the ordinary course of our business.

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MANAGEMENT

The following table provides information regarding the individuals who currently serve as our directors and executive officers:

Name	Age	Position(s)
Executive Officers and Employee Directors		
Jonathan G. Ornstein	61	Chairman of the Board and Chief Executive Officer
Michael J. Lotz	58	President and Chief Financial Officer
Brian S. Gillman	49	Executive Vice President, General Counsel and Secretary
Michael L. Ferverda	74	Chief Operating Officer
Non-Employee Directors		
Daniel J. Altobello(2)(3)	77	Director
Ellen N. Artist(1)	62	Director
Mitchell Gordon(1)	61	Director
Dana J. Lockhart(1)	71	Director
G. Grant Lyon(2)	55	Director
Giacomo Picco(3)	41	Director
Harvey Schiller(2)	79	Director
Don Skiados(3)	72	Director

(1) Member of the Audit Committee.
(2) Member of the Compensation Committee.
(3) Member of the Corporate Governance/Nominating Committee.

The following are brief biographies for each current executive officer and employee director and each non-employee director. When we refer to any of such persons service to our company we are referring to service to Mesa Air Group, Inc. as well as our wholly owned subsidiaries, Mesa Airlines and MAG-AIM.

Executive Officers and Employee Directors

Jonathan G. Ornstein serves as our Chairman and Chief Executive Officer, and has been with us since being named President in 1998, and Chairman of the Board in 1999. Mr. Ornstein co-founded Virgin Express S.A./N.V., an airline in Brussels, Belgium, where he served as chief executive officer and chairman from 1995 until 1999. In 1994, Mr. Ornstein served as chief executive officer of Continental Express, and was later named senior vice president of airport services for Continental Airlines. Mr. Ornstein s first tenure with us was from 1988 to 1994, serving as our Executive Vice President and President of our then-wholly owned subsidiary. Mr. Ornstein began his career in aviation in 1986 with AirLA, a commuter airline in Los Angeles. Mr. Ornstein attended the University of Pennsylvania.

Michael J. Lotz serves as our President and Chief Financial Officer, and has been with us since 1998, serving as President since 2000. In 1999, Mr. Lotz was named our Chief Operating Officer and served as Chief Financial Officer during that time, after joining us in 1998 as a consultant. From 1995 to 1998, Mr. Lotz worked with Mr. Ornstein, first at Continental Express as senior director of purchasing, later as vice president of airport operations, and then at Virgin Express S.A./N.V.in Brussels as chief operating officer, where the two eventually took the company public. From

1987 to 1995, Mr. Lotz served in various roles at Continental Airlines, ultimately serving as senior director of contract services and airport administration. Mr. Lotz received a B.B.A in financial accounting from Iona College.

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Brian S. Gillman has served as our Executive Vice President, General Counsel and Secretary since 2013. From February 2011 to September 2013, Mr. Gillman served as executive vice president and general counsel at Global Aviation Holdings Inc. From 2001 to February 2011, Mr. Gillman served as our Executive Vice President and General Counsel. From 1996 to 2001, Mr. Gillman was vice president, general counsel and secretary at Vanguard Airlines, Inc. in Kansas City, Missouri. From 1994 to 1996, Mr. Gillman practiced corporate and securities law at Stinson, Mag & Fizzell, P.C. (now known as Stinson Leonard Street LLP) in Kansas City, Missouri. Mr. Gillman received his J.D. and B.B.A. in accounting from the University of Iowa.

Michael L. Ferverda serves as our Chief Operating Officer, and has served in a wide range of capacities across our senior management team. From 2007 to 2009, Mr. Ferverda served as chief operating officer, director of operations and chief pilot of Kunpeng Airlines, which was, at the time, our joint venture with Shenzhen Airlines, in China. Mr. Ferverda previously served as president of Freedom Airlines in 2002 and senior vice president of West Coast operations in February 2003. From 1973 to 1989, after serving as an aviator in the United States Navy, Mr. Ferverda was a pilot for Eastern Airlines. Mr. Ferverda received a B.A. in political science from Indiana University.

Non-Employee Directors

Daniel J. Altobello has served as a member of our Board of Directors since January 1998. Mr. Altobello is the retired director and chairman of Onex Food Services, Inc., the parent corporation of Caterair International, Inc., and LSG/SKY Chefs. From 1989 to 1995, Mr. Altobello served as chairman, president and chief executive officer of Caterair International Corporation. From 1979 to 1989, he held various managerial positions with the food service management and in-flight catering divisions of Marriott Corporation, including executive vice president of Marriott Corporation and president of Marriott Airport Operations Group. Mr. Altobello began his management career at Georgetown University as vice president of administration services. He is a member of the board of directors of Arlington Asset Investment Corporation (NYSE: AI), DiamondRock Hospitality Company (NYSE: DRH), Northstar Healthcare Income Inc. (NYSE: NSAM), and Mancini Holdings. Mr. Altobello also serves as a trustee of Loyola Foundation, Inc. Mr. Altobello is a member of the Compensation Committee and the Corporate Governance/Nominating Committee. We believe Mr. Altobello is qualified to serve on our Board of Directors due to his experience in the air transportation industry and his general and airline business experience.

Ellen N. Artist has served as a member of our Board of Directors since March 2011. Ms. Artist has more than 35 years of experience in aviation finance as a bankruptcy trustee, financial advisor, financial principal and commercial lender. Ms. Artist led the out-of-court restructuring of lease and loan obligations for both Independence Air and American. During the course of her career, Ms. Artist has been involved in more than $10 billion in aviation, debt, equity and lease placements. Ms. Artist was formerly a founding partner at both The Seabury Group, LLC, from 1996 to 2002, and Sky Works Capital, LLC, from 2002 to 2005, two investment banking boutiques specializing in aviation activities. Other areas of expertise for Ms. Artist include claims resolution, trust accounting, litigation and interaction with counsel. Ms. Artist is a graduate of Northwestern University with a B.A. in Economics and received an M.B.A. with distinction from New York University. Ms. Artist is the chair of the Audit Committee. We believe Ms. Artist is qualified to serve on our Board of Directors due to her experience in the aviation industry, her financial expertise and general business expertise.

Mitchell Gordon has served as a member of our Board of Directors since March 2011. Mr. Gordon has more than 30 years of experience in transportation, finance and general business management. He is currently serving as the chief executive officer of Edition Logistics Management, LLC, a transportation sector investment and management firm, and Edition Capital Partners, LLC, a merchant banking firm. From December 2013 to December 2015, Mr. Gordon was the president, the chief

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financial officer and director of Cambridge Capital Acquisition Corporation, a special purpose acquisition company (the SPAC). In 2016, the SPAC merged with and into an Israeli company, Ability Computer & Software Industries, Ltd., which changed its name to Ability Inc. (Ability). Mr. Gordon served as an Ability director and audit committee member until 2016. In May 2016, Mr. Gordon, along with other Ability directors and officers, was named in a derivative action lawsuit filed in Israel. The defendants are vigorously defending the lawsuit. Mr. Gordon also served as president of Morpheus Capital Advisors, a leading merchant banking firm serving middle market companies, from 2003 to 2013. From 1998 to 2000, Mr. Gordon served as chief financial officer, executive vice president and a member of the Office of the President of Interpool (NYSE: IPX), one of the world s largest lessors of transportation equipment. Prior to joining Interpool, Mr. Gordon founded and was president of Atlas Capital Partners from 2000 to 2003 and was managing director and co-head of Salomon Smith Barney s transportation investment banking group. Mr. Gordon s background also includes serving as senior vice president and head of the transportation and automotive investment groups at Furman Selz as well as vice president of investment banking at Needham & Company. Mr. Gordon has served on the boards of Interpool, Indigo Aviation (NSE: INDIGO), Merchants Fleet and Almedica, Inc. He has served on numerous nonprofit boards and is currently the chair of the Hunter College Community Advisory Board. Mr. Gordon holds a B.S.B.A. from Washington University and an M.B.A. from Harvard Business School. Mr. Gordon is a member of our Audit Committee. We believe Mr. Gordon is qualified to serve on our Board of Directors due to his experience in the transportation industry, his financial expertise and his general business experience.

Dana J. Lockhart has served as a member of our Board of Directors since March 2011. Mr. Lockhart is an independent contractor offering advisory services in financing and procurement of civil aircraft, capital markets and in- and out-of-court restructuring. Mr. Lockhart joined Lockheed Corporation while in college and in 1979 became a founding executive of Lockheed Finance Corporation. In 1982, he was recruited to develop and manage Fairchild Industries new captive subsidiary responsible for sales financing of the company s regional aircraft. In 1987, Mr. Lockhart joined Airbus Americas as a sales finance negotiator, assuming management of the sales finance team in 1989. Mr. Lockhart was promoted to chief financial officer of Airbus Americas in 2002. Between 2008 and 2009, he led the capital markets function of GMT Global Republic Aviation. Since 2009, Mr. Lockhart has provided financial consulting services through his company DJL Advisors, LLC. Mr. Lockhart holds a B.S.B.A. in business administration from California State University and an M.B.A. from Pepperdine University. Mr. Lockhart is a member of the Audit Committee. We believe Mr. Lockhart is qualified to serve on our Board of Directors due to his experience in our industry with airlines and aircraft manufacturers.

G. Grant Lyon has served as a member of our Board of Directors since March 2011. Mr. Lyon has more than 20 years of distressed management experience and has served as a financial advisor for numerous corporate restructuring engagements. Mr. Lyon s expertise includes out-of-court restructuring, claims analysis, securities valuation, debtor-in-possession financing, solvency analysis, litigation support and serving as a liquidation trustee. From 2006 to 2015, he was the managing director of Odyssey Capital Group, LLC, a financial advisory firm. From 2015 to 2017, he served as a consultant for KRyS Global USA, a fraud investigation, dispute resolution and corporate recovery firm. Since January 2018, he has served as the managing director of Atera Capital. Lyon holds a B.S. in accounting and an M.B.A. from Brigham Young University and is a Certified Public Accountant. Mr. Lyon is a member of the Compensation Committee and served as a member of the Corporate Governance/Nominating Committee until July 16, 2018. We believe Mr. Lyon is qualified to serve on our Board of Directors due to his financial expertise and general business experience.

Giacomo Picco has served as a member of our Board of Directors since August 2016. He is a partner at Sound Point Capital Management LP (Sound Point), an asset management firm specializing in credit strategies, where he serves as co-portfolio manager of the Strategic Capital Fund and head of corporate solutions for the firm. He focuses on sourcing and structuring directly originated loans for

companies requiring immediate liquidity or complex financing solutions. Mr. Picco also serves as a member of the investment committee for the Sound Point Beacon Fund and the Sound Point Credit Opportunities Fund. Prior to joining Sound Point, Mr. Picco was a partner at KS Management Corp., an event-driven hedge fund, from 2005 to 2014. Before becoming a partner there, Mr. Picco served as co-head of research. From 2001 to 2002, Mr. Picco was an associate at the Carlyle Group (Nasdaq: CG), where he worked on leveraged buyout transactions. From 1991 to 2001, he worked at Lazard Fréres & Co. as a banker in their mergers and acquisitions group. Mr. Picco also serves on the board of directors of OmniMax International, Inc. and was appointed to be the independent non-executive chairman of Seismic Library Enterprises LLC, which operates a seismic mapping library, by Morgan Stanley Smith Barney. Mr. Picco serves as a guest lecturer for Columbia Business School s Value Investing Program and for its Private Equity Program. He serves on the investment committee for the Resurrection Episcopal Day School in New York City. Mr. Picco holds a B.A. from Columbia University and an M.B.A. from Harvard Business School. Mr. Picco was appointed to the Corporate Governance/Nominating Committee on July 16, 2018. We believe Mr. Picco is qualified to serve on our Board of Directors due to his financial expertise and general business experience.

Brigadier General Harvey Schiller, USAF, Ret., has served as a member of our Board of Directors since March 2011. He has a varied history of experience that includes a decorated military career as a pilot to various leadership positions in business and sports. Mr. Schiller previously served as the president of Turner Sports (from 1994 to 2000), the Atlanta Thrasher NHL Club (from 1997 to 2000), executive director of the U.S. Olympic Committee (from 1990 to 1994), commissioner of the Southeastern Conference (from 1986 to 1990), and chairman of the security company Global Options Group (from 2004 to 2012). He has served on the national board of directors for the Boys and Girls Clubs and as director of IDT Corporation. Mr. Schiller was appointed as permanent professor at the United States Air Force Academy and the White House Commission on Presidential Scholars. Mr. Schiller is a graduate of The Citadel and earned a PhD in Chemistry from the University of Michigan. We believe Mr. Schiller is qualified to serve on our Board of Directors due to his extensive general business experience.

Don Skiados has served as a member of our Board of Directors since March 2011. Mr. Skiados is currently the president of Leadership Communication & Training, an aviation industry consulting company with a focus on advising boards of directors on proper governance procedures, management and labor relations and strategic planning. Prior to retiring in June 2009, Mr. Skiados served as the executive director of the ALPA, the world s largest pilots union. He had previously served as the ALPA s director of communication and was continuously employed by the ALPA for 40 years. Mr. Skiados is the recipient of the Paul Whalen Education Award for his role in the formation of the Council on Aviation Accreditation (now known as the Aviation Accreditation Board International (AABI)) and the Richard W. Taylor Industry Award, which is presented annually to a member of AABI who volunteers time and effort to further the goals of that organization. Mr. Skiados has successfully completed the Wharton Executive Development Program at the Wharton School, University of Pennsylvania, and attended the University of Maryland. Mr. Skiados serves as Chair of the Corporate Governance/Nominating Committee. We believe Mr. Skiados is qualified to serve on our Board of Directors due to his corporate governance expertise, labor and management expertise and general and airline business experience.

Board Composition

Our business and affairs are managed under the direction of our Board of Directors. The number of directors will be fixed by our Board of Directors, subject to the terms of our second amended and restated articles of incorporation and amended and restated bylaws. Our Board of Directors is presently comprised of nine members.

If authorized by a resolution of our Board of Directors, directors may be appointed to fill any vacancy on our Board of Directors, regardless of how such vacancy shall have been created. Newly created directorships, resulting from any increase in the number of authorized directors, or from any vacancy in our Board of Directors, may be filled only by a majority vote of the directors then in office, though less than a quorum, or by the sole remaining director, or, to the extent required by the amended and restated articles of incorporation or if there are no directors, by the shareholders, and directors so chosen shall hold office until such director s successor shall have been duly elected and qualified. No decrease in the number of authorized directors shall shorten the term of any incumbent director.

Director Independence

With the assistance of legal counsel, our Board of Directors has determined that each of the members of the Board of Directors, except Mr. Ornstein, is currently an independent director for purposes of the Nasdaq Listing Rules and Rule 10A-3(b)(1) under the Exchange Act, as the term applies to membership on our Board of Directors and the various committees of our Board of Directors. Nasdaq s independence definition includes a series of objective tests, such as that the director has not been our employee within the past three years and has not engaged in various types of business dealings with us. In addition, as further required by Nasdaq rules, our Board of Directors has made an affirmative subjective determination as to each independent director that no relationships exist which, in the opinion of our Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In making these determinations, our Board of Directors reviewed and discussed information provided by the directors and us with regard to each director s business and personal activities as they may relate to us and our management. On an annual basis, each director and executive officer is obligated to complete a director and officer questionnaire that requires disclosure of any transactions with us in which the director or officer, or any member of his or her family, has a direct or indirect material interest.

Family Relationships

There are no family relationships among any of our directors or executive officers.

Board Committees

Our Board of Directors has established the following committees to assist our Board of Directors in discharging its responsibilities: an Audit Committee, a Compensation Committee and a Corporate Governance/Nominating Committee. The composition of each committee is determined by our Board of Directors, after consultation with the Chairman/Chief Executive Officer and the Corporate Governance/Nominating Committee. The composition and responsibilities of each committee are described below.

Audit Committee

Our Audit Committee oversees all aspects of our control, reporting and audit functions, with a particular focus on the qualitative aspects of financial reporting to shareholders and on our processes for the management of business and financial risk and for compliance with significant applicable legal, ethical and regulatory requirements. Among other matters, the Audit Committee:

- facilitates communication between the independent registered public accountants, members of senior management, our internal audit function and our Board of Directors;

reviews, assesses and reports to our Board of Directors on the independence of the registered public accountant, and maintains an active dialogue with the independent registered public accountant;

- receives reports from senior management regarding the internal audit function and relays this information directly to our Board of Directors;

- evaluates and assesses significant risks or exposures and ensures that the yearly audit plan addresses such risks;

- reviews and coordinates audit efforts to ensure completeness of coverage and effective use of audit resources;

- considers and reviews with the internal audit function and independent registered public accountants issues relating to the internal audit plan;

- meets four times per year or more frequently as circumstances may require;

- meets at least annually with the independent registered public accountant, the internal audit function and management, including the Chief Financial Officer, in separate executive sessions to discuss matters privately with the Audit Committee;

- reviews the audited financial statements and considers the matters required to be discussed by Rule 2-07 of Regulation S-X; and

- reports periodically to our Board of Directors on significant results of the foregoing activities.

The current members of our Audit Committee are Ellen N. Artist, who is the chair of the committee, Mitchell Gordon and Dana J. Lockhart. Pursuant to the Audit Committee charter, committee membership shall consist of at least three board members, all of whom qualify as independent within the meaning of our corporate governance guidelines and satisfy the independence requirements of the Nasdaq Listing Rules and Rule 10A-3(b)(1) under the Exchange Act. Our Audit Committee charter also requires members to have financial literacy and familiarity with fundamental financial statements that would allow them to understand key business and financial controls in the primary industries in which we operate. Our Board of Directors has determined that Ms. Artist is an Audit Committee financial expert as defined under the applicable rules of the SEC and has the requisite financial sophistication as defined under the applicable rules and regulations of FINRA, and the remaining Audit Committee members are independent directors as defined under the applicable rules and regulations of the SEC and FINRA. The Audit Committee operates under a written charter that satisfies the applicable standards of the SEC and the Nasdaq Global Select Market. Pursuant to Rule 10A-3 of the Exchange Act, our Audit Committee will consist of at least one board member that is independent upon the effectiveness of our registration statement of which this prospectus forms a part, a majority of members that are independent within 90 days thereafter and all members that are independent within one year thereafter.

Compensation Committee

Our Compensation Committee carries out the Board of Directors overall responsibility relating to executive compensation. Among other matters, the Compensation Committee:

assists our Board of Directors in developing and evaluating potential candidates for executive positions and oversees the development of executive succession plans;

reviews and approves annually the corporate goals and objectives regarding compensation for the Chief Executive Officer;

reviews and approves annually the evaluation process and compensation structure for our officers, including salary, bonus, incentive and equity compensation for our senior officers, while providing oversight of management s decisions in this area;

reviews our incentive compensation and other equity plans and recommends changes to our Board of Directors as needed; and

maintains regular contact with our leadership.

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The current members of our Compensation Committee are Harvey Schiller, who is the chair of the committee, Daniel J. Altobello and Grant Lyon.

Pursuant to our Compensation Committee charter, members of the Compensation Committee will consist of a minimum of three directors, and all such members will be independent directors and satisfy the applicable independence requirements of the Nasdaq Listing Rules. Members of the committee will be appointed and removed by our Board of Directors in its discretion, and the committee must be composed of a majority of independent directors within 90 days from the date our common stock is listed on the Nasdaq Global Select Market and entirely of independent directors within one year from the date our common stock is listed on the Nasdaq Global Select Market. Our Board of Directors has affirmatively determined that each of Messrs. Schiller, Altobello and Lyon meets the definition of independent director for purposes of the listing rules and is and will be a non-employee director as defined in Rule 16b-3 promulgated under the Exchange Act, and an outside director as that term is defined in Section 162(m) of the Code.

Corporate Governance/Nominating Committee

Our Corporate Governance/Nominating Committee assists our Board of Directors in identifying qualified individuals to become board members, nominates directors to serve on and to chair the board committees, and recommends to our Board of Directors any improvements to our corporate governance guidelines as it deems appropriate. The committee also assists our Board of Directors in continuing education, new director orientation, assessment of board effectiveness and strategic planning. Among other matters, the Corporate Governance/Nominating Committee:

- leads the search for individuals qualified to become members of the board by making its own inquiries and receiving suggestions from other directors, shareholders, and other sources;
- retains and a search firm to assist in searching for a director and approves their fees;
- evaluates the suitability of potential nominees for membership on our Board of Directors;
- recommends to our Board of Directors the number and names of proposed nominees for election as director at the annual meeting of shareholders, as well as naming individuals to fill a vacancy on the board;
- monitors trends and best practices in corporate governance and reviews our corporate governance guidelines, and recommends changes to corporate governance guidelines when necessary;
- annually reviews and makes recommendations to our Board of Directors regarding its process for evaluating the effectiveness of the Board of Directors and its committees;
- periodically reviews and makes recommendations to the board regarding strategic initiatives and new director orientation and director continuing education; and

annually recommends to our Board of Directors, following the annual meeting of shareholders, committee membership and chairs, and reviews periodically with our Board of Directors its committee rotation practices.

The current members of our Corporate Governance/Nominating Committee are Don Skiados, who is the chair of the committee, Daniel J. Altobello and Giacomo Picco. Mr. Picco replaced Mr. Lyon on our Corporate Governance/Nominating Committee effective July 16, 2018.

Pursuant to our Corporate Governance/Nominating Committee charter, the committee shall consist of at least three directors. The members of the Corporate Governance/Nominating Committee and its chair shall be appointed by our Board of Directors, and may be removed by our Board of Directors at

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its discretion. All members of the Corporate Governance/Nominating Committee shall, in the board s judgment, meet the applicable independence requirements of the Nasdaq Listing Rules. In order for our Corporate Governance/Nominating Committee to continue to make recommendations or determinations with respect to the composition of our Board of Directors, the committee must be composed of a majority of independent directors within 90 days from the date our common stock is listed on the Nasdaq Global Select Market and entirely of independent directors within one year from the date our common stock is listed on the Nasdaq Global Select Market. Our Board of Directors has affirmatively determined that each of Messrs. Skiados, Altobello and Picco meets definition of independent director for purposes of the Nasdaq Listing Rules.

Compensation Committee Interlocks and Insider Participation

None of the members of our Compensation Committee is or has at any time during the past year been an officer or employee of ours. None of our executive officers currently serves or in the past year has served as a member of the Board of Directors or Compensation Committee of any entity that has one or more executive officers serving on our board or Compensation Committee.

Director Compensation

Fees. The following fees were paid to our non-employee directors during fiscal year 2017. Directors who are our full-time employees receive no additional compensation for serving as directors. Board members also are reimbursed for all expenses associated with attending board or committee meetings.

Annual retainer	$ 20,000
Quarterly fee	$ 8,750
Fee for each board meeting	$ 1,500
Fee for each telephonic board meeting	$ 750
Compensation Committee Chair retainer	$ 10,000
Nominating/Corporate Governance Chair retainer	$ 10,000
Audit Committee Chair retainer	$ 15,000

Additionally, members of our committees receive $1,500 for each in-person meeting and $750 for each telephonic meeting.

Equity Awards. Equity awards are made to our non-employee directors on an annual basis. The types and amounts of such awards are set by the Compensation Committee. During fiscal year 2017, each non-employee director received a combination of restricted stock and SARs in the aggregate amount of $74,700.

Other benefits. As is common in the airline industry, we provide flight benefits to members of our Board of Directors, whereby each non-employee director and certain family members of directors receive free or reduced-fare travel on our major airline partners at no cost to us or the director. We believe that the directors use of free air travel is de minimis and did not maintain any records of non-employee directors travel during fiscal year 2017.

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Director Compensation Table

The following table sets forth information regarding compensation earned by the non-employee directors during the fiscal year ended September 30, 2017.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)[(1)]	Total ($)
Daniel J. Altobello	75,250	74,700	149,950
Ellen N. Artist	82,250	74,700	156,950
Mitchell Gordon	70,000	74,700	144,700
Dana J. Lockhart	68,500	74,700	143,200
G. Grant Lyon	73,750	74,700	148,250
Giacomo Picco[(2)]			
Harvey Schiller	80,000	74,700	154,700
Don Skiados	80,000	74,700	154,700

(1) Represents the aggregate grant date fair value of restricted stock and SARs awarded to each non-employee director during fiscal year 2017.
(2) Mr. Picco became a paid board member in January 2018.

Code of Conduct and Ethics

Our Board of Directors has adopted a code of conduct and ethics. The code of conduct and ethics applies to all of our officers and employees as well as all members of the Board of Directors and all subsidiaries. The code of conduct and ethics will be available in the Corporate Governance section on our website (which is located under the About Mesa tab on homepage) at www.mesa-air.com under *Code of Conduct and Ethics* at or around the time of this offering. The information included on our website is not incorporated into this prospectus. The code of conduct and ethics addresses, among other matters, issues relating to conflicts of interests, including internal reporting of violations and disclosures, and compliance with applicable laws, rules and regulations. The purpose of the code of conduct and ethics is to ensure that we and our subsidiaries and affiliated companies continue to follow the highest standards of business and personal ethics, while at all times promoting our best interests, and performing our duties in an honest, courteous manner while abiding by all applicable laws, regulations and Company policies. We intend to promptly post on our website all disclosures that are required by law or the listing standards concerning any amendments to, or waivers from, any provision of the code.

Limitation of Liability and Indemnification

Nevada law provides that our directors and officers will not be individually liable to us, our shareholders or our creditors for any damages for any act or omission of a director or officer other than in circumstances where the presumption that the director or officer acted in good faith and with a view to the interests of the Company has been rebutted, and it is proven that the director or officer breaches his or her fiduciary duty to us or our shareholders and such breach involves intentional misconduct, fraud or a knowing violation of law.

Nevada law also allows a corporation to indemnify officers and directors for actions for which a director or officer either would not be liable pursuant to the limitation of liability provisions of Nevada law or where he or she acted in good faith and in a manner which he or she reasonably believed to be in or not opposed to our best interests, and, in the case of an action not by or in the right of the company and with respect to any criminal action or proceeding, had no reasonable cause to believe the conduct was unlawful. Our second amended and restated articles of incorporation and amended and restated bylaws provide indemnification for our directors and officers to the fullest extent permitted by Nevada law. We have entered into, and expect to continue to enter into, agreements to indemnify our directors

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as determined by our Board of Directors that may, in some cases, be broader than the specific indemnification provisions under Nevada law. In addition, as permitted by Nevada law, our second amended and restated articles of incorporation include provisions that eliminate the personal liability of our directors and officers for monetary damages resulting from certain breaches of fiduciary duties as a director or officer. The effect of these provisions is to restrict our rights and the rights of our shareholders in derivative suits to recover monetary damages against a director for breach of fiduciary duties as a director, except that a director will be personally liable for acts or omissions not in good faith or in a manner which he or she did not reasonably believe to be in or not opposed to our best interest if, subject to certain exceptions, the act or failure to act constituted a breach of fiduciary duty and such breach involved intentional misconduct, fraud or knowing violations of law. We are also authorized to carry directors and officers insurance to protect our directors, officers, employees and agents against certain liabilities.

The limitation of liability and indemnification provisions in our second amended and restated articles of incorporation, amended and restated bylaws and indemnification agreements may discourage shareholders from bringing a lawsuit against directors or officers for breach of their fiduciary duties. These provisions may also reduce the likelihood of derivative litigation against directors and officers, even though an action, if successful, might benefit us and our shareholders. A shareholder s investment may be harmed to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions. However, these provisions do not limit or eliminate our rights, or those of any shareholder, to seek non-monetary relief such as injunction or rescission in the event of a breach of a director s or officer s fiduciary duties. Moreover, the provisions do not alter the liability of directors under federal securities laws. At present, there is no pending litigation or proceeding involving any of our directors or officers as to which indemnification is required or permitted, and we are not aware of any threatened litigation or proceeding that may result in a claim for indemnification.

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EXECUTIVE COMPENSATION

This section discusses the material components of our 2017 compensation program for our principal executive officer and next two most highly compensated officers. These named executive officers (NEOs) and their positions are:

- Jonathan G. Ornstein, Chairman and Chief Executive Officer;
- Michael J. Lotz, President and Chief Financial Officer; and
- Brian S. Gillman, Executive Vice President, General Counsel and Secretary.

2017 Summary Compensation Table

The following table sets forth all of the compensation awarded to, earned by or paid to our NEOs during our 2017 fiscal year.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards(1)	Option Awards	Non-Equity Incentive Plan Compensation ($)(2)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation ($)(3)	Total ($)
Jonathan G. Ornstein, Chairman & CEO	2017	600,000		588,159		750,000		4,134	1,942,293
Michael J. Lotz, President & CFO	2017	533,333		465,816		587,963		21,690	1,608,802
Brian S. Gillman, EVP, General Counsel & Secretary	2017	275,000		91,897		200,000		1,895	568,792

(1) Includes the dollar amount of the aggregate grant date fair value of restricted stock granted to Messrs. Ornstein, Lotz and Gillman during fiscal year 2017 pursuant to the terms of their respective employment agreements, each of which is discussed under Employment and Separation Agreements with Named Executive Officers below. These grants were made under the 2017 Plan, as discussed in Equity Compensation Plans below. These shares of restricted stock vest in three equal annual installments beginning on June 1, 2018. These amounts are determined in accordance with the provisions of FASB ASC Topic 718, rather than an amount paid to or realized by the executive officer. The assumptions used in calculating the grant-date fair value of the stock awards reported in this column are set forth in the notes to our consolidated financial statements included elsewhere in this prospectus.

(2) Includes incentive bonuses earned by each of the NEOs during our fiscal year 2017. These bonuses were paid pursuant to the terms of each NEO s respective employment agreement.
(3) Mr. Lotz was paid non-cash fringe benefits in the amount of $21,690 during our fiscal year 2017, consisting of our portion of the premium on a term life insurance policy maintained for Mr. Lotz pursuant to the terms of his employment agreement and our portion of the premium on a disability insurance policy maintained for Mr. Lotz pursuant to the terms of his employment agreement. The non-cash fringe benefits paid to Messrs. Ornstein and Gillman represent our portion of the premiums on disability policies maintained for them pursuant to the terms of their respective employment agreements.

Components of Compensation for Fiscal Year 2017

Base Salary. The base salary payable to each NEO is intended to provide a fixed component of compensation that adequately reflects the executive s qualifications, experience, role and responsibilities. Base salary amounts are established based on consideration of, among other factors, the scope of the NEO s position, responsibilities and years of service and our Compensation Committee s general knowledge of the competitive market, based on, among other things, experience with other similarly situated companies and our industry and market data reviewed by the Compensation Committee.

Base salaries and broad-based benefits for Messrs. Ornstein, Lotz and Gillman are set forth in their respective employment agreements, which are described below in the Employment and Change of Control Arrangements section. The following table represents our NEOs base salaries in effect for our fiscal year 2017.

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Name	Base Salary for 2017 ($)
Jonathan G. Ornstein, Chairman and Chief Executive Officer	600,000
Michael J. Lotz, President and Chief Financial Officer	533,333
Brian S. Gillman, EVP, General Counsel and Secretary	275,000

Performance-Based Cash Incentives. As a cornerstone of our compensation policy, we aim to create a direct correlation between the executive s role and responsibilities and the ability to earn variable pay. Our cash incentive compensation plans are designed to reward individuals for the achievement of certain defined financial and operational objectives. We provide cash bonuses to reward and incentivize superior individual and business performance, resulting in a performance-based organizational culture. Our performance-based cash incentive plans are designed to motivate our executives to achieve both corporate targets and individual goals, thereby tying the executives goals and interests to those of our company and its shareholders.

Incentive bonuses for our NEOs, which are set forth in their respective employment agreements, are payable quarterly, based upon our quarterly and annual achievement of certain financial and operational goals identified by the Compensation Committee at the beginning of the fiscal year. The following table summarizes incentive bonuses that were potentially payable to each of our NEOs for our fiscal year 2017:

NEO	Bonus Level	Quarterly Amount ($)	Annual Amount ($)	Actual Annual Amount ($)
Jonathan G. Ornstein	Guaranteed	15,432	77,160	
	Minimum	36,111	180,556	
	Threshold	56,790	283,951	
	Target	98,148	490,741	
	Maximum	150,000	750,000	750,000
Michael J. Lotz	Guaranteed	12,731	63,657	
	Minimum	29,167	145,833	
	Threshold	45,448	227,238	
	Target	78,086	390,432	
	Maximum	117,593	587,963	587,963
Brian S. Gillman	Target	50,000	200,000	200,000

We also, at times, pay discretionary cash bonuses to our NEOs. In our fiscal year 2017, we did not pay any discretionary cash bonuses to our NEOs.

Equity-Based Incentives. Our Compensation Committee fosters an environment of executive ownership that encourages and incentivizes long-term investment and engagement by our NEOs through the use of equity-based awards. Our aim is to promote long-term, sustainable growth and align executive performance and behaviors to create a culture conducive to shareholder investment.

In order to attract and retain the best available management and other personnel with the training, experience and ability to make substantial contributions to the success of our business and to motivate and provide additional incentives to our employees, non-employee board members and consultants, we maintain four equity compensation plans, discussed under Equity Compensation Plans below. Employees, officers, and directors of, and other individuals providing bona fide services to or for us are eligible to receive awards under our equity compensation plans, and awards are issued at the discretion of the Compensation Committee.

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During our fiscal year 2017, we made certain grants of restricted stock and RSUs to Messrs. Ornstein, Lotz and Gillman, as set forth in the 2017 Summary Compensation Table above. These awards were made pursuant to the employment agreements with these individuals, discussed in more detail under Employment and Separation Agreements with Named Executive Officers below, which require annual equity grants with grant date values of not less than the amounts set forth in their respective agreements.

After the end of our fiscal year 2017, on October 17, 2017, we granted to Messrs. Ornstein, Lotz and Gillman the following RSUs under the RSU Plan, which relate to each NEO s service during our fiscal year 2017 and which vest in three equal annual installments commencing June 1, 2018.

NEO	Number of RSUs(1)	Grant Date Value ($)(2)
Jonathan G. Ornstein	68,710	357,292
Michael J. Lotz	54,420	282,984
Brian S. Gillman	10,738	55,835

(1) Awards vest in three equal annual installments beginning on June 1, 2018. All vesting is conditioned on continuous service. Awards may be settled in cash or shares at the holder s option.

(2) Reflects the dollar amount of the aggregate grant date fair value of each award, determined in accordance with the provisions of FASB ASC Topic 718, rather than an amount paid to or realized by the executive officer. The assumptions used in calculating the grant-date fair value of the stock awards reported in this column are set forth in the notes to our consolidated financial statements included elsewhere in this prospectus.

Benefits and Perquisites. Our NEOs are eligible to participate, to the same extent as our other full-time employees generally and subject to the terms and eligibility requirements of those plans, in our employee benefit plans and programs, which include the following:

- medical, dental and vision insurance;
- life insurance, accidental death and dismemberment and business travel and accident insurance;
- health and dependent care flexible spending accounts; and
- short and long-term disability insurance.

We determine perquisites on a case-by-case basis and will provide a perquisite to a NEO when we believe it is necessary to attract or retain the executive officer. Any perquisites we provide are reasonable and consistent with market trends.

Retirement Benefits. We maintain a 401(k) tax-deferred retirement savings plan, in which our NEOs are eligible to participate on the same terms as other fulltime employees (the 401(k) Plan). Under the 401(k) Plan, employees may contribute up to 85% of their pretax annual compensation, subject to certain Code limitations. Employer contributions are made at our discretion. During fiscal year 2017, we made matching contributions of 30% of employee contributions up to 10% of such employee s annual compensation. The employee vests 20% per year in employer contributions. Employees become fully vested in employer contributions after completing six years of employment.

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Outstanding Equity Awards at Fiscal Year End

The following table lists all outstanding equity awards held by our NEOs as of September 30, 2017.

		Option Awards				Stock Awards	
Name	Vesting Commencement Date	Number of Securities Underlying Unexercised Options (#)(1) Exercisable	Number Of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Equity incentive plan awards: number of unearned shares, units or other rights that have not vested (#)(2)	Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested ($)
Jonathan G. Ornstein	1/21/2014	250,000		1.60	1/21/2024		
	7/21/2015	166,665	83,335	6.80	7/21/2025		
	7/21/2015					112,500	585,000
	1/19/2016	83,333	166,668	7.10	1/19/2026		
	6/1/2016					115,943	602,901
	6/1/2017					113,108	588,159
Michael J. Lotz	7/21/2015	120,000	60,000	6.80	7/21/2025		
	7/21/2015					81,000	421,200
	1/19/2016	60,000	120,000	7.10	1/19/2026		
	6/1/2016					91,828	477,503
	6/1/2017					89,580	465,816
Brian S. Gillman	9/3/2013					25,000	130,000
	7/21/2015	16,665	8,335	6.80	7/21/2025		
	7/21/2015					22,500	117,000
	1/19/2016	13,888	27,780	7.10	1/19/2026		
	6/1/2016					18,118	94,211
	6/1/2017					17,673	91,897

(1) The SARs granted on January 21, 2014 and on January 19, 2016 vest and become exercisable with respect to 1/3 of the shares underlying each respective award on each anniversary of the vesting commencement date, such that all shares will be vested on the third anniversary of the vesting commencement date, subject to the holder continuing to provide services to us through each such vesting date. The SARs granted in 2015 vest and become exercisable with respect to 1/3 of the shares underlying each respective award on each of January 21, 2016,

January 21, 2017 and January 21, 2018, subject to the holder continuing to provide services to us through each such vesting date. The SARs currently settle in cash. Immediately following this offering, the SARs will be cancelled and exchanged for shares of restricted stock under our 2018 Plan. See *Shares Eligible for Future Sale Proposed Equity Exchange and 2018 Plan Issuances* elsewhere in this prospectus.

(2) The restricted stock award granted to Mr. Gillman with a vesting commencement date of September 3, 2013 vests in five equal annual installments beginning on September 3, 2014. The restricted stock awards granted to Messrs. Ornstein, Lotz and Gillman on July 21, 2015 vest in five equal annual installments beginning on June 1, 2016. The restricted stock awards granted to Messrs. Ornstein, Lotz and Gillman on June 1, 2016 vest in three equal annual installments beginning on June 1, 2017. The restricted stock granted to Messrs. Ornstein, Lotz and Gillman on June 1, 2017 vest in three equal annual installments beginning on June 1, 2018. All vesting is conditioned on continuous service to us. Immediately following this offering, unvested shares of restricted stock will be cancelled and exchanged for shares of restricted stock under our 2018 Plan, which shares will be subject to the same vesting schedules and conditions as set forth herein and will not be accelerated in connection with the exchange. See *Shares Eligible for Future Sale Proposed Equity Exchange and 2018 Plan Issuances* elsewhere in this prospectus.

Employment and Separation Agreements with Named Executive Officers

Jonathan G. Ornstein. We entered into an employment agreement with Mr. Ornstein on February 23, 2011, effective as of March 1, 2011, to serve as the Chairman of the Board of Directors and as our Chief

Executive Officer, which agreement was amended first effective as of January 22, 2014, again effective as of June 1, 2016, and which will be amended and restated prior to the completion of this offering to consolidate the prior amendments. Under the employment agreement, as amended and restated, we may terminate Mr. Ornstein s employment at any time with prior written notice at least one year before the intended termination date. Mr. Ornstein s employment agreement entitles him to a base salary and an opportunity to earn a cash incentive bonus, paid on a quarterly basis based upon achievement of certain benchmarks mutually agreed upon by our Board of Directors and Mr. Ornstein. Mr. Ornstein is also entitled to receive an annual equity award pursuant to the terms of our then-existing equity incentive plan, as determined by our Board of Directors or the Compensation Committee in its sole discretion, provided that such award shall have a grant date value of not less than $800,000 for fiscal year 2016 and any fiscal year thereafter during the term of the agreement. The employment agreement entitles Mr. Ornstein to participate in all employee benefit plans and arrangements available to our executive officers, including the flight benefits discussed above. It also contains certain confidential information covenants prohibiting Mr. Ornstein from using or disclosing any Company confidential information for non-company purposes during the term of his employment and for two years thereafter.

Mr. Ornstein s employment agreement also provides him with severance in the event his employment is terminated without Cause (as defined below) by us (or, in certain circumstances, by our successor-in-interest) or if he resigns for Good Reason (as defined below). If Mr. Ornstein s employment is terminated by us without Cause or he resigns for Good Reason he is entitled to payment equal to two times the sum of his base salary, plus an amount equal to the greater of (i) his target annual performance bonus or (ii) half the bonuses (incentive or otherwise) earned by Mr. Ornstein with respect to the two fiscal years immediately preceding his termination. If Mr. Ornstein is terminated by us or our successor-in-interest without Cause or he resigns for Good Reason within 12 months following a Change of Control (as defined below), he is entitled to payment equal to three times the sum of his base salary, plus the greater of (i) his target performance bonus for the fiscal year in which the termination occurs or (ii) the highest amount of the bonuses (incentive or otherwise) paid to Mr. Ornstein with respect to the three fiscal years immediately preceding the year in which his termination occurs. Upon Mr. Ornstein s termination without Cause or resignation for Good Reason, he is also entitled to the payment of continued health, dental and vision insurance premiums for Mr. Ornstein and any covered dependents for 24 months following termination, and he is entitled to immediate vesting of any equity awards.

For purposes of Mr. Ornstein s employment agreement, Cause means (i) Mr. Ornstein s willful misconduct, including but not limited to misappropriation of trade secrets, fraud or embezzlement; (ii) Mr. Ornstein s commission of a felony offense or any crime involving dishonesty or physical harm to any person; (iii) Mr. Ornstein s material breach of his employment agreement that, if curable, is not cured within 30 days following written notice from us; or (iv) Mr. Ornstein s willful refusal to follow a lawful directive of us, which refusal is not cured within 30 days following written notice from us. Change of Control means that (i) any person acquires more than 50% of the voting power of our then-outstanding securities; (ii) a majority of the members of our Board of Directors is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of our Board of Directors before the date of appointment or election; (iii) a tender offer or exchange offer is made where the intent of such offer is to take over control of our company, and such offer is consummated for the securities representing more than 50% of the combined voting power of our then-outstanding voting securities over a twelve-month period; or (iv) a reorganization, merger, consolidation, or sale or other disposition of all or substantially all of our assets. Finally, Good Reason means any of the following, if not cured within 20 days of our receipt of a notice of termination by Mr. Ornstein: (i) any change by us in Mr. Ornstein s title, or any significant diminishment in Mr. Ornstein s function, duties or responsibilities from those associated with his functions, duties or responsibilities as of January 1, 2011; (ii) any material breach of the employment agreement or any other agreement between us and Mr. Ornstein which remains uncured for a period of 10 days after

Mr. Ornstein gives us notice of such breach; (iii) except with Mr. Ornstein s prior written consent, relocation of Mr. Ornstein s principal place of employment to a location greater than 50 miles from Phoenix, Arizona, or requiring Mr. Ornstein to provide his services outside of Maricopa County, Arizona, for more than 50% of his working days during any consecutive six-month period; or (iv) any reduction of Mr. Ornstein s base salary, bonus opportunity or benefits, other than under circumstances in which we have imposed cuts in salary of other officers on an across-the-board basis (in which case the cuts to Mr. Ornstein s compensation must not be in a greater percentage than the reduction imposed on any other officer).

Michael J. Lotz. We entered into an employment agreement with Mr. Lotz on February 23, 2011, effective as of March 1, 2011, as our President and Chief Financial Officer, which agreement was amended first effective as of January 22, 2014, again effective as of June 1, 2016, and which will be amended and restated prior to the completion of this offering to consolidate the prior amendments. Under Mr. Lotz s employment agreement, as amended and restated, we may terminate Mr. Lotz s employment at any time with prior written notice at least one year before the intended termination date. Mr. Lotz s employment agreement entitles him to a base salary and an opportunity to earn a cash incentive bonus paid on a quarterly basis based upon achievement of certain benchmarks mutually agreed upon by our Board of Directors and Mr. Lotz. Mr. Lotz is also entitled to receive an annual equity award pursuant to the terms of our then-existing equity incentive plan, as determined by our Board of Directors or the Compensation Committee in its sole discretion, provided that such award shall have a grant date value of not less than $633,600 for any fiscal year following fiscal year 2016. The employment agreement entitles Mr. Lotz to participate in all employee benefit plans and arrangements available to our executive officers, including the flight benefits discussed above. It also contains certain confidential information covenants prohibiting Mr. Lotz from using or disclosing any of our confidential information for non-company purposes during the term of his employment and for two years thereafter.

Mr. Lotz s employment agreement also provides him with severance in the event his employment is terminated without Cause by us (or, in certain circumstances, by our successor-in-interest) or if he resigns for Good Reason. If Mr. Lotz s employment is terminated by us without Cause or if he resigns with Good Reason, he is entitled to payment equal to two times the sum of his base salary, plus the greater of (i) his target annual performance bonus or (ii) half the sum of the bonuses (incentive or otherwise) earned by Mr. Lotz with respect to the two fiscal years immediately preceding the year in which his resignation occurs. If Mr. Lotz is terminated by us or our successor-in-interest without Cause or he resigns for Good Reason within 12 months following a Change of Control, Mr. Lotz is entitled to payment equal to three times the sum of his base salary, plus the greater of (i) his target performance bonus for the fiscal year in which the termination occurs or (ii) the highest amount of the bonuses (incentive or otherwise) paid to Mr. Lotz with respect to the three fiscal years immediately preceding the year in which his termination occurs. Upon Mr. Lotz s termination without Cause or resignation for Good Reason, he is also entitled to the payment of continued health, dental and vision insurance premiums for Mr. Lotz and any covered dependents for 24 months following termination, and immediate vesting of any unvested Company equity awards.

For purposes of Mr. Lotz s employment agreement, Cause, Change of Control and Good Reason have identical meanings to those contained in Mr. Ornstein s employment agreement, as set forth above.

Brian S. Gillman. We entered into an employment agreement with Mr. Gillman on April 23, 2014, effective as of September 3, 2013, as our Executive Vice President, General Counsel and Secretary, which agreement was amended effective as of June 1, 2016, and which will be amended and restated prior to the completion of this offering to consolidate the prior amendments. Under Mr. Gillman s employment agreement, as amended and restated, we may terminate Mr. Gillman s employment at any time with prior written notice at least one year before the intended termination date. Mr. Gillman s employment agreement entitles him to a base salary and an opportunity to earn a cash incentive bonus

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paid on a quarterly basis based upon achievement of certain benchmarks identical to those in Mr. Lotz s and Mr. Ornstein s employment agreements. Mr. Gillman is also entitled to receive an annual equity award pursuant to the terms of our then-existing equity incentive plan, as determined by our Board of Directors or the Compensation Committee in its sole discretion, provided that such award shall have a grant date value of not less than $125,000 for any fiscal year following fiscal year 2016. The employment agreement entitles Mr. Gillman to participate in all employee benefit plans and arrangements available to our executive officers, including the flight benefits discussed above. It also contains certain confidential information covenants prohibiting Mr. Gillman from using or disclosing any of our confidential information for non-company purposes during the term of his employment and for two years thereafter.

Mr. Gillman s employment agreement also provides him with severance in the event his employment is terminated without Cause by us (or, in certain circumstances, by our successor-in-interest) or if he resigns for Good Reason. If Mr. Gillman is terminated without Cause or if he resigns with Good Reason, he is entitled to payment equal to two times the sum of his base salary, plus an amount equal to the greater of (i) his target annual performance bonus or (ii) half the sum of the bonuses (incentive or otherwise) earned by Mr. Gillman with respect to the two fiscal years immediately preceding the year in which his termination occurs. If Mr. Gillman is terminated by us or our successor-in-interest without Cause or he resigns with Good Reason within 12 months following a Change of Control, he is entitled to payment equal to three times the sum of his base salary, plus the greater of (i) his maximum target performance bonus for the fiscal year in which the termination occurs or (ii) the amount of all bonuses (incentive or otherwise) paid to Mr. Gillman with respect to the three fiscal years immediately preceding the year in which his termination occurs. Upon Mr. Gillman s termination without Cause or resignation for Good Reason, he is also entitled to the payment of continued health, dental and vision insurance premiums for Mr. Gillman and any covered dependents for 24 months following termination, and he is entitled to immediate vesting of any unvested equity awards.

For purposes of Mr. Gillman s employment agreement, Cause, Change of Control and Good Reason have identical meanings to those contained in Mr. Ornstein s employment agreement, as set forth above.

Equity Compensation Plans

The principal features of our equity incentive plans are summarized below. These summaries are qualified in their entirety by reference to the text of the plans or agreements, which are filed as exhibits to the registration statement. For information regarding proposed issuances of restricted stock under our 2018 Plan immediately following the completion of this offering in exchange for the cancellation of certain awards under our 2011 Plan, 2017 Plan, RSU Plan and SAR Plan, See Shares Eligible for Future Sale Proposed Equity Exchange and 2018 Plan Issuances.

2018 Plan

Our Board of Directors has adopted and on July 18, 2018 our shareholders approved the 2018 Plan. We expect that our 2018 Plan will be effective on the business day immediately prior to the effective date of the registration statement of which this prospectus forms a part and will replace all prior equity plans. It is intended to make available incentives that will assist us to attract, retain and motivate employees, including officers, consultants and directors. We may provide these incentives through the grant of stock options, restricted stock, restricted stock units, performance shares and units and other cash-based or stock-based awards.

A total of 2.5 million shares of our common stock was initially authorized and reserved for issuance under the 2018 Plan. This reserve will automatically increase on January 1, 2020, and each subsequent anniversary through 2028, by an amount equal to the smaller of (a) 1% of the number of

shares of common stock issued and outstanding on the immediately preceding December 31, or (b) an amount determined by our Board of Directors.

Appropriate adjustments will be made in the number of authorized shares and other numerical limits in the 2018 Plan and in outstanding awards to prevent dilution or enlargement of participants rights in the event of a stock split or other change in our capital structure. Shares subject to awards which expire or are cancelled or forfeited will again become available for issuance under the 2018 Plan. The shares available will not be reduced by awards settled in cash or by shares withheld to satisfy tax withholding obligations in connection with restricted stock units or other full value awards. If the exercise price of an option is paid by tender of previously owned shares or by means of a net exercise, the number of shares available for issuance under the 2018 Plan will be reduced by the gross number of shares for which the option is exercised. Shares purchased in the open market with option exercise proceeds or shares withheld to satisfy tax obligations upon the exercise of options will not add to the number of shares available under the 2018 Plan. Only the net number of shares issued upon the exercise of SARs or options exercised by means of a net exercise or by tender of previously owned shares will be deducted from the shares available under the 2018 Plan.

The 2018 Plan will be generally administered by the Compensation Committee of our Board of Directors. Subject to the provisions of the 2018 Plan, the Compensation Committee will determine in its discretion the persons to whom and the times at which awards are granted, the sizes of such awards and all of their terms and conditions. However, the Compensation Committee may delegate to one or more of our officers the authority to grant awards to persons who are not officers or directors, subject to certain limitations contained in the 2018 Plan and award guidelines established by the Compensation Committee. The Compensation Committee will have the authority to construe and interpret the terms of the 2018 Plan and awards granted under it. The 2018 Plan provides, subject to certain limitations, for indemnification by us of any director, officer or employee against all reasonable expenses, including attorneys fees, incurred in connection with any legal action arising from such person s action or failure to act in administering the 2018 Plan.

The 2018 Plan authorizes the Compensation Committee, subject to shareholder approval, to provide for the cancellation of stock options with exercise prices in excess of the fair market value of the underlying shares of common stock in exchange for new options or other equity awards with exercise prices equal to the fair market value of the underlying common stock or a cash payment.

Awards may be granted under the 2018 Plan to our employees, including officers, directors or consultants or those of any present or future parent or subsidiary corporation or other affiliated entity. All awards will be evidenced by a written agreement between us and the holder of the award and may include any of the following:

Stock options. We may grant nonstatutory stock options or incentive stock options (as described in Section 422 of the Code), each of which gives its holder the right, during a specified term (not exceeding 10 years) and subject to any specified vesting or other conditions, to purchase a number of shares of our common stock at an exercise price per share determined by the administrator, which may not be less than the fair market value of a share of our common stock on the date of grant.

Restricted stock. The administrator may grant restricted stock awards either as a bonus or as a purchase right at such price as the administrator determines. Shares of restricted stock remain subject to forfeiture until vested, based on such terms and conditions as the administrator specifies. Holders of restricted stock will have the right to vote the shares and to receive any dividends paid, except that the dividends will be subject to the same vesting conditions as the related shares.

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Restricted stock units. Restricted stock units represent rights to receive shares of our common stock (or their value in cash) at a future date without payment of a purchase price, subject to vesting or other conditions specified by the administrator. Holders of restricted stock units have no voting rights or rights to receive cash dividends unless and until shares of common stock are issued in settlement of such awards. However, the administrator may grant restricted stock units that entitle their holders to dividend equivalent rights subject to the same vesting conditions as the related units.

Performance shares and performance units. Performance shares and performance units are awards that will result in a payment to their holder only if specified performance goals are achieved during a specified performance period. Performance share awards are rights denominated in shares of our common stock, while performance unit awards are rights denominated in dollars. The administrator establishes the applicable performance goals based on one or more measures of business or personal performance enumerated in the 2018 Plan, such as revenue, gross margin, net income or total shareholder return, or otherwise determined by the administrator. To the extent earned, performance share and unit awards may be settled in cash or in shares of our common stock. Holders of performance shares or performance units have no voting rights or rights to receive cash dividends unless and until shares of common stock are issued in settlement of such awards. However, the administrator may grant performance shares that entitle their holders to dividend equivalent rights subject to the same vesting conditions as the related units.

Cash-based awards and other stock-based awards. The administrator may grant cash-based awards that specify a monetary payment or range of payments or other stock-based awards that specify a number or range of shares or units that, in either case, are subject to vesting or other conditions specified by the administrator. Settlement of these awards may be in cash or shares of our common stock, as determined by the administrator. Their holder will have no voting rights or right to receive cash dividends unless and until shares of our common stock are issued pursuant to the award. The administrator may grant dividend equivalent rights with respect to other stock-based awards.

In the event of a change in control as described in the 2018 Plan, the acquiring or successor entity may assume or continue all or any awards outstanding under the 2018 Plan or substitute substantially equivalent awards. Any awards which are not assumed or continued in connection with a change in control or are not exercised or settled prior to the change in control will terminate effective as of the time of the change in control. The Compensation Committee may provide for the acceleration of vesting of any or all outstanding awards upon such terms and to such extent as it determines, except that the vesting of all awards held by members of our Board of Directors who are not employees will automatically be accelerated in full. The 2018 Plan will also authorize the Compensation Committee, in its discretion and without the consent of any participant, to cancel each or any outstanding award denominated in shares upon a change in control in exchange for a payment to the participant with respect to each share subject to the cancelled award of an amount equal to the excess of the consideration to be paid per share of common stock in the change in control transaction over the exercise price per share, if any, under the award. This offering does not constitute a change in control as defined in the 2018 Plan.

The 2018 Plan will continue in effect until it is terminated by the administrator, provided, however, that all awards will be granted, if at all, within 10 years of its effective date. The administrator may amend, suspend or terminate the 2018 Plan at any time, provided that without shareholder approval, the plan cannot be amended to increase the number of shares authorized, change the class of persons eligible to receive incentive stock options, or effect any other change that would require shareholder approval under any applicable law or listing rule.

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2017 Plan

Our 2017 Plan became effective on January 23, 2017. Our 2017 Plan permits the grant of incentive stock options, within the meaning of Section 422 of the Code, to our employees and any parent and subsidiary corporation s employees, and for the grant of nonstatutory stock options, restricted stock and restricted stock unit awards to our to our employees, including officers, directors or consultants or those of any present or future parent or subsidiary corporation. We will not grant any additional awards under our 2017 Plan following the completion of this offering. Instead, we will grant equity awards under our 2018 Plan. See *Shares Eligible for Future Sale Proposed Equity Exchange and 2018 Plan Issuances* for information regarding the proposed exchange of outstanding equity awards granted under our 2017 Plan for shares of restricted stock under our 2018 Plan.

Authorized Shares. The aggregate number of shares of common stock reserved for issuance pursuant to awards granted under the 2017 Plan is 125,000, 20,843 of which were issued but unvested as of March 31, 2018.

Administration. Our Board of Directors is authorized to administer the 2017 Plan, but consistent with its authority under the 2017 Plan, our Board of Directors has the authority to appoint one or more committees to administer the 2017 Plan. Subject to the terms and conditions of the 2017 Plan, the plan administrator will determine in its discretion the persons to whom and the times at which awards are granted, the sizes of such awards and all of their terms and conditions. The plan administrator will have the authority to construe and interpret the terms of the 2017 Plan and awards granted under it. The 2017 Plan provides, subject to certain limitations, for indemnification by us of any director, officer or employee against all reasonable expenses, including attorneys fees, incurred in connection with any legal action arising from such person s actions or failure to act in administrating the 2017 Plan.

Stock Options. We may grant nonstatutory stock options or incentive stock options (as described in Section 422 of the Code), each of which gives its holder the right, during a specified term (not exceeding 10 years) and subject to any specified vesting or other conditions, to purchase a number of shares of our common stock at an exercise price per share determined by the administrator, which may not be less than the fair market value of a share of our common stock as of the date of grant.

Restricted Stock. The plan administrator may grant restricted stock awards either as a bonus or as a purchase right at a price determined by the plan administrator. Shares of restricted stock remain subject to forfeiture until vested, based on such terms and conditions as the plan administrator specifies. Holders of restricted stock will have the right to vote the shares and to receive any dividends paid, except that the dividends may be subject to the same vesting conditions as the related shares.

Restricted Stock Units. Restricted stock units represent rights to receive shares of our common stock (or their value in cash) at a future date without payment of a purchase price, subject to vesting or other conditions specified by the plan administrator. Holders of restricted stock units have no voting rights to receive cash dividends unless and until shares of our common stock are issued in settlement of such awards. However, the plan administrator may grant restricted stock units that entitle their holders to dividend equivalent rights.

Change in Control Transactions. In the event of a change in control as described in our 2017 Plan, the acquiring or successor entity may assume or continue all or any awards outstanding under the 2017 Plan or substitute substantially equivalent awards. Any awards which are not assumed or continued in connection with a change in control or are not exercised or settled prior to the change in control will terminate effective as of the time of the change in control. The plan administrator may provide for the acceleration of vesting of any or all outstanding awards upon such terms and to such extent as it determines. The 2017 Plan will also authorize the plan administrator, in its discretion and without the

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consent of any participant, to cancel each or any outstanding award denominated in shares upon a change in control in exchange for a payment to the participant with respect to each share subject to the cancelled award of an amount equal to the excess of the consideration to be paid per share of common stock in the change in control transaction over the exercise price per share, if any, under the award. If any portion of such consideration may be received by holders of awards pursuant to the change in control on a contingent or delayed basis, the plan administrator may, in its discretion, determine such fair market value per share as of the time of the change in control on the basis of the plan administrator s good faith estimate of the present value of the probable future payment of such consideration. Notwithstanding the foregoing, shares acquired upon exercise of an award prior to the change in control and any consideration received pursuant to the change in control with respect to such shares shall continue to be subject to all applicable provisions of the award agreement evidencing such award except as otherwise provided in such award. This offering does not constitute a change in control as defined in the 2017 Plan.

Certain Adjustments. Appropriate adjustments will be made in the number of authorized shares and other numerical limits in the 2017 Plan and in outstanding awards to prevent dilution or enlargement of award recipients rights in the event of a stock split or other change in our capital structure. Shares subject to awards which expire or are cancelled or forfeited will again become available for issuance under the 2017 Plan. The shares available will not be reduced by awards settled in cash or by shares withheld to satisfy tax withholding obligations. Only the net number of shares issued upon the exercise of stock options exercised by means of a net exercise or by tender of previously owned shares will be deducted from the shares available under the 2017 Plan.

Non-Transferability of Awards. With limited exceptions for the laws of descent and distribution, awards under the 2017 Plan are generally exercisable only by the grantee or the grantee s guardian or legal representative. Unless the plan administrator provides otherwise, the 2017 Plan generally does not allow for the transfer of awards other than by will or the laws of descent and distribution.

Amendment and Termination. The 2017 Plan will continue in effect until it is terminated by the plan administrator, provided, however, that all awards will be granted, if at all, within 10 years of its effective date. The plan administrator may amend, suspend or terminate the 2017 Plan at any time, provided that without shareholder approval, the 2017 Plan cannot be amended to increase the number of shares authorized, change the class of persons eligible to receive incentive stock options, or effect any other change that would require shareholder approval under any applicable law or listing rule.

2011 Plan

Our 2011 Plan became effective on March 1, 2011. Our 2011 Plan permits the grant of incentive stock options, within the meaning of Section 422 of the Code, to our employees and any parent and subsidiary corporations employees, and for the grant of nonstatutory stock options, SARs, restricted or unrestricted stock, phantom stock units, performance awards and other stock based awards to our employees, officers, and directors of, and other individuals providing services to or for us or any of our affiliates, as may be selected by the plan administrator from time to time. We will not grant any additional awards under our 2011 Plan following the completion of this offering. Instead, we will grant equity awards under our 2018 Plan. See *Shares Eligible for Future Sale Proposed Equity Exchange and 2018 Plan Issuances* for information regarding the proposed exchange of outstanding equity awards granted under our 2011 Plan for shares of restricted stock under our 2018 Plan.

Authorized Shares. The aggregate number of shares of common stock reserved for issuance pursuant to awards granted under the 2011 Plan is 2,500,000, 744,497 of which were issued but unvested as of March 31, 2018.

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Administration. Our Board of Directors is authorized to administer the 2011 Plan, but consistent with its authority under the 2011 Plan, our Board of Directors has delegated some of its administrative authority to our compensation committee. Subject to the terms and conditions of the 2011 Plan, the plan administrator has the authority to select persons to whom awards are to be made, determine the types of awards to be made, determine the number of shares subject to awards and all of their terms and conditions and to make all other determination and take all other actions necessary or advisable for the administration of the 2011 Plan. The plan administrator is authorized to interpret the provisions of the 2011 Plan and individual award agreements, and all decisions of the plan administrator are final and binding on all persons.

Options. Stock options may be granted under our 2011 Plan. Stock options must have an exercise price at least equal to fair market value on the date of grant and may not have a term in excess of ten years duration. Subject to the provisions of our 2011 Plan, the administrator determines the other terms of stock options.

Stock Appreciation Rights. SARs may be granted under our 2011 Plan. A SAR entitles the grantee to receive, subject to the provisions of the 2011 Plan and the applicable award agreement, the appreciation in the fair market value of our common stock between the exercise date and the date of grant. The base price per share specified in a SAR award agreement may not be less than the lower of the fair market value on the grant date or the exercise price of any tandem stock option award to which the SAR is related. A SAR may not have a term exceeding 10 years. Subject to the provisions of the 2011 Plan, the administrator determines the other terms of a SAR, including when such rights become exercisable and whether to pay any increased appreciation in cash, with shares of our common stock, or a combination thereof. No fractional shares shall be used for such payment and the plan administrator will determine whether cash will be given instead of such fractional shares or whether such fractional shares will be eliminated.

Stock Awards. The plan administrator may from time to time grant restricted or unrestricted stock awards in such amounts, on such terms and conditions, and for such consideration, including no consideration or such minimum consideration as required by law, as the plan administrator may determine. A stock award may be paid in our common stock, in cash, or in a combination thereof, as determined in the sole discretion of the plan administrator.

Phantom Stock Units. The plan administrator may from time to time grant awards denominated in stock-equivalent units or restricted stock units, collectively referred to as phantom stock units, in such amounts and on such terms and conditions as the plan administrator may determine. Phantom stock units are credited to a bookkeeping reserve account solely for accounting purposes and do not require a segregation of any of our assets. An award of phantom stock units may be settled in our common stock, in cash, or in a combination thereof, as determined in the sole discretion of the plan administrator. Except as otherwise provided in the applicable award agreement, the grantee of phantom stock units does not have the rights of a shareholder with respect to any shares of our common stock represented by a phantom stock unit solely as a result of the grant of a phantom stock unit to the grantee.

Performance Awards. The plan administrator may grant performance awards which become payable on account of attainment of one or more performance goals established by the plan administrator. Performance awards may be paid by the delivery of our common stock or cash, or any combination thereof, as determined in the sole discretion of the plan administrator. The plan administrator established performance goals may be based on the our or our affiliate s selected business criteria that apply to an individual or group of individuals, a business unit, or us or our affiliate as a whole, over such performance period as the plan administrator may designate.

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Other Stock Based Awards. The plan administrator may grant other stock-based awards in such amounts, on such terms and conditions, and for such consideration, including no consideration or such minimum consideration as may be require by law, as the plan administrator may determine. Other stock-based awards may be denominated in cash, our common stock or other securities, in stock-equivalent units, in stock appreciation units, in securities or debentures convertible into our common stock, or in any combination of the foregoing and may be paid in our common stock or other securities, in cash, or in a combination thereof, as determined in the sole discretion of the plan administrator.

Change in Control Transactions. In the event of any transaction resulting in a change in control as defined in the 2011 Plan, outstanding awards that are payable in or convertible into our common stock under the 2011 Plan will terminate on the effective time of such change in control unless provision is made in connection with the transaction for the continuation or assumption of such awards by, or for the substitution of equivalent awards, as determined by the plan administrator, of, the surviving or successor entity or a parent thereof. In the event of such termination, the holders of awards under the 2011 Plan will be permitted, immediately before the change in control, to exercise or convert all portions of such awards under the 2011 Plan that are then exercisable or convertible or which become exercisable or convertible upon or prior to the effective time of the change in control. If, immediately before the change in control, no common stock of ours is readily tradeable on an established securities market or otherwise, and the vesting of an award would be treated as a parachute payment under Section 280G of the Code, then such award will not vest unless the requirements of the shareholder approval exemption of Section 280G of the Code are satisfied with respect to such award. This offering does not constitute a change in control as defined in the 2011 Plan.

Certain Adjustments. In the event of a stock dividend of, or stock split or reverse stock split affecting our common stock, the maximum number of shares of such common stock as to which awards may be granted under the 2011 Plan and the number of shares covered by and exercise price and other terms of outstanding awards, will, without further action by our Board of Directors, be adjusted to reflect such event. In addition, in the event of any change affecting our common stock or our capitalization, by reason of a spin-off, split-up, dividend, recapitalization, merger, consolidation or share exchange, other than any such change that is part of a transaction resulting in a change in control, the plan administrator, in its sole discretion, may make appropriate adjustments to the maximum number and kind of shares reserved for issuance or with respect to which awards may be granted under the 2011 Plan and any adjustments in outstanding awards, including to modify the number, kind and price of securities subject to awards as the plan administrator determines to be appropriate and equitable. The plan administrator is authorized to make, in its sole discretion, adjustments in the terms and conditions of, and the criteria included in, awards in recognition of unusual or nonrecurring events affecting us or our affiliates or our or our affiliates financial statements, or of changes in applicable laws, regulations, or accounting principles, whenever the plan administrator determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the 2011 Plan.

Non-Transferability of Awards. Unless the plan administrator provides otherwise, our 2011 Plan generally does not allow for the transfer of awards other than by will or the laws of descent and distribution and only the recipient of an award may exercise an award during his or her lifetime or, during a period the grantee is under a legal disability, by the grantee s guardian or legal representative.

Amendment and Termination. Our Board of Directors may terminate, amend or modify the 2011 Plan or any portion thereof at any time. Except as otherwise determined by our Board of Directors, termination of the 2011 Plan will not affect the plan administrator s ability to exercise the powers granted to the plan administrator with respect to awards granted under the 2011 Plan prior to the date of such termination.

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RSU Plan

Our RSU Plan became effective on October 17, 2017. Our RSU Plan permits the grant of restricted stock units to employees, officers and directors of, and other individuals providing services to us or any of our affiliates, as may be selected by the plan administrator from time to time. We will not grant any additional awards under our RSU Plan following the completion of this offering. Instead, we will grant equity awards under our 2018 Plan. See *Shares Eligible for Future Sale Proposed Equity Exchange and 2018 Plan Issuances* for information regarding the proposed exchange of outstanding equity awards granted under our RSU Plan for shares of restricted stock under our 2018 Plan.

Authorized Shares. The aggregate number of shares of common stock reserved for issuance pursuant to awards granted under the RSU Plan is 1,250,000, 323,048 of which were issued as of March 31, 2018.

Administration. Our Board of Directors is authorized to administer the RSU Plan, but consistent with its authority under the RSU Plan, our Board of Directors has delegated some of its administrative authority to our compensation committee. Subject to the terms and conditions of the RSU Plan, the plan administrator has the authority to select the persons to whom awards are to be made, to determine the number of shares to be subject to awards and the terms and conditions of awards, and to make all other determinations and to take all other actions necessary or advisable for the administration of the RSU Plan. The plan administrator is authorized to interpret the provisions of the RSU Plan and individual award agreements, and all decisions of the plan administrator are final and binding on all persons.

Awards. The RSU Plan provides for the grant of awards denominated in stock-equivalent units or restricted stock units in such amounts and on such terms and conditions as the plan administrator may determine. Restricted stock units are credited to a bookkeeping reserve account solely for accounting purposes and will not require a segregation of any of our assets. An award of restricted stock units may be settled in our common stock, in cash, or in a combination thereof, as determined by the plan administrator. Except as otherwise provided in the applicable award agreement, the recipient of an award will not have the rights of a shareholder with respect to any shares of our common stock represented by a restricted stock unit as a result of the grant or payment of a restricted stock unit.

Change in Control Transactions. In the event of any transaction resulting in a change in control, as defined in our RSU Plan, outstanding awards will immediately vest upon such change in control. If, immediately before the change in control, no common stock of ours is readily tradeable on an established securities market or otherwise, and the vesting of an award would be treated as a parachute payment under Section 280G of the Code, then such award will not vest unless the requirements of the shareholder approval exemption of Section 280G of the Code are satisfied with respect to such award. This offering does not fall within the definition of a change in control as set forth in the RSU Plan.

Certain Adjustments. In the event of a stock dividend of, or stock split or reverse stock split affecting our common stock, the maximum number of shares of such common stock as to which awards may be granted under the RSU Plan and the number of shares covered by and other terms of outstanding awards, will, without further action by our Board of Directors, be adjusted to reflect such event. In addition, in the event of any change affecting our common stock or our capitalization, by reason of a spin-off, split-up, dividend, recapitalization, merger, consolidation or share exchange, other than any such change that is part of a transaction resulting in a change in control, the plan administrator, in its sole discretion, may make appropriate adjustments to the maximum number and kind of shares reserved with respect to which awards may be granted under the RSU Plan and any adjustments in outstanding awards, including to modify the number, kind and price of securities subject to awards as the plan administrator determines to be appropriate and equitable. The plan administrator is authorized to make,

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in its sole discretion, adjustments in the terms and conditions of, and the criteria included in, awards in recognition of unusual or nonrecurring events affecting us or our affiliates or our or our affiliates financial statements, or of changes in applicable laws, regulations, or accounting principles, whenever the plan administrator determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the RSU Plan.

Non-Transferability of Awards. Unless the plan administrator provides otherwise, our RSU Plan generally does not allow for the transfer of awards other than by will or the laws of descent and distribution.

Amendment and Termination. Our Board of Directors may terminate, amend or modify the RSU Plan or any portion thereof at any time. Except as otherwise determined by our Board of Directors, termination of the RSU Plan will not affect the plan administrator s ability to exercise the powers granted to the plan administrator with respect to awards granted under the RSU Plan prior to the date of such termination.

SAR Plan

Our SAR Plan became effective on February 2014. Our SAR Plan permits the grant of stock appreciation rights to all employees, officers, and directors of, and other individuals providing services to or for us or our affiliates, as may be selected by the plan administrator from time to time. We will not grant any additional awards under our SAR Plan following the completion of this offering. Instead, we will grant equity awards under our 2018 Plan. See *Shares Eligible for Future Sale Proposed Equity Exchange and 2018 Plan Issuances* for information regarding the proposed exchange of outstanding equity awards under our SAR Plan for shares of restricted stock under our 2018 Plan.

Authorized Shares. The aggregate number of shares of common stock subject to awards granted under the SAR Plan is 5,000,000, 2,116,660 of which were outstanding as of March 31, 2018.

Administration. Our Board of Directors is authorized to administer the SAR Plan, but consistent with its authority under the SAR Plan, our Board of Directors has delegated some of its administrative authority to our compensation committee. Subject to the terms and conditions of the SAR Plan, the plan administrator has the authority to select the persons to whom awards are to be made, to determine the number of shares to be subject to awards and the terms and conditions of awards, and to make all other determinations and to take all other actions necessary or advisable for the administration of the SAR Plan. The plan administrator is authorized to interpret the provisions of the SAR Plan and individual award agreements, and all decisions of the plan administrator are final and binding on all persons.

SARs. The plan administrator may from time to time grant awards of SARs. A SAR entitles the recipient to receive, subject to the provisions of the SAR Plan and the award agreement, a payment having an aggregate value equal to the product of the excess of the fair market value on the exercise date of one share of our common stock over the base or exercise price per share specified in the award agreement, multiplied by the number of shares specified by the SAR, or any portion thereof, which is exercised. The base or exercise price per share specified in the award agreement may not be less than the fair market value of our common stock on the grant date. The SAR may not have a term longer than 10 years. Payment of the amount receivable upon any exercise of a SAR will be made in cash.

Change in Control Transactions. In the event of any transaction resulting in a change in control, as defined in our SAR Plan, outstanding awards will terminate on the effective time of such change in control unless provision is made in connection with the transaction for the continuation or assumption of such awards by, or for the substitution of equivalent awards, as determined by the plan

administrator, of, the surviving or successor entity or a parent thereof. In the event of such termination, the holders of awards under the SAR Plan will be permitted, immediately before the change in control, to exercise all portions of such awards under the SAR Plan that are then exercisable or which become exercisable upon or prior to the effective time of the change in control. If, immediately before the change in control, no common stock of ours is readily tradeable on an established securities market or otherwise, and the vesting of an award would be treated as a parachute payment under Section 280G of the Code, then such award will not vest unless the requirements of the shareholder approval exemption of Section 280G of the Code are satisfied with respect to such award. This offering does not constitute a change in control as defined in the SAR Plan.

Certain Adjustments. In the event of a stock dividend of, or stock split or reverse stock split affecting our common stock, the maximum number of shares of such common stock as to which awards may be granted under the SAR Plan and the maximum number of shares with respect to which awards may be granted during any one fiscal year to any individual and the number of shares covered by and the exercise price and other terms of outstanding awards, will, without further action by our Board of Directors, be adjusted to reflect such event. In addition, in the event of any change affecting our common stock or our capitalization, by reason of a spin-off, split-up, dividend, recapitalization, merger, consolidation or share exchange, other than any such change that is part of a transaction resulting in a change in control, the plan administrator, in its sole discretion, may make appropriate adjustments to the maximum number and kind of shares reserved for issuance or with respect to which awards may be granted under the SAR Plan, in the aggregate and with respect to any individual during any one fiscal year as provided in the SAR Plan and any adjustments in outstanding awards, including to modify the number, kind and price of securities subject to awards as the plan administrator determines to be appropriate and equitable. The plan administrator is authorized to make, in its sole discretion, adjustments in the terms and conditions of, and the criteria included in, awards in recognition of unusual or nonrecurring events affecting us or our affiliates or our or our affiliates financial statements, or of changes in applicable laws, regulations, or accounting principles, whenever the plan administrator determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the SAR Plan.

Non-Transferability of Awards. Unless the plan administrator provides otherwise, our SAR Plan generally does not allow for the transfer of awards other than by will or the laws of descent and distribution and only the recipient of an award may exercise an award during his or her lifetime or, during a period the grantee is under a legal disability, by the grantee s guardian or legal representative.

Amendment and Termination. Our Board of Directors may terminate, amend or modify the SAR Plan or any portion thereof at any time. Except as otherwise determined by our Board of Directors, termination of the SAR Plan will not affect the plan administrator s ability to exercise the powers granted to the plan administrator with respect to awards granted under the SAR Plan prior to the date of such termination.

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CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

We describe below transactions and series of similar transactions, during our last three fiscal years, to which we were a party or will be a party, in which:

- the amounts involved exceeded or will exceed $120,000; and
- any of our directors, executive officers, holders of more than 5% of our common stock or any member of their immediate family had or will have a direct or indirect material interest.

Each agreement described below is filed as an exhibit to the registration statement of which this prospectus forms a part, and the following descriptions are qualified by reference to such agreements.

Shareholders Agreements

We entered into a shareholders agreement on March 1, 2011 with US Airways, Inc. (the American Shareholders Agreement), which later assigned its rights and obligations thereunder by operation of law to American following the merger of US Airways, Inc. and American. Under the American Shareholders Agreement, as amended by those certain letter agreements dated as of February 27, 2014 and March 22, 2017, American has agreed to vote any shares of our common stock that exceed American s fully-diluted interest, including all issued and outstanding capital stock and warrants (which, as of March 31, 2018, was 10.6%) in the manner directed by our Board of Directors. By way of example, American holds 2,500,000 shares of our issued and outstanding shares of common stock. Under the terms of the American Shareholders Agreement, American s percentage interest in our fully-diluted equity as of March 31, 2018 was 10.6%. Our fully-diluted equity as of March 31, 2018 equalled the sum of our issued and outstanding shares of common stock (12,394,215) and shares issuable upon exercise of outstanding warrants (11,140,905), or 23,535,120 shares. Accordingly, based on the terms of the American Shareholders Agreement, as of March 31, 2018, American could only vote 1,316,565 of its 2,500,000 shares (i.e., 10.6% x 23,535,120), with the remaining 1,183,435 shares owned by American subject to a proxy in favor of our Board of Directors. Any transferee of American s shares will not be subject to these voting obligations or corresponding proxy. The American Shareholders Agreement terminates upon our mutual agreement or the exercise or expiration of all of our outstanding warrants.

On June 1, 2016, we entered into an amended and restated shareholders agreement (the Citigroup Shareholders Agreement) with Citigroup Global Markets Inc. (Citigroup), whereby Citigroup, in consideration for our extension of its outstanding warrants and our approval of its purchase of additional shares of our capital stock, agreed to vote certain shares of our common stock in the manner directed by our Board of Directors. Specifically, any shares of our capital stock held by Citigroup that exceed Citigroup s fully-diluted percentage interest in us must be voted in such manner. As of March 31, 2018, 27,520 shares of common stock held by Citigroup were subject to these voting obligations. To secure Citigroup s voting obligations, our Board of Directors has been appointed as Citigroup s proxy to vote such shares of our common stock owned by Citigroup in the manner prescribed in the Citigroup Shareholders Agreement. The Citigroup Shareholders Agreement terminates when all of our outstanding warrants have been exercised or are expired, as the case may be, or upon our agreement.

We have entered into shareholders agreements with other 5% shareholders as of the dates set forth below. Each shareholders agreement contains voting covenants and an irrevocable proxy identical to the provisions of the Citigroup Shareholders Agreement described above. These shareholders agreements terminate upon the exercise or expiration of all of our outstanding warrants, or upon our mutual agreement. As of March 31, 2018, the following number of shares were subject to the voting restrictions for each respective shareholder:

579,055 shares of our common stock held by Penguin Lax, Inc. are subject to voting covenants pursuant to a Shareholders Agreement dated December 12, 2017 by and among us, Penguin Lax, Inc. and P Marblegate Ltd.;

297,278 shares of our common stock held by Owl Creek Credit Opportunities Fund, L.P. are subject to voting covenants pursuant to a Shareholders Agreement dated February 6, 2018 by and among us, Owl Creek Credit Opportunity Fund, L.P. and Owl Creek Credit Opportunity Intermediate Fund, L.P.; and

147,930 and 387,298 shares of our common stock held by Marneu Holdings Co. and Momar Corp., respectively, are subject to voting covenants pursuant to a Shareholders Agreement dated December 13, 2017, by and among us, Marneu Holdings Co. and Momar Corp.

See *Principal and Selling Shareholders* for the number of shares subject to the voting covenants described above as of July 27, 2018.

During the last three fiscal years, we have also entered into agreements with holders of less than 5% of our common stock, which agreements contain voting covenants and an irrevocable proxy substantially identical to those in the Citigroup Shareholders Agreement described above.

American Capacity Purchase Agreement

For a summary of the terms of our American Capacity Purchase Agreement, see *Business Capacity Purchase Agreements American Capacity Purchase Agreement.*

American Investor Rights Agreement

On March 1, 2011, we entered into the Investor Rights Agreement, which contains certain registration rights that are described in *Description of Capital Stock Registration Rights* below. The agreement also grants American approval rights over (i) related party transactions; (ii) payment of dividends to shareholders or repurchases or redemptions of shares of our capital stock (except pursuant to our equity incentive plans); (iii) amendments to our articles of incorporation or bylaws that adversely impact American relative to any other security holder and (iv) increases to the number of shares available for grant under our equity incentive plans. These approval rights terminate at such time as our common stock is listed on the New York Stock Exchange (NYSE) or Nasdaq and American no longer holds the greater of 62.5% of the Shares (as defined in the Investor Rights Agreement) or 4.9% of our outstanding common stock. These approval rights will terminate upon the closing of this offering.

Other Related Party Transactions

Under the terms of the Investor Rights Agreement with American, we are prohibited from increasing the number of shares available for grant under our equity incentive plans. In December 2016, we obtained approval from our Board of Directors to acquire 125,000 shares of our capital stock in a private transaction in order to have such shares available for grant under our 2017 Plan. We sought and obtained American s approval to purchase such shares and use them for future equity grants.

Policies and Procedures for Related Party Transactions

We will enter into future business arrangements with related parties only where such arrangements are approved by a majority of disinterested directors and are on terms at least as favorable as available from unaffiliated third parties.

Our Board of Directors has adopted a written related party policy to set forth the policies and procedures for the review and approval or ratification of related person transactions, which policy will be effective upon the completion of this offering. This policy will cover any transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships in which we (or any of our subsidiaries) are to be a participant, the amount involved exceeds $120,000 and a related party had or will have a direct or indirect material interest, including purchases of goods or services by or from the related party or entities in which the related party has a material interest, indebtedness, guarantees of indebtedness and employment by us of a related party.

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PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth, as of July 27, 2018, information regarding beneficial ownership of our capital stock by:

- each person, or group of affiliated persons, known by us to beneficially own more than 5% of our voting securities;
- each of our NEOs;
- each of our directors;
- all of our executive officers and directors as a group; and
- the selling shareholders.

Beneficial ownership is determined according to the rules of the SEC and generally means that a person has beneficial ownership of a security if he, she or it possesses sole or shared voting or investment power of that security, including options and warrants that are currently exercisable or exercisable within 60 days. Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the beneficial owners named in the table below have sole voting and investment power with respect to all shares of common stock shown that they beneficially own, subject to community property laws where applicable.

Common stock subject to warrants and other convertible securities currently exercisable or exercisable within 60 days of July 27, 2018, are deemed to be outstanding for computing the percentage ownership of the person holding these convertible securities and the percentage ownership of any group of which the holder is a member, but are not deemed outstanding for computing the percentage of any other person. In some cases, we believe that foreign ownership may limit the ability of warrant holders to exercise warrants they hold, meaning that such holder may not be required, under relevant rules and regulations, to report beneficial ownership, as the holder would not be entitled to receive the underlying shares of common stock. See *Description of Capital Stock Limited Ownership and Voting by Foreign Owners*.

We have based our calculation of the percentage of beneficial ownership prior to the offering on 12,621,850 shares of common stock outstanding on July 27, 2018. We have based our calculation of the percentage of beneficial ownership after the offering on shares of our common stock outstanding immediately after the completion of this offering.

Unless otherwise noted below, the address for each of the shareholders in the table below is c/o Mesa Air Group, Inc., 410 North 44th Street, Suite 700, Phoenix, Arizona 85008.

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The information in the table below with respect to each selling shareholder has been obtained from that selling shareholders. When we refer to the selling shareholder in this prospectus, we mean the entity listed in the table below as offering shares, as well as the pledgees, donees, assignees, transferees, successors and others who may hold any of the selling shareholders interest.

	Beneficial Ownership Prior to the Offering				Shares Beneficially Owned After the Offering (Assuming No Exercise of the Underwriters Overallotment Option)		Shares Beneficially Owned After the Offering (Assuming Full Exercise of the Underwriters Overallotment Option)	
Name of Beneficial Owner	**Common Stock**	**Convertible Securities Exercisable within 60 days**	**Number of Shares Beneficially Owned**	**%**	**Shares**	**%**	**Shares**	**%**
5% Shareholders:								
American Airlines, Inc.(1)	2,500,000		2,500,000	19.8%	2,500,000	10.3%	2,500,000	10.0%
Corre Opportunities Entities(2)	396,493	1,854,828	2,251,321	16.8%	2,251,321	9.0%	2,251,321	8.6%
Citigroup Global Markets Inc.(3)	272,903	1,605,975	1,878,878	13.2%	1,878,878	7.3%	1,878,878	7.0%
Penguin Lax Entities(4)	1,550,948	60,443	1,611,391	12.8%	1,611,391	6.6%	1,611,391	6.4%
MSD Credit Opportunity Master Fund LP(5)		1,609,463	1,609,463	11.3%	1,609,463	6.2%	1,609,463	6.0%
Axar Entities(6)		1,458,928	1,458,928	10.6%	1,458,928	5.7%	1,458,928	5.5%
Candlewood Entities(7)	500,000	790,575	1,290,575	9.9%	1,290,575	5.2%	1,290,575	5.0%
Momar Entities(8)	1,130,665		1,130,665	9.0%	1,130,665	4.7%	1,130,665	4.5%
USDR Entities(9)	1,091,525		1,091,525	8.7%	1,091,525	4.5%	1,091,525	4.3%
Owl Creek Entities(10)	777,220	332,883	1,110,103	8.6%	1,110,103	4.5%	1,110,103	4.3%
AB Moore, LP(11)	434,138	676,643	1,110,781	8.4%	1,110,781	4.5%	1,110,781	4.3%
J.P. Morgan Securities LLC(12)	878,988		878,988	7.0%	878,988	3.6%	878,988	3.5%
Wolverine Flagship Fund Trading Limited(13)		811,308	811,308	6.0%	811,308	3.2%	811,308	3.1%
Whitebox Entities(14)		981,364	981,364	7.4%	981,364	4.0%	981,364	3.8%
Wells Fargo Securities LLC(15)	736,010		736,010	5.8%	736,010	3.0%	736,010	2.9%
Named Executive Officers and Directors:								
Daniel J. Altobello(16)	1,488		1,488	*	30,378	*	16,813	*
Ellen N. Artist(16)	1,488		1,488	*	30,378	*	16,813	*
Mitchell Gordon(16)	1,488		1,488	*	30,378	*	16,813	*

Dana J. Lockhart[16]	1,488		1,488	*	30,378	*	16,813	*
G. Grant Lyon[16]	1,488		1,488	*	30,378	*	16,813	*
Giacomo Picco[17]				*		*		*
Harvey Schiller[16]	1,488		1,488	*	30,378	*	16,813	*
Don Skiados[16]	1,488		1,488	*	30,378	*	16,813	*
Jonathan Ornstein[18]	548,550		548,550	4.5%	996,327	4.1%	698,527	2.8%
Michael J. Lotz[19]	236,780		236,780	2.0%	398,380	1.6%	247,213	*
Brian S. Gillman[20]	78,670	25,000	103,670	*	106,968	*	64,671	*
Other Selling Shareholders:								
All other employees (9 persons)[21]	58,043	7,500	65,543	*	184,157	*	103,710	*
All executive officers and directors as a group (12 persons)	881,796	25,000	906,796	7.2%	1,738,414	7.2%	1,142,024	4.5%

* Represents beneficial ownership of less than one percent (1%) of the outstanding common stock.

(1) Of the 2,500,000 shares of common stock beneficially owned by American, 1,156,883 shares are currently subject to a proxy in favor of our Board of Directors pursuant to the terms of our shareholders agreement with American. See *Certain Relationships and Related Party Transactions Shareholders Agreements*. The address for American Airlines, Inc. is 4333 Amon Carter Blvd., Fort Worth, TX 76155.

(2) Corre Opportunities Qualified Master Fund, LP (Corre Qualified Fund) holds a warrant to purchase 1,157,018 shares of our common stock, with an exercise price of $0.004 per share, which is exercisable within 60 days of the date hereof, subject to applicable securities laws and ownership and transfer restrictions in our articles of incorporation. Corre Opportunities II Master Fund, LP (Corre Master Fund) holds a warrant to purchase 697,810 shares of our common stock, with an exercise price of $0.004 per share, which is exercisable within 60 days of the date hereof, subject to applicable securities laws and ownership and transfer restrictions in our articles of incorporation. See *Description of Capital Stock Limited Ownership and Voting by Foreign Owners*. Corre Opportunities Fund, LP (Corre Opportunities Fund) holds 396,493 shares of our common stock. Each of Corre Qualified

Fund, Corre Master Fund and Corre Opportunities Fund (collectively, the Corre Funds) has the authority to dispose of and vote the shares of our common stock and warrants, as applicable, owned by such fund, which power may be exercised by the general partner of each of the Corre Funds, Corre Partners Advisors, LLC (Corre General Partner) and by Corre Partners Management, LLC (Corre Investment Advisor), an affiliate of the Corre General Partner, which is the investment advisor to the Corre Funds. John Barrett and Eric Soderland (collectively, the Corre Managing Members) are each managing members of the Corre General Partner and the Corre Investment Advisor, and each has shared authority to dispose of and vote the shares of our common stock and warrants, as applicable, held by the Corre Funds. Each of the Corre General Partner, Corre Investment Advisor and Corre Managing Members may be deemed to beneficially own the shares of our common stock and warrants held by the Corre Funds but disclaim ownership for any other purpose.

(3) Citigroup Global Markets Inc. (Citigroup) holds a warrant to purchase 1,605,975 shares of our common stock, with an exercise price of $0.004 per share, which is exercisable within 60 days of the date hereof, subject to applicable securities laws and ownership and transfer restrictions in our articles of incorporation. Of the 272,903 shares of common stock beneficially owned by Citigroup, no shares are currently subject to a proxy in favor of our Board of Directors pursuant to the terms of our shareholders agreement with Citigroup. See *Certain Relationships and Related Party Transactions Shareholders Agreements*. The address for Citigroup Global Markets Inc. is 390 Greenwich St., 4th Floor, New York, NY 10013.

(4) Reflects 1,550,948 shares held directly by Penguin Lax, Inc. (Penguin). Marblegate Asset Management, LLC (Marblegate) has exclusive voting and investment power over the shares held by Penguin and therefore may be deemed to beneficially own such shares. Andrew Milgram and Paul Arrouet, as managing partners of Marblegate, may be deemed to exercise voting and investment power over the shares directly owned by Penguin and therefore may be deemed to beneficially own such shares. Each of Marblegate, Mr. Milgram and Mr. Arrouet disclaim beneficial ownership of the shares directly owned by Penguin. Marblegate is also the investment adviser of P Marblegate Ltd., which directly holds a warrant to purchase 60,443 shares of common stock, which is exercisable within 60 days of the date hereof, subject to applicable securities laws and ownership and transfer restrictions in our articles of incorporation. Marblegate has exclusive voting and investment power over the warrants held by P Marblegate Ltd., and therefore may be deemed to beneficially own such warrants and the underlying shares. Andrew Milgram and Paul Arrouet, as managing partners of Marblegate, may be deemed to exercise voting and investment power over the warrants directly owned by P Marblegate Ltd. and therefore may be deemed to beneficially own such warrants and the underlying shares. Each of Marblegate, Mr. Milgram and Mr. Arrouet disclaim beneficial ownership of such warrants and the underlying shares of common stock. Of the 1,550,948 shares of common stock beneficially owned by Penguin, 717,708 shares are currently subject to a proxy in favor of our Board of Directors pursuant to the terms of our shareholders agreement with Penguin. See *Certain Relationships and Related Party Transactions Shareholders Agreements*. The address for Penguin and Marblegate is 80 Field Point Road, Suite 101, Greenwich, CT 06830.

(5) MSD Credit Opportunity Master Fund, L.P. holds a warrant to purchase 1,609,463 shares of our common stock, with an exercise price of $0.004 per share, which is exercisable within 60 days of the date hereof, subject to applicable securities laws and ownership and transfer restrictions in our articles of incorporation. The address for MSD Credit Opportunity Master Fund, L.P. is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

(6) Star V Partners LLC holds a warrant to purchase 145,893 shares of our common stock, and Axar Master Fund, Ltd. holds a warrant to purchase 1,313,035 shares of our common stock, each with an exercise price of $0.004 per share, and each of which is exercisable within 60 days of the date hereof, subject to applicable securities laws. Axar Capital Management, LP serves as investment advisor to Axar Master Fund, Ltd. and Star V Partners LLC. Axar GP, LLC is the sole general partner of Axar Capital Management, LP. Andrew Axelrod is the sole member of Axar GP, LLC and is the managing partner, portfolio manager and majority control person of Axar Capital Management, LP. As such, Andrew Axelrod may be deemed to be the beneficial owner of and have voting and dispositive power with respect to the warrants held by Axar Master Fund, Ltd. and Star V Partners LLC. The

address for Axar Master Fund, Ltd. and Star V Partners LLC is 1330 Avenue of the Americas, 6th Floor, New York, NY 10019.

(7) Reflects a warrant to purchase 348,000 shares of our common stock, with an exercise price of $0.004 per share, held collectively by each of Flagler Master Fund SPC Ltd. (the Flagler Master Fund), acting for and on behalf of the class B segregated portfolio (Flagler B) and Candlewood Special Situations Master Fund II, L.P. (Candlewood Special Situations, and together with Flagler B, the Candlewood Funds). The Candlewood Funds hold 500,000 shares of our common stock in the aggregate and a warrant to purchase 442,575 shares of our common stock, with an exercise price of $0.004 per share, which is exercisable within 60 days of the date hereof, subject to applicable securities laws and ownership and transfer restrictions in our articles of incorporation. Candlewood Special Situations General, LLC (the Candlewood GP) is the sole general partner of Candlewood Special Situations, and the Candlewood GP is the holder of the Class I Shares of the Flagler Master Fund. Candlewood Investment Group, LP (CIG) serves as the investment manager to the Candlewood Funds. Candlewood Investment Group General, LLC is the sole general partner of CIG. Mr. Michael Lau is the CEO of and a managing partner of CIG. Mr. David Koenig and Mr. Jonathan Weiss are also managing partners of CIG. The mailing address for CIG and each of the Candlewood Funds is 555 Theodore Fremd Avenue, Suite C-303, Rye, NY 10580.

(8) Represents 818,165 shares of our common stock held by Momar Corp. and 312,500 shares of our common stock held by Marneu Holdings Co. Of the shares held by Momar Corp., 378,745 shares are currently subject to a proxy in favor of our Board of Directors pursuant to the terms of our shareholders agreement with Momar Corp. Of the shares held by Marneu Holdings Co., 144,662 shares are currently subject to a proxy in favor of our Board of Directors pursuant to the terms of our

shareholders agreement with Marneu Holdings Co. See *Certain Relationships and Related Party Transactions Shareholders Agreements*. Mr. Moses Marx is the president of Momar Corp. and a member of its board of directors. Mr. Marx owns 50% of the equity in Marneu Holdings Co. Mr. Marx may be deemed to be the beneficial owner of and have voting and dispositive power with respect to the shares of our common stock held by Momar Corp. and Marneu Holdings Co. The address for Momar Corp. and Marneu Holdings Co. is 160 Broadway, New York, NY 10038.

(9) Each of United States Debt Recovery, L.P. (USDR), United States Debt Recovery VIII, L.P. (USDR VIII), United States Debt Recovery X, L.P. (USDR X), United States Debt Recovery XI, L.P. (USDR XI) and United States Debt Recovery XII, L.P. (USDR XII and together with USDR, USDR VIII, USDR X and USDR XI, the USDR Funds) is a Delaware limited partnership managed by general partner WJ Investments, LLC, doing business as USDR Investment Management (WJ Investments). USDR VIII holds 651,525 shares of our common stock. USDR X holds 125,000 shares of our common stock. USDR XI holds 275,000 shares of our common stock. USDR XII holds 40,000 shares of our common stock. As the general partner of each of the USDR Funds, WJ Investments may direct the vote and disposition of the shares held by those entities. The authorized principals of WJ Investments are Nathan E. Jones, chief information officer and managing director, and Wendy J. Mueller, chief financial officer and managing director. As the authorized principals of WJ Investments, Mr. Jones and Ms. Mueller may each direct the vote and disposition of the shares held by the USDR Funds. The address for WJ Investments is 5575 Kietzke Lane, Suite A, Reno, NV 89511.

(10) Owl Creek Credit Opportunities Fund, L.P. holds 777,220 shares of our common stock and a warrant to purchase 169,545 shares of our common stock, with an exercise price of $0.004 per share, which is exercisable within 60 days of the date hereof, subject to applicable securities laws and ownership and transfer restrictions in our articles of incorporation. Owl Creek Credit Opportunities Intermediate Fund, L.P. holds a warrant to purchase 163,338 shares of our common stock, with an exercise price of $0.004 per share, which is exercisable within 60 days of the date hereof, subject to applicable securities laws and ownership and transfer restrictions in our articles of incorporation. Of the 777,220 shares of our common stock held by Owl Creek Credit Opportunities Fund, L.P., 180,823 shares are currently subject to a proxy in favor of our Board of Directors pursuant to the terms of our shareholders agreement with Owl Creek Credit Opportunities Fund, L.P. See *Certain Relationships and Related Party Transactions Shareholders Agreements*. Owl Creek Advisors, LLC is the general partner of Owl Creek Credit Opportunities Fund, L.P. and Owl Creek Credit Opportunities Intermediate Fund, L.P. Owl Creek Asset Management, L.P. is the funds investment manager. As such, both Owl Creek Advisors, LLC and Owl Creek Asset Management, L.P. may be deemed to have voting and dispositive power in respect of the shares and warrants, as applicable, held by these funds. Jeffrey A. Altman is the managing member of the general partner of Owl Creek Asset Management, L.P. and the managing member of Owl Creek Advisors, LLC. The address for Owl Creek Credit Opportunities Fund, L.P. is 640 Fifth Avenue, New York, NY 10019.

(11) AB Moore, LP holds a warrant to purchase 676,643 shares of our common stock, with an exercise price of $0.004 per share, which is exercisable within 60 days of the date hereof, subject to applicable securities laws and ownership and transfer restrictions in our articles of incorporation. Moore Capital Management, LP, the investment manager of AB Moore, LP, has voting and investment control of the shares held by AB Moore, LP. Mr. Louis M. Bacon controls the general partner of Moore Capital Management, LP, and may be deemed to be the beneficial owner of the shares of our common stock held by AB Moore, LP. The address of AB Moore, LP, Moore Capital Management, LP and Mr. Bacon is 11 Times Square, New York, NY 10036.

(12) The address for J.P. Morgan Securities LLC is 277 Park Avenue, New York, NY 10172.

(13) Wolverine Flagship Fund Trading Limited holds a warrant to purchase 811,308 shares of our common stock, with an exercise price of $0.004 per share, which is exercisable within 60 days of the date hereof, subject to applicable securities laws and ownership and transfer restrictions in our articles of incorporation. Wolverine Asset Management, LLC is the investment manager of Wolverine Flagship Fund Trading Limited and has voting and dispositive power over these securities. The sole member and manager of Wolverine Asset Management, LLC is Wolverine Holdings, L.P. Robert R. Bellick and Christopher L. Gust may be deemed to control Wolverine

Trading Partners, Inc., the general partner of Wolverine Holdings, L.P. The address for Wolverine Flagship Fund Trading Limited is 175 West Jackson Blvd., Suite 340, Chicago, IL 60604.

(14) Whitebox Asymmetric Partners LP (Whitebox Asymmetric) holds a warrant to purchase 41,810 shares of our common stock, with an exercise price of $0.004 per share, which is exercisable within 60 days of the date hereof. Whitebox GT Fund LP (Whitebox GT) holds a warrant to purchase 37,573 shares of our common stock, with an exercise price of $0.004 per share, which is exercisable within 60 days of the date hereof. Whitebox Multi-Strategy Partners LP (Whitebox Multi-Strategy) holds a warrant to purchase 712,988 shares of our common stock, with an exercise price of $0.004 per share, which is exercisable within 60 days of the date hereof. Pandora Select Partners LP (Pandora) holds a warrant to purchase 188,993 shares of our common stock, with an exercise price of $0.004 per share, which is exercisable within 60 days of the date hereof. The exercise of these warrants is subject to applicable securities laws and ownership and transfer restrictions in our articles of incorporation. Whitebox General Partner LLC is the general partner of and Whitebox Advisors LLC is the investment manager to each of Whitebox Asymmetric, Whitebox GT, Pandora and Whitebox Multi-Strategy. The address for each of Whitebox Asymmetric, Whitebox GT, Pandora and Whitebox Multi-Strategy is 3033 Excelsior Blvd., Minneapolis, MN 55416.

(15) The address for Wells Fargo Securities, LLC is 550 South Tryon Street, Charlotte, NC 28202.

(16) Beneficial ownership prior to the offering does not reflect any shares that may be issued upon settlement of outstanding unvested RSUs. Post-offering holdings reflect 28,890 shares issued in settlement of vested SARs, 13,565 of which will be

sold to the underwriters in the event they fully exercise their overallotment option. Post-offering holdings do not reflect 14,648 shares of unvested restricted stock awarded in settlement of unvested RSUs or 15,950 unvested shares of restricted stock awarded in settlement of unvested SARs, none of which vest within 60 days of the date hereof. See *Shares Eligible for Future Sale Proposed Equity Exchange and 2018 Plan Issuances*.

(17) Mr. Picco became a paid member of our Board of Directors in January 2018. Beneficial ownership prior to the offering does not reflect any shares that may be issued upon settlement of outstanding unvested RSUs. Post-offering holdings do not reflect 14,648 shares of unvested restricted stock awarded in settlement of unvested RSUs. See *Shares Eligible for Future Sale Proposed Equity Exchange and 2018 Plan Issuances*.

(18) Beneficial ownership prior to the offering does not reflect any shares that may be issued upon settlement of outstanding unvested RSUs. Post-offering holdings reflect 447,778 shares issued in settlement of vested SARs but do not reflect 155,385 shares of unvested restricted stock awarded in settlement of unvested RSUs or 43,890 unvested shares of restricted stock awarded in settlement of unvested SARs, none of which vest within 60 days of the date hereof. 297,800 shares will be sold to the underwriters in the event they fully exercise their overallotment option. See *Shares Eligible for Future Sale Proposed Equity Exchange and 2018 Plan Issuances*.

(19) Beneficial ownership prior to the offering does not reflect any shares that may be issued upon settlement of outstanding unvested RSUs. Post-offering holdings reflect 161,600 shares issued in settlement of vested SARs but do not reflect 123,068 shares of unvested restricted stock awarded in settlement of unvested RSUs or 193,200 unvested shares of restricted stock awarded in settlement of unvested SARs, none of which vest within 60 days of the date hereof. 151,168 shares will be sold to the underwriters in the event they fully exercise their overallotment option. See *Shares Eligible for Future Sale Proposed Equity Exchange and 2018 Plan Issuances*.

(20) Beneficial ownership prior to the offering reflects 25,000 shares of restricted stock that vest within 60 days of the date hereof but does not reflect any shares that may be issued upon settlement of outstanding unvested RSUs. Post-offering holdings reflect 28,298 shares issued in settlement of vested SARs but do not reflect 24,283 shares of unvested restricted stock awarded in settlement of unvested RSUs or 35,613 unvested shares of restricted stock awarded in settlement of unvested SARs, none of which vest within 60 days of the date hereof. 42,297 shares will be sold to the underwriters in the event they fully exercise their overallotment option. See *Shares Eligible for Future Sale Proposed Equity Exchange and 2018 Plan Issuances*.

(21) Holdings by non-executive-officer employees who, in the aggregate, hold less than 1% of our common stock are aggregated. Beneficial ownership prior to the offering does not reflect any shares that may be issued upon settlement of outstanding unvested RSUs. Post-offering holdings reflect shares issued in settlement of vested SARs but do not reflect shares of unvested restricted stock awarded in settlement of unvested RSUs or unvested shares of restricted stock awarded in settlement of unvested SARs, none of which vest within 60 days of the date hereof. An aggregate of 80,447 shares will be sold to the underwriters by these employees in the event they fully exercise their overallotment option. See *Shares Eligible for Future Sale Proposed Equity Exchange and 2018 Plan Issuances*.

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DESCRIPTION OF CAPITAL STOCK

The following summary describes our capital stock, our second amended and restated articles of incorporation, our amended and restated bylaws and certain relevant provisions of Nevada corporate law. This summary does not purport to be complete and is qualified in its entirety by our second amended and restated articles of incorporation and our amended and restated bylaws, copies of which are filed as exhibits to the registration statement of which this prospectus is a part, and the applicable provisions of Nevada corporate law. Because the following is only a summary, it does not contain all of the information that may be important to you. For a complete description, you should refer to our second amended and restated articles of incorporation, our amended and restated bylaws and to the applicable provisions of Nevada corporate law.

General

Our second amended and restated articles of incorporation authorize us to issue up to 125,000,000 shares of common stock, no par value per share, and 5,000,000 shares of preferred stock, no par value per share.

As of March 31, 2018, there were outstanding 12,394,215 shares of our capital stock held by 69 shareholders of record.

Also as of March 31, 2018, there were no outstanding shares of preferred stock.

Common Stock

Dividend Rights. Holders of our common stock are entitled to receive dividends, if any, as may be declared from time to time by our Board of Directors out of legally available funds, subject to preferences that may be applicable to any then-outstanding preferred stock and limitations under our Investor Rights Agreement, RASPRO Lease Facility, GECAS Lease Facility and Nevada law.

Voting Rights. Each holder of our common stock is entitled to one vote for each share on all matters submitted to a vote of the shareholders, including the election of directors, subject to any exclusive voting or director designation rights of the holders of shares of any series of our preferred stock that we may designate in the future. Our shareholders do not have cumulative voting rights in the election of directors.

Liquidation. In the event of our liquidation, dissolution or winding up, holders of our common stock will be entitled to the net assets legally available for distribution to shareholders after the payment of all of our debts and other liabilities and the satisfaction of any liquidation preference granted to the holders of any then-outstanding shares of preferred stock.

Rights and Preferences. Holders of our common stock have no preemptive, conversion, subscription or other rights, and there are no redemption or sinking fund provisions applicable to our common stock. The rights, preferences and privileges of the holders of our common stock are subject to and may be adversely affected by, the rights of the holders of shares of any series of our preferred stock that we may designate in the future.

Fully Paid and Nonassessable. All of our outstanding shares of common stock are, and the shares of common stock to be issued in this offering will be, fully paid and nonassessable.

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Preferred Stock

Our Board of Directors has the authority, without further action by our shareholders, to issue up to 5,000,000 shares of preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof. These rights, preferences and privileges could include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of such series, any or all of which may be greater than the rights of common stock. Our issuance of preferred stock could adversely affect the voting power of holders of common stock and the likelihood that such holders will receive dividend payments and payments upon liquidation. In addition, the issuance of preferred stock could have the effect of delaying, deferring or preventing a change of control of our company or other corporate action. Upon the closing of this offering, there will be no shares of preferred stock outstanding, and we have no present plan to issue any such shares of preferred stock.

Warrants

In connection with our emergence from bankruptcy in 2011, we issued warrants to purchase 15,915,628 shares of our common stock with an exercise price of $0.004 per share, to 60 claimholders in our bankruptcy proceedings who were not U.S. Citizens under applicable regulations. Certain exercise restrictions in our Plan of Organization, pursuant to which the warrants were originally issued, and ownership restrictions in our second amended and restated articles of incorporation may impact the ability of a warrant holder who is not a U.S. Citizen under applicable law to exercise these warrants. See *Description of Capital Stock Limited Ownership and Voting by Foreign Owners.* The warrants are freely transferable, subject to applicable securities laws and ownership and transfer restrictions in our second amended and restated articles of incorporation, and expire on June 21, 2023. The shares of our common stock issuable pursuant to exercise of a warrant are subject to a shareholders agreement between the warrant holder and us, pursuant to which the warrant holder must vote certain shares of common stock acquired upon exercise of such warrant as directed by a majority of our Board of Directors and grant our Board of Directors an irrevocable proxy to do so.

Registration Rights

On March 1, 2011, we entered into an Investor Rights Agreement with US Airways, Inc. (now known as American Airlines, Inc.), which provides that if we become eligible to file a registration statement on Form S-3 and we receive a written request from any Initiating Holder (defined therein to effectively only include American), American will be entitled to certain demand registration rights. If and when American, pursuant to the Investor Rights Agreement, proposes through a written request to register securities the aggregate offering price of which, net of underwriting discounts and commissions, exceeds $500,000, American will be able to seek demand registration rights. In addition, should we decide to register certain securities, American will have piggyback registration rights, subject to lock-up arrangements and to certain restrictions. These demand and piggyback registration rights are described below.

Demand Registration Rights. If at any time we become eligible to file a registration statement on Form S-3, and we receive a written request from American to effect a registration statement on Form S-3, in accordance with the procedures outlined in the Investor Rights Agreement, and within 20 days of receiving notice from us regarding the registration, we will be required to: (i) promptly deliver written notice of the proposed registration to any other Holders (as defined therein) and (ii) use our reasonable best efforts to effect the registration statement on Form S-3 as soon as practicable (but in any event within 45 days after receiving the request) for the Registrable Securities (defined therein) proposed to be registered pursuant to the Investor Rights Agreement (subject to certain restrictions and limitations). We intend to obtain a lock-up agreement from American, the terms of which are described under *Shares Eligible for Future Sale Lock-Up Agreements.*

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Piggyback Registration Rights. If we decide to register any of our securities, either for our own account or for the account of a security holder (subject to certain exceptions), we are required to: (i) promptly deliver (but in any event at least 10 days prior to filing any registration statement) written notice to American of the registration and any underwriting and (ii) use our reasonable best efforts (subject to certain exceptions) to include in such registration, which includes American s participation in any underwriting, the Registrable Securities specified by American in a written request that we receive within 20 days after we have given them notice of our intent to register the securities. As of the date of this prospectus, we have provided such notice. In the event of an underwriting, American s right to participate will be conditioned on its participation in such underwriting and including its Registrable Securities therein, as well as entering into and complying with the underwriter agreement we enter into with the managing underwriter, who may make a good faith determination that, because marketing factors require a limitation on the number of shares, American s proposed number of Registrable Securities to be included in the underwriting is limited to not less than 20% of the Registrable Securities proposed by American. However, we reserve the right under the Investor Rights Agreement to terminate or withdraw any registration we have initiated prior to the effectiveness of such registration regardless of whether American has elected to include its Registrable Securities in the offering (provided we promptly notify American).

Expenses of Registration, Restriction and Indemnification. We will pay all Registration Expenses (defined therein) incurred from registering securities pursuant to the Investor Rights Agreement, while all Selling Expenses (defined therein) relating to securities registered on behalf of American shall be borne by American. The demand and piggyback registration rights are subject to customary restrictions such as blackout periods and any limitations on the number of shares to be included in the underwritten offering imposed by the managing underwriter. We and American have also agreed to customary indemnification provisions.

The covenants set forth in the Investor Rights Agreement, other than the registration rights described above, terminate and are of no further force or effect upon: (i) the listing of common stock on the Nasdaq Global Select Market, and (ii) American (including its affiliates) no longer holding the greater of 62.5% of our Shares (as defined in the Investor Rights Agreement) or 4.9% of our Common Stock (defined therein) then outstanding. As of March 31, 2018, American owns 20.2% of our issued and outstanding common stock (or 10.6% on a fully-diluted basis). The registration rights described above terminate when (a) our common stock is listed on the NYSE or Nasdaq, (b) none of our common stock held by American bears any restrictive legends and (c) American s shares may be sold into the public market without any contractual restrictions or restriction pursuant to Rule 144 of the Securities Act.

Anti-Takeover Provisions of Our Articles of Incorporation, Bylaws and Nevada Law

Certain provisions of Nevada corporate law deter hostile takeovers. Specifically, Nevada Revised Statutes (NRS) 78.411 through 78.444 prohibit a publicly held Nevada corporation from engaging in a combination with an interested stockholder for a period of two years following the date the person first became an interested shareholder, unless (with certain exceptions) the combination or the transaction by which the person became an interested shareholder is approved in a prescribed manner. Generally, a combination includes a merger, asset or stock sale, or certain other transactions resulting in a financial benefit to the interested shareholder. Generally, an interested stockholder is a person who, together with affiliates and associates, beneficially owns or within two years prior to becoming an interested shareholder did own, 10% or more of a corporation s voting power. Our second amended and restated articles of incorporation exclude us from the restrictions imposed by these statutes.

Nevada s acquisition of controlling interest statutes, NRS 78.378 through 78.3793, contain provisions governing the acquisition of a controlling interest in certain Nevada corporations. These control share

laws provide generally that any person that acquires a controlling interest in certain Nevada corporations may be denied voting rights, unless a majority of the disinterested stockholders of the corporation elects to restore such voting rights. These statutes provide that a person acquires a controlling interest whenever a person acquires shares of a subject corporation that, but for the application of these provisions of the NRS, would enable that person to exercise (1) one-fifth or more, but less than one-third, (2) one-third or more, but less than a majority or (3) a majority or more, of all of the voting power of the corporation in the election of directors. Once an acquirer crosses one of these thresholds, shares that it acquired in the transaction taking it over the threshold and within the 90 days immediately preceding the date when the acquiring person acquired or offered to acquire a controlling interest become control shares to which the voting restrictions described above apply. Our second amended and restated articles of incorporation provide that these statutes do not apply to us or to any acquisition of our common stock.

Section 78.139 of the NRS, to which we are subject, provides that directors may resist a change or potential change in control if the directors, by majority vote of a quorum, determine that the change is opposed to, or not in, the best interests of the corporation.

In order to ensure that our capacity purchase agreements are not subject to early termination, our articles of incorporation prohibit the sale, transfer or assignment of our capital stock to the extent that such transfer would result in a change of control. Our articles of incorporation also grant our Board of Directors the ability to establish one or more series of preferred stock (including convertible preferred stock), to determine, with respect to any series of preferred stock, the voting powers, designations, preferences, limitations, restrictions and relative rights of each such series, and to authorize the issuance of shares of any such series, making it possible for our Board of Directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change control of our company. These and other provisions may have the effect of deterring hostile takeovers or delaying changes in control or management of our company.

Limited Ownership and Voting by Foreign Owners

To comply with restrictions imposed by federal law on foreign ownership of U.S. airlines, our second amended and restated articles of incorporation restrict the ownership and voting of shares of our common stock by people and entities who are not citizens of the United States as that term is defined in 49 U.S.C. § 40102(a). That statute defines citizen of the United States as, among other things, a U.S. corporation, of which the president and at least two-thirds of the board of directors and other managing officers are individuals who are citizens of the United States, which is under the actual control of citizens of the United States and in which at least 75% of the voting interest is owned or controlled by persons who are citizens of the United States. Our second amended and restated articles of incorporation prohibit any non-U.S. citizen from owning or controlling more than 24.9% of the aggregate votes of all outstanding shares of our common stock or 49.0% of the total number of outstanding shares of our capital stock. The restrictions imposed by the above-described ownership caps are applied to each non-U.S. citizen in reverse chronological order based on the date of registration on our foreign stock record. At no time may shares of our capital stock held by non-U.S. citizens be voted unless such shares are reflected on the foreign stock record. The voting rights of non-U.S. citizens having voting control over any shares of our capital stock are subject to automatic suspension to the extent required to ensure that we are in compliance with applicable law. In the event any transfer or issuance of shares of our capital stock to a non-U.S. citizen would result in non-U.S. citizens owning more than the above-described cap amounts, such transfer or issuance will be void and of no effect.

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Certain Transfer Restrictions

Our corporate charter imposes limits on certain transfers of our stock, which limits are intended to preserve our ability to use our net operating loss carryforwards. Specifically, our second amended and restated articles of incorporation prohibit the transfer of any shares of our capital stock that would result in (i) any person or entity owning 4.75% or more of our then-outstanding capital stock, or (ii) an increase in the percentage ownership of any person or entity owning 4.75% or more of our then-outstanding capital stock. These transfer restrictions expire upon the earliest of (i) the repeal of Section 382 of the Code or any successor statute if our Board of Directors determines that such restrictions are no longer necessary to preserve our ability to use our net operating loss carryforwards, (ii) the beginning of a fiscal year to which our Board of Directors determines that no net operating losses may be carried forward, or (iii) such other date as determined by our Board of Directors. These transfer restrictions apply to the beneficial owner of the shares of our capital stock. The clients of an investment advisor are treated as the beneficial owners of stock for this purpose if the clients have the right to receive dividends, if any, the power to acquire or dispose of the shares of our capital stock, and the right to proceeds from the sale of our capital stock. Certain transactions approved by our Board of Directors, such as mergers and consolidations meeting certain requirements set forth in our articles of incorporation, are exempt from the above-described transfer restrictions. Our Board of Directors also has the ability to grant waivers, in its discretion, with respect to transfers of our stock that would otherwise be prohibited. Our Board of Directors has agreed to waive the above-referenced restrictions in our second amended and restated articles of incorporation to those persons or entities that acquire shares of our common stock in excess of the 4.75% threshold in this offering. Any transfer of common stock in violation of these restrictions will be void and will be treated as if such transfer never occurred.

Limitations of Liability and Indemnification

See *Management Limitation of Liability and Indemnification*.

Market Listing

Our common stock has been approved for quotation on the Nasdaq Global Select Market under the symbol MESA.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is ComputerShare and its telephone number is (212) 805-7100.

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SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock. Future sales of our common stock in the public market, or the availability of such shares for sale in the public market, could adversely affect market prices prevailing from time to time. As described below, only a limited number of shares will be available for sale shortly after this offering due to contractual and legal restrictions on resale. Nevertheless, sales of our common stock in the public market after such restrictions lapse, or the perception that those sales may occur, could adversely affect the prevailing market price at such time and our ability to raise equity capital in the future.

Based on the number of shares and warrants outstanding as of March 31, 2018 and giving effect to the completion of this offering and the 2018 Plan Issuances, 35,201,192 million shares of common stock will be outstanding following this offering, assuming no exercise of the underwriters option to purchase additional shares. Of these shares, the shares sold in this offering by us, plus any shares sold upon exercise of the underwriters option to purchase additional shares of our common stock from us and the selling shareholders, will be freely tradable in the public market without restriction or further registration under the Securities Act, unless the shares are held by any of our affiliates as such term is defined in Rule 144 of the Securities Act.

After this offering, 12,412,358 shares of common stock will be restricted as a result of securities laws or lock-up agreements as described below. Following the expiration of the various lock-up periods, all shares will be eligible for resale in compliance with Rule 144 or Rule 701, if then available, to the extent such shares have been released from any repurchase option that we may hold. Restricted securities as defined under Rule 144 were issued and sold by us in reliance on exemptions from the registration requirements of the Securities Act. These shares may be sold in the public market only if registered pursuant to an exemption from registration, such as Rule 144 or Rule 701 under the Securities Act.

Proposed Equity Exchange and 2018 Plan Issuances

In July 2018, our Board of Directors approved the issuance of shares of restricted common stock under our 2018 Plan immediately following the completion of this offering to certain of our employees and directors in exchange for the cancellation of: (i) restricted phantom stock units previously granted under our RSU Plan; (ii) unvested restricted shares previously issued under our 2011 Plan and our 2017 Plan; and (iii) SARs previously granted under our SAR Plan. The restricted phantom stock units and unvested restricted shares will be cancelled and exchanged for shares of restricted common stock under our 2018 Plan at a ratio of one share of restricted common stock for each restricted phantom stock unit and unvested restricted share delivered for cancellation. The shares of restricted common stock issued under our 2018 Plan in exchange for the cancellation of restricted phantom stock units, unvested restricted shares and SARs will be subject to vesting on the same terms set forth in the prior vesting schedules and are not subject to acceleration in connection with the exchange. The SARs, which currently settle only in cash, will be cancelled and exchanged for shares of restricted common stock under our 2018 Plan based on a formula that is dependent on the exercise price of the SAR exchanged by the participant and the fair market value of the SAR on the effective date of the exchange.

We believe that the 2018 Plan Issuances will be exempt from the registration requirements of the Securities Act pursuant to Section 3(a)(9) thereof as a transaction solely with existing security holders where no commission or other remuneration was paid or given directly or indirectly for soliciting the exchange.

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Shares of Common Stock and Warrants Issued in Reliance on Section 1145 of the Bankruptcy Code

In connection with our emergence from bankruptcy in 2011, we issued shares of our common stock to claimholders that were U.S. citizens and warrants to purchase shares of our common stock, with an exercise price of $0.004 per share, to claimholders that were not U.S. citizens under applicable regulations. These securities, issued in reliance on Section 1145(a)(1) of the Bankruptcy Code pursuant to our Plan of Reorganization, may be resold without registration, subject to certain restrictions described herein. In addition, these securities are freely transferable, subject to applicable securities laws and ownership and transfer restrictions in our articles of incorporation.

Section 1145(a)(1) exempts the offer and sale of securities under a plan of reorganization from registration under Section 5 of the Securities Act and state laws if certain requirements are satisfied. Such securities may be resold without registration unless the seller is an underwriter with respect to those securities. Section 1145(a)(1) defines an underwriter as any person who:

- purchases a claim against, an interest in, or a claim for an administrative expense against the debtor, if that purchase is with a view to distributing any security received in exchange for such a claim or interest;

- offers to sell securities offered under the plan for holders of those securities; offers to buy those securities from the holders of the securities, if the offer to buy is (i) with a view to distributing those securities; and (ii) under an agreement made in connection with the plan, the consummation of the plan or with the offer or sale of securities under the plan; or

- is an affiliate of the issuer.

To the extent a person is deemed to be an underwriter, resales by such person would not be exempted by Section 1145 from registration under the Securities Act or other applicable law. Those persons would, however, be permitted to sell shares of our common stock without registration if they are able to comply with the provisions of Rule 144, as described further below.

As of March 31, 2018, 11,616,895 shares of our common stock and 10,890,905 warrants originally issued to claimholders upon our emergence from bankruptcy remained outstanding.

The share amounts set forth in this section are subject to change and will depend primarily on the price per share at which our common stock is sold in this offering and the total size of the offering. See *Use of Proceeds* elsewhere in this prospectus.

Rule 144

In general, under Rule 144, as currently in effect, once we have been subject to the public company reporting requirements of the Exchange Act for at least 90 days, a person (or persons whose shares are required to be aggregated) who is not deemed to have been one of our affiliates for purposes of Rule 144 at any time during the three months preceding a sale, and who has beneficially owned restricted securities within the meaning of Rule 144 for at least six months, including the holding period of any prior owner other than one of our affiliates, is entitled to sell those shares in the public market (subject to the lock-up agreements referred to below, if applicable) without complying with the manner of sale, volume limitations or notice provisions of Rule 144, but subject to compliance with the public information requirements of Rule 144. If such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner other than affiliates, then such person is entitled to sell such shares in the public market without complying with any of the requirements of Rule 144 (subject to the lock-up agreements referred to below, if applicable). In general, under Rule 144, as currently in effect, once we have been subject to the public company reporting requirements of the Exchange Act for at least 90 days, our affiliates, as defined in Rule 144, who have beneficially owned the shares proposed to be sold for at least six months are entitled to sell in the public market, upon expiration of any applicable lock-up agreements and within any three-month period, a number of those shares of our common stock that does not exceed the greater of:

- 1% of the number of common shares then outstanding; or

- the average weekly trading volume of our common stock on the Nasdaq Global Select Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Such sales under Rule 144 by our affiliates or persons selling shares on behalf of our affiliates are also subject to certain manner of sale provisions, notice requirements and to the availability of current public information about us. Notwithstanding the availability of Rule 144, the holders of substantially all of our restricted securities have entered into lock-up agreements as referenced below and their restricted securities will become eligible for sale (subject to the above limitations under Rule 144) upon the expiration of the restrictions set forth in those agreements.

Rule 701

In general, under Rule 701 as currently in effect, any of our employees, directors, officers, consultants or advisors who acquired common stock from us in connection with a written compensatory stock or option plan or other written agreement in compliance with Rule 701 under the Securities Act before the effective date of the registration statement of which this prospectus is a part (to the extent such common stock is not subject to a lock-up agreement) is entitled to rely on Rule 701 to resell such shares in reliance on Rule 144. Accordingly, subject to any applicable lock-up agreements, under Rule 701 persons who are not our affiliates, as defined in Rule 144, may resell those shares without complying with the minimum holding period or public information requirements of Rule 144, and persons who are our affiliates may resell those shares without compliance with Rule 144 s minimum holding period requirements (subject to the terms of the lock-up agreement referred to below, if applicable).

Lock-Up Agreements

In connection with this offering, we have agreed with the underwriters not to offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any of our common stock or securities convertible into or exchangeable or exercisable for shares of our common stock, enter into a transaction which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our common stock, whether any such aforementioned transaction is to be settled by delivery of our common stock or other securities, in cash or otherwise, or publicly disclose the intention to make any such offer, sale, pledge or disposition, without, in each case, the prior written consent of Raymond James & Associates, Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated for a period of 180 days after the date of this prospectus.

In connection with this offering, the selling shareholders, our officers, directors and holders of substantially all of our outstanding shares of capital stock and other securities have agreed with the underwriters not to offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any of our common stock or securities convertible into or exchangeable or exercisable for shares of our common stock, enter into a transaction which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our common stock, whether any such aforementioned transaction is to be settled by delivery of our common stock or other securities, in cash or otherwise, or publicly disclose the intention to make any such offer, sale, pledge or disposition, or to enter into any such transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of Raymond James & Associates, Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated for a period of 180 days after the date of this prospectus. Subject to certain requirements, the foregoing restrictions are not applicable to (i) transfers of shares of common stock (a) as a bona fide gift or gifts, (b) to any trust for the direct or indirect benefit of the applicable selling party or the immediate family of such party or (c) by will or intestacy to such party s legal representative, heir or legatee and (ii) distributions of shares of common stock to members, limited partners or shareholders of the applicable party, (iii) transfers of shares of capital to such party s affiliates or to any investment fund or other entity controlled or managed by such party, and (iv) transfers of shares of common stock to us as forfeitures to satisfy tax withholding and remittance obligations in connection with the vesting or exercise of equity awards granted pursuant to our equity incentive plans or pursuant to a net exercise or cashless exercise by the shareholder of outstanding equity awards pursuant to our equity incentive plans, subject to certain requirements. Additionally, sales of shares purchased in the open market are permitted in certain circumstances.

If any shareholder is granted an early release from the restrictions contained in the lock-up agreement, and the aggregate shares released pursuant to such waiver total at least 1% of such shareholder s shares subject to the lock-up, then each beneficial owner of more than 5% of our voting securities as set forth in this prospectus will also be granted an early release from its obligations under the lock-up agreement on a pro rata basis. Two shareholders that provide investment banking services and products may continue to conduct market-making and other customary banking activities pursuant to the terms of their lock-up agreements.

The lock-up agreements automatically terminate upon the earliest of (i) the date the underwriting agreement is terminated prior to the payment for and delivery of the shares of common stock sold at the initial closing of this offering, (ii) written notice from us that we elect not to pursue this offering or (iii) December 31, 2018, in the event the initial closing of this offering has not occurred by that date.

Registration Statements

As soon as practicable after the completion of this offering, we intend to file a Form S-8 registration statement under the Securities Act to register shares of our common stock subject to awards outstanding or reserved for issuance under our equity compensation plans. This registration statement will become effective immediately upon filing, and shares covered by this registration statement will thereupon be eligible for sale in the public markets, subject to vesting restrictions, the lock-up agreements described above and Rule 144 limitations applicable to affiliates. For a more complete discussion of our stock plans, see *Executive Compensation Equity Compensation Plans*.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following discussion is a summary of the material U.S. federal income tax consequences to Non-U.S. Holders (as defined below) of the purchase, ownership and disposition of our common stock issued pursuant to this offering, but does not purport to be a complete analysis of all potential tax effects. The effects of other U.S. federal tax laws, such as estate and gift tax laws, and any applicable state, local or non-U.S. tax laws are not discussed. This discussion is based on the Code, Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the U.S. Internal Revenue Service (the IRS), in each case in effect as of the date hereof. These authorities may change or be subject to differing interpretations. Any such change or differing interpretation may be applied retroactively in a manner that could adversely affect a Non-U.S. Holder. We have not sought and will not seek any rulings from the IRS regarding the matters discussed below. There can be no assurance the IRS or a court will not take a contrary position to that discussed below regarding the tax consequences of the purchase, ownership and disposition of our common stock.

This discussion is limited to Non-U.S. Holders that hold our common stock as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all U.S. federal income tax consequences relevant to a Non-U.S. Holder s particular circumstances, including the impact of the Medicare contribution tax on net investment income. In addition, it does not address consequences relevant to Non-U.S. Holders subject to special rules, including, without limitation:

- U.S. expatriates and former citizens or long-term residents of the United States;
- persons subject to the alternative minimum tax;
- persons holding our common stock as part of a hedge, straddle or other risk reduction strategy or as part of a conversion transaction or other integrated investment;
- persons subject to special tax accounting rules under Section 451(b) of the Code;
- banks, insurance companies, and other financial institutions;
- brokers, dealers or traders in securities;
- controlled foreign corporations, passive foreign investment companies, and corporations that accumulate earnings to avoid U.S. federal income tax;
- partnerships or other entities or arrangements treated as partnerships for U.S. federal income tax purposes (and investors therein);

- tax-exempt organizations or governmental organizations;
- persons deemed to sell our common stock under the constructive sale provisions of the Code; and
- tax-qualified retirement plans.

If an entity treated as a partnership for U.S. federal income tax purposes holds our common stock, the tax treatment of a partner in the partnership will depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level. Accordingly, partnerships holding our common stock and the partners in such partnerships should consult their tax advisors regarding the U.S. federal income tax consequences to them.

THIS DISCUSSION IS NOT TAX ADVICE. INVESTORS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS

TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR COMMON STOCK ARISING UNDER THE U.S. FEDERAL ESTATE OR GIFT TAX LAWS OR UNDER THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE INCOME TAX TREATY.

Definition of Non-U.S. Holder

For purposes of this discussion, a Non-U.S. Holder is any beneficial owner of our common stock that is neither a U.S. person nor an entity treated as a partnership for U.S. federal income tax purposes. A U.S. person is any person that, for U.S. federal income tax purposes, is or is treated as any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation created or organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust that (i) is subject to the primary supervision of a U.S. court and all substantial decisions of which are subject to the control of one or more United States persons (within the meaning of Section 7701(a)(30) of the Code), or (ii) has a valid election in effect to be treated as a United States person for U.S. federal income tax purposes.

Distributions

As described in the section entitled Dividend Policy, we do not anticipate declaring or paying any cash dividends on our common stock. However, if we do make distributions of cash or property on our common stock, such distributions will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Amounts not treated as dividends for U.S. federal income tax purposes will constitute a return of capital and first be applied against and reduce a Non-U.S. Holder s adjusted tax basis in its common stock, but not below zero. Any excess will be treated as capital gain and will be treated as described below under *Sale or Other Taxable Disposition*.

Subject to the discussion below on effectively connected income, dividends paid to a Non-U.S. Holder will be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividends (or such lower rate specified by an applicable income tax treaty, provided the Non-U.S. Holder furnishes a valid IRS Form W-8BEN or W-8BEN-E (or other applicable documentation) certifying qualification for the lower treaty rate). A Non-U.S. Holder that does not timely furnish the required documentation, but that qualifies for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. Non-U.S. Holders should consult their tax advisors regarding their entitlement to benefits under any applicable tax treaties.

If dividends paid to a Non-U.S. Holder are effectively connected with the Non-U.S. Holder s conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the Non-U.S. Holder maintains a permanent establishment in the United States to which such dividends are attributable), the Non-U.S. Holder will be exempt from the U.S. federal withholding tax described above. To claim the exemption, the Non-U.S. Holder must furnish to the applicable withholding agent a valid IRS Form W-8ECI, certifying that the dividends are effectively connected with the Non-U.S. Holder s conduct of a trade or business within the United States.

Any such effectively connected dividends will be subject to U.S. federal income tax on a net income basis at the regular graduated rates. A Non-U.S. Holder that is a corporation also may be subject to a

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branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on such effectively connected dividends, as adjusted for certain items. Non-U.S. Holders should consult their tax advisors regarding any applicable tax treaties that may provide for different rules.

Sale or Other Taxable Disposition

Subject to the discussions below under *Information Reporting and Backup Withholding* and *Additional Withholding Tax on Payments Made to Foreign Accounts*, a Non-U.S. Holder will not be subject to U.S. federal income or withholding tax on any gain realized upon the sale or other taxable disposition of our common stock unless:

- the gain is effectively connected with the Non-U.S. Holder s conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the Non-U.S. Holder maintains a permanent establishment in the United States to which such gain is attributable);

- the Non-U.S. Holder is a non-resident alien individual present in the United States for 183 days or more during the taxable year of the disposition and certain other requirements are met; or

- our common stock constitutes a U.S. real property interest (USRPI) by reason of our status as a U.S. real property holding corporation (USRPHC) for U.S. federal income tax purposes.

Gain described in the first bullet point above generally will be subject to U.S. federal income tax on a net income basis at the regular graduated rates. A Non-U.S. Holder that is a corporation also may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on such effectively connected gain, as adjusted for certain items.

Gain described in the second bullet point above will be subject to U.S. federal income tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty), which may be offset by certain U.S. source capital losses of the Non-U.S. Holder (even though the individual is not considered a resident of the United States), provided the Non-U.S. Holder has timely filed U.S. federal income tax returns with respect to such losses.

With respect to the third bullet point above, we believe we currently are not, and do not anticipate becoming, a USRPHC. Because the determination of whether we are a USRPHC depends, however, on the fair market value of our USRPIs relative to the fair market value of our non-U.S. real property interests and our other business assets, there can be no assurance we currently are not a USRPHC or will not become one in the future. Even if we are or were to become a USRPHC, gain arising from the sale or other taxable disposition by a Non-U.S. Holder of our common stock will not be subject to U.S. federal income tax if our common stock is regularly traded, as defined by applicable Treasury Regulations, on an established securities market, and such Non-U.S. Holder owned, actually and constructively, 5% or less of our common stock throughout the shorter of the five-year period ending on the date of the sale or other taxable disposition or the Non-U.S. Holder s holding period.

Non-U.S. Holders should consult their tax advisors regarding any applicable tax treaties that may provide for different rules.

Information Reporting and Backup Withholding

Payments of dividends on our common stock will not be subject to backup withholding, provided the applicable withholding agent does not have actual knowledge or reason to know the Non-U.S. Holder is a United States person and the Non-U.S. Holder either certifies its non-U.S. status, such as by furnishing a valid IRS Form W-8BEN, W-8BEN-E or W-8ECI, or otherwise establishes an exemption. However, information returns are required to be filed with the IRS in connection with any dividends on our common stock paid to the Non-U.S. Holder, regardless of whether any tax was actually withheld. In addition, proceeds of the sale or other taxable disposition of our common stock within the United States or conducted through certain U.S.-related brokers generally will not be subject to backup withholding or information reporting, if the applicable withholding agent receives the certification described above and does not have actual knowledge or reason to know that such Non-U.S. Holder is a United States person, or the Non-U.S. Holder otherwise establishes an exemption. Proceeds of a disposition of our common stock conducted through a non-U.S. office of a non-U.S. broker that does not have certain enumerated relationships with the United States generally will not be subject to backup withholding or information reporting.

Copies of information returns that are filed with the IRS may also be made available under the provisions of an applicable treaty or agreement to the tax authorities of the country in which the Non-U.S. Holder resides or is established.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a Non-U.S. Holder s U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Additional Withholding Tax on Payments Made to Foreign Accounts

Withholding taxes may be imposed under Sections 1471 to 1474 of the Code (such Sections commonly referred to as the Foreign Account Tax Compliance Act (the FATCA)) on certain types of payments made to non-U.S. financial institutions and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on dividends on, or gross proceeds from the sale or other disposition of, our common stock paid to a foreign financial institution or a non-financial foreign entity (each as defined in the Code), unless (i) the foreign financial institution undertakes certain diligence and reporting obligations, (ii) the non-financial foreign entity either certifies it does not have any substantial United States owners (as defined in the Code) or furnishes identifying information regarding each substantial United States owner, or (iii) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in (i) above, it must enter into an agreement with the U.S. Department of the Treasury requiring, among other things, that it undertake to identify accounts held by certain specified United States persons or United States owned foreign entities (each as defined in the Code), annually report certain information about such accounts, and withhold 30% on certain payments to non-compliant foreign financial institutions and certain other account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules.

Under the applicable Treasury Regulations and administrative guidance, withholding under FATCA generally applies to payments of dividends on our common stock, and will apply to payments of gross proceeds from the sale or other disposition of such stock on or after January 1, 2019.

Prospective investors should consult their tax advisors regarding the potential application of withholding under FATCA to their investment in our common stock.

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UNDERWRITING

Raymond James & Associates, Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated are acting as representatives of each of the underwriters named below. Subject to the conditions set forth in an underwriting agreement among us, the selling shareholders and the underwriters, we have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us the number of shares of our common stock set forth opposite its name below:

Underwriter	Number of Shares
Raymond James & Associates, Inc.	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Cowen and Company, LLC	
Stifel Nicolaus & Company, Incorporated	
Imperial Capital, LLC	
Total	10,700,000

The underwriters are offering the shares of common stock subject to their acceptance of the shares from us and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of common stock offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the shares of common stock offered by this prospectus if any such shares are taken. However, the underwriters are not required to take or pay for the shares covered by the underwriters option described below. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may be increased or the offering may be terminated.

The underwriters initially propose to offer part of the shares of common stock directly to the public at the offering price listed on the cover page of this prospectus and part to certain dealers at that price less a concession not in excess of $ per share. After the initial offering of the shares of common stock, the offering price and other selling terms may be changed by the underwriters. Sales of shares made outside of the U.S. may be made by affiliates of the underwriters.

Option to Purchase Additional Shares of Common Stock

We and the selling shareholders have granted the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an aggregate of 1,605,000 additional shares of common stock at the public offering price listed on the cover page of this prospectus, less underwriting discounts and commissions. If the overallotment option is exercised, an aggregate of up to 938,333 shares will be purchased directly from us, and an aggregate of 666,667 shares will be purchased directly from the selling shareholders. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of the additional shares of common stock as the number listed next to the underwriter s name in the preceding table bears to the total number of shares of common stock listed next to the names of all underwriters in the preceding table.

Discounts and Expenses

The following table shows the per share and total public offering price, underwriting discounts and commissions, and proceeds before expenses to us and the selling shareholders.

	Per Share	Total (Full Exercise)
Public offering price	$	$
Underwriting discounts	$	$
Proceeds, before expenses, to us	$	$
Proceeds, before expenses, to us if overallotment option is exercised	$	$
Proceeds, before expenses, to selling shareholders if overallotment option is exercised	$	$

The estimated offering expenses payable by us, exclusive of the underwriting discounts and commissions, are approximately $3.3 million. We have agreed to reimburse the underwriters for expenses related to the clearance of this offering with the Financial Industry Regulatory Authority, Inc. and compliance with state securities or blue sky laws.

Indemnification

We and the selling shareholders have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act.

Lock-Up Agreements

In connection with this offering, we have agreed with the underwriters not to offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any of our common stock or securities convertible into or exchangeable or exercisable for shares of our common stock, enter into a transaction which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our common stock, whether any such aforementioned transaction is to be settled by delivery of our common stock or other securities, in cash or otherwise, or publicly disclose the intention to make any such offer, sale, pledge or disposition, without, in each case, the prior written consent of Raymond James & Associates, Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated for a period of 180 days after the date of this prospectus.

In connection with this offering, the selling shareholders (other than with respect to a de minimis number of shares), our officers, directors and holders of substantially all of our outstanding shares of capital stock and other securities have agreed with the underwriters not to offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any of our common stock or securities convertible into or exchangeable or exercisable for shares of our common stock, enter into a transaction which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our common stock, whether any such aforementioned transaction is to be settled by delivery of our common stock or other securities, in cash or otherwise, or publicly disclose the intention to make any such offer, sale, pledge or disposition, or to enter into any such transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of Raymond James & Associates, Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated for a period of 180 days after the date of this prospectus. Subject to certain requirements, the foregoing restrictions are not applicable to: (i) transfers of shares of capital stock (a) as a bona fide gift or gifts, (b) to any trust for the direct or indirect benefit of the applicable selling party or the immediate family of such party or (c) by will or intestacy to such party s legal representative, heir or legatee; (ii) distributions of shares of capital stock to members, limited partners or shareholders of the applicable party; (iii) transfers of shares of capital stock to such party s affiliates or to any investment fund or other entity controlled or managed by such party; or (iv) transfers of shares of capital stock to us as forfeitures to satisfy tax withholding and remittance obligations in connection with the vesting or exercise of equity awards granted pursuant to our equity incentive plans or pursuant to a net exercise or cashless exercise by the shareholder of outstanding equity awards pursuant to our equity incentive plans, subject to certain requirements.

For additional details regarding the provisions of the lock-up agreements, see *Shares Eligible for Future Sale Lock-Up Agreements*.

Stabilization

Until this offering is completed, rules of the SEC may limit the ability of the underwriters and various selling group members to bid for and purchase the shares of our common stock. As an exception to these rules and in accordance with Regulation M under the Exchange Act, the underwriters may engage in activities that stabilize, maintain or otherwise affect the price of our common stock in order to facilitate the offering of the common stock, including: short sales; syndicate covering transactions; imposition of penalty bids; and purchases to cover positions created by short sales.

Stabilizing transactions may include making short sales of shares of our common stock, which involve the sale by the underwriters of a greater number of shares than it is required to purchase in this offering and purchasing shares of common stock from us by exercising the option or in the open market to cover positions created by short sales. Short sales may be covered shorts, which are short positions in an amount not greater than the underwriters option referred to above, or may be naked shorts, which are short positions in excess of that amount.

Each underwriter may close out any covered short position either by exercising its option, in whole or in part, or by purchasing shares of common stock in the open market after the distribution has been completed. In making this determination, each underwriter will consider, among other things, the price of shares of our common stock available for purchase in the open market compared to the price at which the underwriter may purchase shares of our common stock pursuant to the underwriters option.

A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of shares of our common stock in the open market after pricing that could adversely affect investors who purchased in this offering. To the extent that the underwriters create a naked short position, they will purchase shares of our common stock in the open market to cover the position after the pricing of this offering.

The underwriters also may impose a penalty bid on selling group members. This means that if the underwriters purchase shares of our common stock in the open market in stabilizing transactions or to cover short sales, the underwriters can require the selling group members that sold those shares as part of this offering to repay the selling concession received by them.

As a result of these activities, the price of shares of our common stock may be higher than the price that otherwise might exist in the open market. If the underwriters commence these activities, they may discontinue them without notice at any time. The underwriters may carry out these transactions on the Nasdaq Global Select Market or otherwise.

The underwriters are not required to engage in these activities and may end any of these activities at any time.

Relationships and Conflicts of Interest

Certain of the underwriters and their affiliates may provide from time to time in the future certain commercial banking, financial advisory, investment banking and other services for us and such affiliates, and for the selling shareholders and their affiliates, in the ordinary course of their business, for which they will receive customary fees and commissions, as applicable, and reimbursement for out-of-pocket expenses. In addition, from time to time, certain of the underwriters and their affiliates may effect transactions for their own account or the account of customers, and hold on behalf of themselves or their customers, long or short positions in our debt or equity securities or loans, and may do so in the future.

We have engaged Imperial Capital, LLC as our financial advisor. Pursuant to our arrangement, Imperial Capital, LLC may receive certain restructuring fees in addition to a $50,000 monthly advisory fee.

Listing

Currently, no public market exists for our shares. Our common stock has been approved for listing on the Nasdaq Global Select Market under the symbol MESA.

Electronic Prospectus

A prospectus in electronic format may be made available by e-mail or on the websites or through other online services maintained by one or more of the underwriters or their affiliates. In those cases, prospective investors may view offering terms online and may be allowed to place orders online. The underwriters may agree with us to allocate a specific number of common units for sale to online brokerage account holders. Any such allocation for online distributions will be made by the representatives on the same basis as other allocations.

Other than the prospectus in electronic format, the information on the underwriters websites and any information contained on any other website maintained by any of the underwriters is not part of this prospectus or the registration statement of which this prospectus forms a part, has not been approved or endorsed by the underwriters or us and should not be relied upon by investors.

Selling Restrictions

General

Other than in the U.S., no action has been taken by us or the underwriters that would permit a public offering of the shares of common stock offered by this prospectus in any jurisdiction where action for that purpose is required. The shares offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such shares be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any shares offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

Notice to Prospective Investors in the European Economic Area

In relation to each member state of the European Economic Area, each a Member State, no offer of the shares of common stock which are the subject of the offering has been, or will be made to the public in that Member State, other than under the following exemptions under the Prospectus Directive:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the representatives for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of the shares of common stock referred to in (a) to (c) above shall result in a requirement for us or any representative to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person located in a Member State to whom any offer of shares of our common stock is made or who receives any communication in respect of an offer of shares of our common stock, or who initially acquires any of our shares of common stock will be deemed to have represented, warranted, acknowledged and agreed to and with each representative and us that: (i) it is a qualified investor within the meaning of the law in that Member State implementing Article 2(1)(e) of the Prospectus Directive; and (ii) in the case of any shares of common stock acquired by it as a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, the shares acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the representatives has been given to the offer or resale; or where shares of our common stock have been acquired by it on behalf of persons in any Member State other than qualified investors, the offer of those shares of common stock to it is not treated under the Prospectus Directive as having been made to such persons.

We, the representatives and their respective affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgments and agreements.

This prospectus has been prepared on the basis that any offer of shares of our common stock in any Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of shares. Accordingly any person making or intending to make an offer in that Member State of shares of our common stock which are the subject of the offering contemplated in this prospectus may only do so in circumstances in which no obligation arises for us or any of the representatives to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither we nor the representatives have authorized, nor do they authorize, the making of any offer of shares of our common stock in circumstances in which an obligation arises for us or the representatives to publish a prospectus for such offer.

For the purposes of this provision, the expression an offer of shares of our common stock to the public in relation to any shares of our common stock in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares of our common stock to be offered so as to enable an investor to decide to purchase or subscribe the shares of our common stock, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC (as amended) and includes any relevant implementing measure in each Member State.

The above selling restriction is in addition to any other selling restrictions set out below.

Notice to Prospective Investors in the United Kingdom

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are qualified investors (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as relevant persons).

Any person in the United Kingdom that is not a relevant person should not act or rely on the information included in this document or use it as basis for taking any action. In the United Kingdom, any investment or investment activity that this document relates to may be made or taken exclusively by relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

Notice to Prospective Investors in Switzerland

The shares of our common stock may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (SIX) or on any other stock exchange or regulated trading facility in Switzerland. This document does not constitute a prospectus within the meaning of, and has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, us, or the shares of our common stock have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of shares of our common stock will not be supervised by, the Swiss Financial Market Supervisory Authority and the offer of shares of our common stock has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (CISA). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of shares.

Notice to Prospective Investors in the Dubai International Financial Centre

This prospectus relates to an exempt offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (DFSA). This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with exempt offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The shares to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this prospectus you should consult an authorized financial advisor.

Notice to Prospective Investors in Australia

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission in relation to the offering. This prospectus does not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001 (the Corporations Act), and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of the shares may only be made to persons (the Exempt Investors) who are sophisticated investors (within the meaning of section 708(8) of the Corporations Act), professional investors (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the shares without disclosure to investors under Chapter 6D of the Corporations Act.

The shares of our common stock applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under the offering, except in

circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring shares must observe such Australian on-sale restrictions.

This prospectus contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this prospectus is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

Notice to Prospective Investors in Hong Kong

The shares of our common stock offered in this prospectus may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a prospectus within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares of our common stock which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Notice to Prospective Investors in Japan

The shares of our common stock offered in this prospectus have not been and will not be registered under the Financial Instruments and Exchange Law of Japan. The shares have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan (including any corporation or other entity organized under the laws of Japan), except (i) pursuant to an exemption from the registration requirements of the Financial Instruments and Exchange Law and (ii) in compliance with any other applicable requirements of Japanese law.

Notice to Prospective Investors in Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of shares of our common stock may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the SFA), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with conditions set forth in the SFA.

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Where shares of our common stock are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor.

shares, debentures and units of shares and debentures of that corporation or the beneficiaries rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the shares pursuant to an offer made under Section 275 of the SFA except:

to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

where no consideration is or will be given for the transfer;

where the transfer is by operation of law;

as specified in Section 276(7) of the SFA; or

as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Notice to Prospective Investors in Canada

The shares of our common stock offered in this prospectus may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105) the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

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LEGAL MATTERS

The validity of the common stock offered by this prospectus will be passed upon for us by Brownstein Hyatt Farber Schreck, LLP, Las Vegas, Nevada. The underwriters are being represented by Mayer Brown LLP, New York, New York, in connection with the offering.

EXPERTS

The consolidated financial statements as of September 30, 2016 and September 30, 2017, and for each of the two years in the period ended September 30, 2017, included in this prospectus, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein. Such consolidated financial statements have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to this offering of our common stock. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement, some items of which are contained in exhibits to the registration statement as permitted by the rules and regulations of the SEC. For further information with respect to us and our common stock, we refer you to the registration statement, including the exhibits filed as a part of the registration statement. Statements contained in this prospectus concerning the contents of any contract or any other document are not necessarily complete. If a contract or document has been filed as an exhibit to the registration statement, see the copy of the contract or document that has been filed. Each statement in this prospectus relating to a contract or document filed as an exhibit is qualified in all respects by the filed exhibit. The exhibits to the registration statement should be referenced for the complete contents of these contracts and documents. You may obtain copies of this information by mail from the Public Reference Section of the SEC, 100 F Street, N.E., Room 1580, Washington, D.C. 20549, at prescribed rates. You may obtain information on the operation of the public reference rooms by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet website that contains reports, proxy statements and other information about issuers, like us, that file electronically with the SEC. The address of that website is www.sec.gov.

As a result of this offering, we will become subject to the information and reporting requirements of the Exchange Act and, in accordance with this law, will file periodic reports, proxy statements and other information with the SEC. These periodic reports, proxy statements and other information will be available for inspection and copying at the SEC s public reference facilities and the website of the SEC referred to above.

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GLOSSARY OF AIRLINE TERMS

Set forth below is a glossary of industry terms used in this prospectus:

Available seat miles or ASMs means the number of seats available for passengers multiplied by the number of miles the seats are flown.

Average aircraft means the average number of aircraft used in flight operations, as calculated on a daily basis.

Average stage length means the average number of statute miles flown per flight segment.

Block hours means the number of hours during which the aircraft is in revenue service, measured from the time of gate departure before take-off until the time of gate arrival at the destination.

CASM or unit costs means operating expenses divided by ASMs.

CRASM means contract revenue divided by ASMs.

DOT means the United States Department of Transportation.

FAA means the United States Federal Aviation Administration.

FTE means full-time equivalent employee.

Load factor means the percentage of aircraft seat miles actually occupied on a flight (RPMs divided by ASMs).

Mesa means Mesa Air Group, Inc. and its predecessors, direct and indirect subsidiaries and affiliates.

NMB means the National Mediation Board.

Pass-Through Revenue means costs from our major airline partners under our capacity purchase agreements that we equally recognize as both a revenue and an expense, including passenger and hull insurance, aircraft property taxes, landing fees, catering and certain maintenance costs related to our E-175 aircraft.

TSA means the United States Transportation Security Administration.

Utilization means the percentage derived from dividing (i) the number of block hours actually flown during a given month under a particular capacity purchase agreement by (ii) the maximum number of block hours that could be flown during such month under the particular capacity purchase agreement.

MESA AIR GROUP, INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Mesa Air Group, Inc.

Phoenix, Arizona

We have audited the accompanying consolidated balance sheets of Mesa Air Group, Inc. and its subsidiaries (the Company) as of September 30, 2017 and 2016, and the related consolidated statements of operations, shareholder s equity, and cash flows for each of the two years in the period ended September 30, 2017. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Mesa Air Group, Inc. and its subsidiaries as of September 30, 2017 and 2016, and the results of their operations and their cash flows for each of the two years in the period ended September 30, 2017, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Phoenix, Arizona

May 3, 2018 (August 8, 2018 as to the effects of the Second Amended and Restated Articles of Incorporation described in Note 17)

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MESA AIR GROUP, INC.

Consolidated Balance Sheets

(in thousands)

	September 30, 2016	September 30, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 37,686	$ 56,788
Restricted cash	3,513	3,559
Receivables, net ($0 and $1,329 from related party)	9,297	8,853
Expendable parts and supplies, net	12,154	15,114
Prepaid expenses and other current assets	42,517	61,525
Total current assets	105,167	145,839
Property and equipment, net	1,153,350	1,192,448
Intangibles, net	12,107	11,724
Lease and equipment deposits	4,244	1,945
Other assets	8,362	5,693
Total assets	$ 1,283,230	$ 1,357,649
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Current portion of long-term debt	$ 109,901	$ 140,466
Accounts payable ($4,875 and $2,644 to related party)	52,959	44,738
Accrued compensation	8,839	9,080
Other accrued expenses	20,150	23,929
Total current liabilities	191,849	218,213
Long-term debt, excluding current portion	803,115	803,874
Deferred credits ($6,175 and $7,370 to related party)	16,876	17,189
Deferred income taxes	35,921	56,436
Other noncurrent liabilities	46,318	39,713
Total noncurrent liabilities	902,230	917,212
Total liabilities	1,094,079	1,135,425
Commitments and contingencies (Notes 15 and 16)		
Shareholders equity:		
Preferred stock of no par value, 5,000,000 shares authorized; no shares issued and outstanding		

Common stock of no par value and additional paid-in capital, 125,000,000 shares authorized; 11,294,083 (2017) and 10,369,643 (2016) shares issued and outstanding, and 12,230,625 (2017) and 13,150,610 (2016) warrants issued and outstanding	114,211	114,456
Retained earnings	74,940	107,768
Total shareholders equity	189,151	222,224
Total liabilities and shareholders equity	$ 1,283,230	$ 1,357,649

See accompanying notes to the consolidated financial statements.

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MESA AIR GROUP, INC.

Consolidated Statements of Operations

(in thousands, except per share amounts)

	Years Ended September 30,	
	2016	**2017**
Operating revenues:		
Contract revenue ($366,911 and $354,614 from related party)	$ 569,373	$ 618,698
Pass-through and other ($8,885 and $7,920 from related party)	18,463	24,878
Total operating revenues	587,836	643,576
Operating expenses:		