

Helicopter Flight Service Response to January 23, 2020 DOT Letter

There are 6 questions.

1st Question:

On October 15, 2019, HFS submitted a Consolidated forecast and income statement for the entire business (Exhibit F3), wherein HFS states the assumptions for fuel are based on \$250 an hour for the 407/135 and \$450 an hour for the 155. However, you have also stated the daily allocation of which helicopter is used for what purpose by the company is generally a matter of schedule and location. For purposes of this forecast trying to guess which helicopter will fulfill the mission is an arduous task that creates high potential for error. In this regard, please clarify the following:

a. What is HFS' proposed plan of scheduled commuter operations? **Response: Daily Service**

Flight	Departure	Arrival	From	To
1	JRA (W 30 th)	JFK	7:00am	7:10am
2	JFK	JRA (W 30 th)	7:15am	7:25am
3	JRA (W 30 th)	JFK	7:30am	7:40am
4	JFK	JRA (W 30 th)	7:40am	7:45am
5	6N5 (E 34 th)	HTO	1:00pm	1:45pm
6	HTO	6N5 (E 34 th)	2:00pm	2:45pm
7	6N5 (E 34 th)	HTO	3:00pm	3:45pm
8	HTO	6N5 (E 34 th)	4:00pm	4:45pm

b. How many scheduled flights does HFS plan to operate each day/week?

Response: Daily Service for each location 2 roundtrips.

c. How is the forecast for the direct and indirect expenses calculated without identifying the type of aircraft being operated?

Response: HFS is certificated air carrier operating with over twenty years experiences of operating on-demand and know the direct operating costs of each type. The indirect costs don't change for salaries and ordinating operating expenses that are paid regardless. The costs are part of the financials provided.

2nd Question:

In our July 2, 2019, information request, we asked HFS to provide a detailed preoperating cost forecast. Pre-operating and start-up costs should include, but are not limited to, the following: Obtaining necessary government approval; establishing stations; introductory advertising; aircraft, equipment and space facility deposits and rent; training; fuel, insurance, aircraft lease deposits, and salaries earned prior to start-up. Sufficient detail should be provided to allow us to replicate the mathematics used.

Although HFS in Exhibit 2 identified certain expenses that may not be applicable, HFS has not identified costs related to legal, certified public accountant and consultant expenses that it noted will be incurred. In addition, expenses related to aircraft certification, marketing, etc. were not identified. We ask that you provide a revised preoperating forecast detailing all of the above.

Reference: Attachment 1

3rd Question:

In our July 2 information request, we asked you to provide a detailed first year expense forecast (broken down by month or by quarter) that contain detailed direct and indirect operation costs allocated on a

rational basis for the current and proposed operations. HFS' forecast does not break down the expenses by each expense category or based on the type of aircraft proposed to be operated. We will need additional information in order to allow us to more fully evaluate the amount of funding HFS will need to meet the Department's financial test. For instance, additional information is needed to determine whether the total expenses the applicant expects to incur and whether these expenses are allocated on a rational basis between its proposed commuter operations and air taxi operations. In order to determine whether the applicant fully understands the costs associated with the commuter operations, we ask that the breakdown of the expense categories, along with applicable footnotes explaining the basis of the forecast be provided. This forecast should include all costs directly associated with HFS' operations, including aircraft lease expenses, training, fuel, salaries, gates and insurance, preparation of FAA manuals, FAA proving runs, etc. Therefore, we again ask HFS to provide a consolidated forecast income statement for its entire business, as well as separate forecast statements for its air taxi and proposed commuter operations. Sufficient detail should be provided to allow us to replicate the computations used.

Response: Attachment 4 is a complete financial forecast with breakdowns accounting for types of operations per aircraft types.

4th Question

Exhibit 5 lists a fleet of 9 (**now 12**) aircraft. In this regard, please clarify the following:

- a. Are all the aircraft listed in Exhibit 5 being added to HFS' operation specification for commuter operations?

Response: Yes, Reference (**Attached 2**) the current and latest OpSpecs D085

- b. Please update us on the status of certification process with Federal Aviation Administration ("FAA") for adding these aircraft to HFS' operations specification.

Response: As stated in the original application Helicopter has been in operations for over 20 years and included the referenced OpSpecs showing the current aircraft.

5th and 6th Questions

Please provide third-party verification of all lines-of-credit available to support HFS' proposed operations. This verification should include the total line-of-credit being made available, the amount such credit line has been drawn down to date, any conditions that must be met before funds will be advanced, the terms of repayment, and the expiration date. Further, if the line-of-credit is being supplied by an individual or organization (other than a recognized financial institution) copies of the personal or corporate financial statements of the individual or organization should also be provided.

Please provide third-party verification of all cash deposits available to support HFS' proposed commuter operations, Department's financial fitness criteria, that should cover its pre-operating expenses, any negative working capital balance, and working capital reserve equal to one-quarter of the first year's operating costs that are reasonably projected to be incurred.

Response:

We provided a complete Financial Position and Operating Plans as part of the original application. To answer questions 5 and 6 from I have extracted CPA verification and the combined balance sheet showing current assets to include over \$2,500,000.00 of unrestricted cash.

Reference Attachment 3

Helicopter Flight Service

Attachments to the 01-23-20 DOT Letter

Response updated

Attachment 1 – Pre-operating Startup Cost

Attachment 2 – Updated OpSpecs D085 Detailing Current Aircraft

Attachment 3 – Verified Unrestricted Cash

Attachment 4 – Operating Forecast and breakdown details

HELICOPTER FLIGHT SERVICES INC.

SCHEDULED SERVICES START UP AND IMPLEMENTATION COSTS

ESTIMATE

G & A

CERTIFICATE CONSULTANT FEES	10,000.00
LEGAL FEES	25,000.00
CPA FEES	25,000.00
STAFF TRAINING FOR RESERVATIONS	<u>2,000.00</u>

TOTAL	62,000.00
-------	-----------

S & M

SALES BOOKER TRAINING	1,000.00
SIGNAGE FOR AIRPORTS	<u>1,500.00</u>

TOTAL	2,500.00
-------	----------

OPERATIONS

MISC. FLIGHTLINE TRAINING	<u>1,000.00</u>
---------------------------	-----------------

TOTAL	1,000.00
-------	----------

TOTAL STARTUP	65,500.00
---------------	-----------

U.S. Department
of Transportation
Federal Aviation
Administration

Operations Specifications

D085 . Aircraft Listing**HQ Control: 02/06/1998****HQ Revision: 02a**

- a. The certificate holder is authorized to conduct operations under 14 CFR Part 135 using the aircraft identified on this operations specification.

Registration No.	Serial No.	Aircraft M/M/S
N401TD	54335	BHT-407-407
N403TD	54644	BHT-407-407
N404TD	54487	BHT-407-407
N407NP	53651	BHT-407-407
N408GG	54558	BHT-407-407
N408TD	53868	BHT-407-407
N409TD	53830	BHT-407-407
N945RF	54581	BHT-407-407
N427JJ	56039	BHT-427-427
N429TD	56080	BHT-427-427
N131TD	8159	EC-130-T2
N132TD	7883	EC-130-T2

1. Issued by the Federal Aviation Administration.
2. These Operations Specifications are approved by direction of the Administrator.

3. I hereby accept and receive the Operations Specifications in this paragraph.



Held, Kranzler, McCosker and Pulice, LLP
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Helicopter Flight Services, Inc. and Affiliates
New York, New York

Management is responsible for the accompanying combined financial statements of Helicopter Flight Services, Inc. and Affiliates, which comprise the combined balance sheets as of June 30, 2019 and 2018, and the related combined statements of operations, and changes in equity for the six months then ended, in accordance with accounting principles generally accepted in the United States of America. We have performed compilation engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has elected to omit the statements of cash flows and substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted statements of cash flows and disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Supplementary Information

The supplementary information contained in page 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. The supplementary information was not subject to our compilation engagement. We do not express an opinion, a conclusion, nor provide any form of assurance on such supplementary information.

A handwritten signature in cursive script, likely representing the firm's name or a representative.

Held, Kranzler, McCosker & Pulice LLP
New York, NY
August 29, 2019

HELICOPTER FLIGHT SERVICES, INC. AND AFFILIATES

COMBINED BALANCE SHEETS AS OF JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,581,515	\$ 2,541,207
Accounts receivable	1,344,740	1,220,149
Other current assets	848,102	979,113
Total current assets	4,774,357	4,740,469
FIXED ASSETS - net	19,390,311	15,397,517
OTHER ASSETS:		
Due from stockholders	606,899	551,727
Other assets	1,500	-
Total other assets	608,399	551,727
TOTAL	<u>\$ 24,773,067</u>	<u>\$ 20,689,713</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,423,488	\$ 813,229
Accrued expenses and taxes	231,741	298,308
Current maturities of long-term debt	3,200,103	1,561,028
Total current liabilities	4,855,332	2,672,565
LONG-TERM LIABILITIES:		
Long-term debt, net of current portion	14,184,872	13,589,657
Total liabilities	19,040,204	16,262,222
EQUITY:		
Members' equity	3,205,486	1,724,643
Stockholders' equity		
Capital stock	100	1,100
Additional paid-in capital	40,000	115,000
Retained earnings	2,487,277	2,586,748
Total equity	5,732,863	4,427,491
TOTAL	<u>\$ 24,773,067</u>	<u>\$ 20,689,713</u>

See selected information to combined financial statements.

Attachment 4

HELICOPTER FLIGHT SERVICES AND AFFILIATES CONSOLIDATED FORECAST

MONTH DAYS	JAN 31	FEB 28	MAR 31	APR 30	MAY 30	JUN 31	JUL 31	AUG 31	SEP 30	OCT 31	NOV 30	DEC 31	TOTAL 365
PROPOSED COMMUTER OPERATIONS													
BLOCK TIME/MO 407/135	71.75	66.50	71.75	66.50	76.50	86.75	88.75	90.00	76.50	71.75	66.50	71.75	905.00
BLOCK TIME/MO AIRBUS 155	1.00	1.00	1.00	5.00	10.00	12.00	18.00	20.00	18.00	5.00	1.00	1.00	93.00
BLOCK TIME/TRIP	0.20	0.20	0.20	0.20	0.24	0.27	0.29	0.30	0.26	0.21	0.19	0.20	
RATE/HR A155	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	
RATE/TRIP A155	\$ 587	\$ 603	\$ 587	\$ 596	\$ 721	\$ 796	\$ 861	\$ 887	\$ 788	\$ 619	\$ 563	\$ 587	
RATE/HR 407/A135	\$ 1,495	\$ 1,495	\$ 1,495	\$ 1,495	\$ 1,495	\$ 1,495	\$ 1,495	\$ 1,495	\$ 1,495	\$ 1,495	\$ 1,495	\$ 1,495	
RATE TRIP 407/135	\$ 292	\$ 300	\$ 292	\$ 297	\$ 359	\$ 397	\$ 429	\$ 442	\$ 392	\$ 308	\$ 280	\$ 292	
TOTAL REVENUE COMMUTER OPERATIONS	\$ 110,264	\$ 102,415	\$ 110,264	\$ 114,418	\$ 144,368	\$ 165,691	\$ 186,681	\$ 194,550	\$ 168,368	\$ 122,266	\$ 102,418	\$ 110,266	1,631,967.53
OTHER OPERATIONS													
SIGHTSEEING	\$ 621,000	\$ 610,000	\$ 744,000	\$ 997,000	\$ 1,393,000	\$ 1,819,000	\$ 2,258,000	\$ 2,438,000	\$ 1,388,000	\$ 1,492,000	\$ 913,000	\$ 1,082,000	15,755,000.00
CHARTER	\$ 255,000	\$ 250,000	\$ 305,000	\$ 410,000	\$ 572,000	\$ 747,000	\$ 927,000	\$ 1,001,000	\$ 570,000	\$ 613,000	\$ 375,000	\$ 444,000	6,469,000.00
MAINTENANCE	\$ 2,000	\$ 2,000	\$ 2,000	\$ 3,000	\$ 4,000	\$ 6,000	\$ 7,000	\$ 8,000	\$ 4,000	\$ 5,000	\$ 5,000	\$ 3,000	51,000.00
MERCH	\$ 7,000	\$ 7,000	\$ 9,000	\$ 12,000	\$ 16,000	\$ 21,000	\$ 27,000	\$ 29,000	\$ 16,000	\$ 18,000	\$ 11,000	\$ 13,000	186,000.00
TOTAL REVENUE	\$ 995,264	\$ 971,415	\$ 1,170,264	\$ 1,536,418	\$ 2,129,368	\$ 2,758,691	\$ 3,405,681	\$ 3,670,550	\$ 2,146,368	\$ 2,250,266	\$ 1,406,418	\$ 1,652,266	24,092,967.53

EXPENSES - COMMUTER OPS													
VARIABLE COST PER HOUR													
A135/407	\$ 700	\$ 700	\$ 700	\$ 700	\$ 700	\$ 700	\$ 700	\$ 700	\$ 700	\$ 700	\$ 700	\$ 700	
AC155	\$ 1,400	\$ 1,400	\$ 1,400	\$ 1,400	\$ 1,400	\$ 1,400	\$ 1,400	\$ 1,400	\$ 1,400	\$ 1,400	\$ 1,400	\$ 1,400	
A135/407 COST	\$ 50,224	\$ 46,549	\$ 50,224	\$ 46,550	\$ 53,550	\$ 60,725	\$ 62,125	\$ 63,000	\$ 53,550	\$ 50,225	\$ 46,550	\$ 50,225	633,496.50
AC155 COST	\$ 3,000	\$ 3,000	\$ 3,000	\$ 15,000	\$ 30,000	\$ 36,000	\$ 54,000	\$ 60,000	\$ 54,000	\$ 15,000	\$ 3,000	\$ 3,000	279,000.00
ALL OTHER NON COMMUTER EXPENSE													
SIGHTSEEING	\$ 178,000	\$ 175,000	\$ 213,000	\$ 286,000	\$ 399,000	\$ 521,000	\$ 647,000	\$ 698,000	\$ 398,000	\$ 428,000	\$ 262,000	\$ 310,000	4,515,000.00
CHARTER	\$ 49,000	\$ 48,000	\$ 59,000	\$ 79,000	\$ 110,000	\$ 143,000	\$ 178,000	\$ 192,000	\$ 109,000	\$ 118,000	\$ 72,000	\$ 85,000	1,242,000.00
MAINTENANCE	\$ 1,000	\$ 1,000	\$ 2,000	\$ 2,000	\$ 3,000	\$ 4,000	\$ 5,000	\$ 6,000	\$ 3,000	\$ 4,000	\$ 2,000	\$ 3,000	36,000.00
MERCH	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 2,000	\$ 3,000	\$ 3,000	\$ 4,000	\$ 4,000	\$ 3,000	\$ 3,000	\$ 2,000	28,000.00

GROSS PROFIT COMMUTER	\$ 57,040	\$ 52,866	\$ 57,040	\$ 52,868	\$ 60,818	\$ 68,966	\$ 70,556	\$ 71,550	\$ 60,818	\$ 57,041	\$ 52,868	\$ 57,041	719,471.03
GROSS PROFIT NON-COMMUTER	\$ 656,000	\$ 644,000	\$ 785,000	\$ 1,054,000	\$ 1,471,000	\$ 1,922,000	\$ 2,386,000	\$ 2,576,000	\$ 1,464,000	\$ 1,575,000	\$ 965,000	\$ 1,142,000	16,640,000.00
TOTAL	\$ 713,040	\$ 696,866	\$ 842,040	\$ 1,106,868	\$ 1,531,818	\$ 1,990,966	\$ 2,456,556	\$ 2,647,550	\$ 1,524,818	\$ 1,632,041	\$ 1,017,868	\$ 1,199,041	17,359,471.03
OPERATING EXPENSE													
G & A	\$ 999,000	\$ 999,000	\$ 999,000	\$ 999,000	\$ 999,000	\$ 999,000	\$ 999,000	\$ 999,000	\$ 999,000	\$ 999,000	\$ 999,000	\$ 999,000	11,988,000.00
DEPRECIATION	\$ 179,000	\$ 179,000	\$ 179,000	\$ 179,000	\$ 179,000	\$ 179,000	\$ 179,000	\$ 179,000	\$ 179,000	\$ 179,000	\$ 179,000	\$ 179,000	2,148,000.00
OPERATING INCOME	\$ (464,960)	\$ (481,134)	\$ (335,960)	\$ (71,133)	\$ 353,818	\$ 812,966	\$ 1,278,556	\$ 1,469,550	\$ 346,818	\$ 454,041	\$ (160,133)	\$ 21,041	3,223,471.03
OTHER INCOME	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000	\$ 90,000	1,080,000.00
INTEREST	\$ -	\$ -	\$ (186,000)	\$ -	\$ -	\$ (186,000)	\$ -	\$ -	\$ (186,000)	\$ -	\$ -	\$ -	(558,000.00)
PRETAX PROFIT	\$ (374,960)	\$ (391,134)	\$ (431,960)	\$ 18,868	\$ 443,818	\$ 716,966	\$ 1,368,556	\$ 1,559,550	\$ 250,818	\$ 544,041	\$ (70,133)	\$ 111,041	3,745,471.03
TAX	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (108,000)	(108,000.00)
NET INCOME	\$ (374,960)	\$ (391,134)	\$ (431,960)	\$ 18,868	\$ 443,818	\$ 716,966	\$ 1,368,556	\$ 1,559,550	\$ 250,818	\$ 544,041	\$ (70,133)	\$ 3,041	3,637,471.03

NOTES TO CONSOLIDATED FORECAST

a). All of the helicopters are either owned or partially financed. Allocating a portion of finance payments (if any) in fixed costs is overly burdensome in so far as different aircraft have different loan terms, amortization schedules, other aircraft are owned outright. Hangars, Pilots and Insurance also are fully accounted for in SG&A

b). In many respects our cost estimates are overly conservative because maintenance is captured in the cost of sales for all other non commuter expense as well as SG&A the reasoning is that all of the helicopters are serviced in house by HFS mechanics. There are no power by the hour plans etc. Moreover, maintenance is also small component of the hourly expense outlined in the variable costs. Specifically when allocating costs HFS is using \$700 for the 407/135 and \$1,400 an hour for the 155 this is consistent with published practices by both Textron and Airbus

c). The commuter authority contemplated herein is met using existing fleet and staff and while HFS has calculated the projections based on the flight schedule provided we have not designated a particular helicopter but rather a certain class of helicopter within the fleet while simultaneously removing a certain class of helicopter from the fleet for operations in other segments of the business at the same time. This ensures that HFS has not allocated a helicopter to the commuter authority and another segment simultaneously.

d). While HFS has allocated costs for startup etc. it does not foresee a need for additional personnel but rather a reallocation of existing personnel into specific rolls to fulfill the commuter function.

e). While HFS has provided info regarding liquidity it is also clear that the proposed operations contemplated herein compromise approx. 4% of HFS's annual operating expense. Management does not foresee any negative impact on cashflow from the operations. Moreover, notwithstanding the additional cash reserves of HFS and its owners, HFS generates enough cash on its own to support the operations outlined in the application.

f). HFS is confident it has more than enough supply to fulfill the operations, more than enough staff to safely serve them and more than enough cash to fund them.