

GULFSTREAM INTERNATIONAL GROUP INC
Form 10-K/A
April 30, 2009

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K/A

**▶ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934**

For the fiscal year ended December 31, 2008

**•• TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the transition period from _____ to _____

Commission file number 001-33884

GULFSTREAM INTERNATIONAL GROUP, INC.

(Name of small business issuer in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

20-3973956
(I.R.S. Employer
Identification No.)

**3201 Griffin Road, 4th Floor
Fort Lauderdale, Florida**
(Address of principal executive offices)

33312
(Zip Code)

Registrant's telephone number, including area code: (954) 985-1500

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock of \$0.01 par value per share	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller Reporting Company <input checked="" type="checkbox"/>

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

The initial public offering of the registrant's common stock was effective on December 17, 2007, prior to which date there was not a public market in the registrant's common stock.

Common stock outstanding at April 30, 2009: 2,959,600 shares.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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EXPLANATORY NOTE

Gulfstream International Group, Inc. hereby amends its Annual Report on Form 10-K for the fiscal year ended December 31, 2008, originally filed with the Securities and Exchange Commission (the SEC) on March 31, 2009 (the Original 10-K), to include the information required to be disclosed by Part III of Form 10-K. References to we, our, and us, refer to Gulfstream international Group, Inc. and either or both of Gulfstream International Airlines, Inc. (Gulfstream) or Gulfstream Training Academy, Inc. (the Academy), our two independent subsidiaries. We previously indicated that the information required to be disclosed by Part III of Form 10-K would be provided in our proxy statement; however, we have determined that our proxy statement will not be filed as of the date hereof as required by the SEC in order to incorporate by reference.

The information set forth in this amendment to the Original 10-K (this Amendment) replaces the information set forth in Part III of the Original 10-K in its entirety. No other Part, Item or section of the Original 10-K is being amended by this Amendment.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-K/A contains forward-looking statements. These statements relate to, among other things:

- .
our business strategy;
- .
our value proposition;
- .
the market opportunity for our services, including expected demand for our services;
- .
information regarding the replacement, deployment, acquisition and financing of certain numbers and types of aircraft, and projected expenses associated therewith;
- .
costs of compliance with FAA regulations, Department of Homeland Security regulations and other rules and acts of Congress;
- .
the ability to pass taxes, fuel costs, inflation, and various expense to our customers;
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certain projected financial obligations;
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our estimates regarding our capital requirements; and

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any of our other plans, objectives, expectations and intentions contained in this prospectus that are not historical facts.

These statements, in addition to statements made in conjunction with the words expect, anticipate, intend, plan, believe, seek, estimate and similar expressions, are forward-looking statements. These statements relate to future events or our future financial performance and only reflect management's expectations and estimates. The following is a list of factors, among others, that could cause actual results to differ materially from the forward-looking statements:

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changing external competitive, business, budgeting, fuel supply, weather or economic conditions;

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changes in our relationships with employees or code share partners;

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availability and cost of funds for financing new aircraft and our ability to profitably manage our existing fleet;

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adverse reaction and publicity that might result from any accidents;

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the impact of current or future laws and government investigations and regulations affecting the airline industry and our operations;

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additional terrorist attacks; and

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consumer unwillingness to incur greater costs for flights.

You should read this Amendment and the Original 10-K completely and with the understanding that our results may be materially different from what we expect. We undertake no duty to update these forward-looking statements after the date of this Amendment, even though our situation may change in the future. We qualify all of our forward-looking statements by these cautionary statements.

PART III**Item 10.****Directors, Executive Officers and Corporate Governance****Board of Directors and Executive Officers**

Currently, we have authorized a six-member board of directors. All of the directors hold office until the next annual meeting of stockholders or until their successors are duly qualified. Set forth below is the name, age, position and a brief account of the business experience of each of the Company's executive officers and directors.

Name	Age	Position(s)
Thomas A. McFall	55	Chairman of the Board and Senior Executive Officer
David F. Hackett	47	Chief Executive Officer and President, Director
Gary P. Arnold	67	Director
Gary L. Fishman	62	Director
Barry S. Lutin	64	Director
Richard R. Schreiber	53	Director
Robert M. Brown	61	Chief Financial Officer

Thomas A. McFall, 55, Chairman of the Board and Senior Executive Officer

Mr. McFall has served as Chairman of our board of directors and senior executive officer since March 2006. Mr. McFall currently serves as Chairman of Weatherly Group LLC, a company he founded in 1999. Mr. McFall has served as an executive and on the board of directors of numerous companies, including Weatherstar Aviation. Weatherstar was a New Jersey based aviation operator providing both regularly scheduled and on demand charter flights under an FAA Part 135 certificate. Mr. McFall was President and CEO of Weatherstar from its inception in 1987 until its sale in 1995. He is currently Chairman of Aladdin Food Management Services and Cattron Group International.

David F. Hackett, 47, Chief Executive Officer and President, Director

Mr. Hackett has been our Chief Executive Officer and President since March 2006. Since June 2003, Mr. Hackett has served as President of Gulfstream. From January 2002 to June 2003, he was a financial and strategic consultant to Newgate Associates, LLC. Mr. Hackett has over 20 years experience in the airline industry, beginning with Continental in 1985, where he eventually served as Director, Financial Planning and Analysis.

Gary P. Arnold, 67, Director

Mr. Arnold has been a director since November 2007. He has significant international and domestic experience in the electronics industry in the areas of finance, strategic planning and operations, and has been involved in numerous capital market transactions. He spearheaded the turnaround at Tektronix Corp. where he was chief financial officer from 1990 to 1992, and later served as Chairman and CEO of Analogy, Inc., a provider of design automation software used in the automotive industry from 1993 to 2000. Since 2000, Mr. Arnold has been a private investor and currently serves on the boards of directors of National Semiconductor Corp. (NYSE: NSM) and Orchids Paper Products Company (NYSE AMEX: TIS). Mr. Arnold is a certified public accountant and holds a B.S. degree in Accounting from East Tennessee State University and a JD degree from the University of Tennessee School of Law.

Gary L. Fishman, 62, Director

Mr. Fishman has been a director since January 2009. He has over 30 years of airline experience, having held executive positions with Northwest Airlines, Continental Airlines and Trans World Airlines in diverse areas including operations, planning and finance. An officer of Northwest from 1995 to 2005, he held various positions, including, from 2002-2004, Vice President of Customer Service Planning and Security and, from 2004-2005, Senior Vice President of Alliances. After his retirement from Northwest, he served from 2005 through 2008 as Vice President of Sales Operations at Ingenix, a division of UnitedHealth Group. He is a graduate of the United States Naval Academy and served as an officer in the US Navy from 1968 through 1973.

Barry S. Lutin, 64, Director

Mr. Lutin has been a director since November 2007. He has been involved in the aviation industry for more than forty years, serving in various senior positions responsible for certification, operations and financial management for scheduled air operators. Since December 2006, Mr. Lutin has been a Managing Director of Helion Procopter Industries, a subsidiary of Anham Trading and Contracting, LLC of Dubai and, since April 2002, Mr. Lutin has been President and CEO of Capitol Rising, LLC. Between 1992 and 2002, Mr. Lutin served as a management consultant and as President and Chief Operating Officer of Shuttle America Corporation. From 1972 to 1992, Mr. Lutin served as Chairman and CEO of Corporate Air, Inc., an FAA part 135 scheduled cargo carrier. Currently, he serves as Chairman and director of Safe Passage International, a U.S.-based security training software development company. Mr. Lutin is a licensed air transport pilot with more than six thousand hours of flight experience.

Richard R. Schreiber, 53, Director

Mr. Schreiber has been a director since March 2006. Mr. Schreiber has been a Partner with Dimeling, Schreiber & Park, an investment firm in Philadelphia, since 1982. Mr. Schreiber is also employed by Itochu International, Inc. as Director, Principal Investments. He has been on the board of directors of numerous private companies (including New Piper Aircraft and McCall Pattern Company) and public companies (including Wisor Oil Company and Chief Consolidated Mining). Mr. Schreiber was previously a director of Business Express Airlines (a large Part 121 commuter airline), Aeris (a French airline) and Rocky Mountain Helicopters (a large Part 135 operation). Mr. Schreiber received a bachelor's degree in Economics from the Wharton School of the University of Pennsylvania.

Robert M. Brown, 61, Chief Financial Officer

Robert M. Brown has been our Chief Financial Officer since January 2007. From April 2005 to November 2006, Mr. Brown served as the Secretary, Treasurer and Chief Financial Officer of BabyUniverse, Inc., an online retailer in the United States of brand name baby, toddler, maternity and furniture products that is listed on the Nasdaq Capital Market. From November 2002 to April 2005, Mr. Brown was a private investor. Mr. Brown was the Chief Financial Officer of Uno Restaurant Corporation from 1987 to 1997, and served as its Executive Vice President-Development from 1997 to 2002. Uno Restaurant Corporation is the operator and franchisor of a nationwide chain of casual-dining restaurants and was publicly-traded on the New York Stock Exchange through 2001. Mr. Brown held several accounting positions prior to 1987 with each of SCA Services, Inc., The Stanley Works, Saab-Scania, Inc. and Price Waterhouse. Mr. Brown is a CPA certified in the State of Connecticut and earned a B.S. degree in Accounting at Fairfield University.

Board Committees

We have established an Audit Committee consisting of Mr. Arnold, who chairs the committee, and Messrs. Lutin and Schreiber, all of whom we believe qualify as independent directors under NYSE Amex rules. The NYSE Amex listing standards define financially literate as being able to read and understand financial statements, including a company's balance sheet, income statement and cash flow statement. The Audit Committee is governed by a written charter, available in the Corporate Governance section of our website which can be accessed from our homepage at <http://www.gulfstreamair.com> by selecting Corporate Governance, which must be reviewed, and amended if necessary, on an annual basis. Under the charter, the Audit Committee is required to meet at least four times a year and is responsible for reviewing the independence, qualifications and quality control procedures of our independent auditors, and is responsible for recommending the initial or continued retention, or a change in, our independent auditors. In addition, the Audit Committee is required to review and discuss with the Company's management and independent auditors our financial statements and our annual and quarterly reports, as well as the quality and effectiveness of our

internal control procedures and critical accounting policies. The Audit Committee's charter also requires the Audit Committee to review potential conflict of interest situations, including transactions with related parties, and to discuss with our management other matters related to our external and internal audit procedures. The Audit Committee will adopt a pre-approval policy for the provision of audit and non-audit services performed by our independent auditors. We believe Mr. Arnold is a financial expert as defined under the Securities and Exchange Act of 1934 and as required by the NYSE Amex.

We have also established a Compensation Committee consisting of Mr. Lutin, who chairs the committee, and Messrs. Arnold and Schreiber, all of whom we believe qualify as independent directors under NYSE Amex rules. The Compensation Committee is governed by a written charter, available in the Corporate Governance section of our Website which can be accessed from our homepage at <http://www.gulfstreamair.com> by selecting Corporate Governance. The Compensation Committee is responsible for making recommendations to the board of directors regarding compensation arrangements for our executive officers, including annual bonus compensation, and consults with our management regarding

compensation policies and practices. The Compensation Committee also makes recommendations concerning the adoption of any compensation plans in which management is eligible to participate, including the granting of stock options or other benefits under those plans.

We have also established a Nominating and Corporate Governance Committee consisting of Mr. Schreiber, who chairs the committee, and Mr. Arnold and Mr. Lutin, all of whom we believe qualify as independent directors under the NYSE Amex rules. The Nominating and Corporate Governance Committee is governed by a written charter, available in the Corporate Governance section of our Website which can be accessed from our homepage at <http://www.gulfstreamair.com> by selecting Corporate Governance. The Nominating and Corporate Governance Committee submits to the board of directors a proposed slate of directors for submission to the stockholders at our annual meeting, recommends director candidates in view of pending additions, resignations or retirements, develops criteria for the selection of directors, reviews suggested nominees received from stockholders and reviews corporate governance policies and recommends changes to the full board of directors.

Selection of Nominees for the Board of Directors

Any stockholder wishing to submit a candidate for consideration should send the following information to the Corporate Secretary, Gulfstream International Group, Inc., 3201 Griffin Road, 4th Floor, Ft. Lauderdale, Florida 33312:

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Stockholder's name, number of shares owned, length of period held, and proof of ownership;

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Name, age and address of candidate;

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A detailed resume describing among other things the candidate's educational background, occupation, employment history, and material outside commitments (e.g., memberships on other boards and committees, charitable foundations, etc.);

.
A supporting statement which describes the candidate's reasons for seeking election to the board of directors, and documents his/her ability to serve on the board of directors;

.
Any information relating to the candidate that is required to be disclosed in the solicitation of proxies for election of directors;

.
A description of any arrangements or understandings between the stockholder and the candidate;

Any other information that would be useful to the committee in considering the candidate; and

A signed statement from the candidate, confirming his/her willingness to serve on the board of directors.

The Corporate Secretary will forward such materials to the Chairman of the Nominating and Corporate Governance Committee and the Chairman of the Board. The Corporate Secretary will also maintain copies of such materials for future reference by the committee when filling board of directors positions.

Stockholders may submit potential director candidates at any time pursuant to these procedures. The committee will consider such candidates if a vacancy arises or if the board of directors decides to expand its membership, and at such other times as the committee deems necessary or appropriate. Separate procedures apply, as provided in the Bylaws, if a stockholder wishes to submit at an annual meeting a director candidate that is not approved by the committee or the board of directors.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers, persons who beneficially own more than ten percent of a registered class of our equity securities, and certain other persons to file reports of ownership and changes in ownership on Forms 3, 4 and 5 with the SEC, and to furnish us with copies of the forms. Based solely on its review of the forms we received, or written representations from reporting persons, we believe that all of our directors, executive officers and beneficial owners of greater than ten percent of our outstanding Common Stock complied with all such filing requirements during 2008, except that Gulfstream Funding, LLC purchased a convertible debenture on September 19, 2008 that was reported on Form 4 on February 20, 2009 and Thomas A. McFall purchased 28,500 shares of common stock on December 31, 2008 that was reported on Form 4 on January 6, 2009.

Code of Ethics

Our Board of Directors adopted a Code of Ethics and Business Conduct Policy for all of our directors, officers and employees effective July 3, 2007. We have posted our Code of Ethics and Business Conduct Policy on our website (www.gulfstreamair.com). In addition, stockholders may request a free copy from our Chief Financial Officer as follows:

Gulfstream International Group, Inc.
 Robert M. Brown
 3201 Griffin Road, 4th Floor
 Fort Lauderdale, Florida
 (954) 985-1500

To the extent required by law or the rules of the New York Stock Exchange Amex, any amendments to, or waivers from, any provision of the Code of Ethics and Business Conduct Policy will be promptly disclosed publicly. To the extent permitted by such requirements, we intend to make such public disclosure by posting the relevant material on our website in accordance with SEC rules.

Item 11.**Executive Compensation****EXECUTIVE COMPENSATION**

The following table sets forth certain information concerning the compensation of our chief executive officer and certain of our other executive officers during 2008 and 2007. We hired Mr. Brown as our Chief Financial Officer on January 29, 2007. Prior to that time, Mr. Hackett also served as our Chief Financial Officer. We refer to these persons as the named executive officers elsewhere in this proxy statement.

Summary Compensation Table

Name and principal position	Year	Salary	Bonus	Non-Equity			Total
				Option Awards (1)	Incentive Plan Compensation	All Other Compensation	
David F. Hackett Chief Executive Officer	2008	\$ 134,900	\$ 23,800			\$ 14,400	\$ 173,100
Thomas P. Cooper Officer and President	2007	\$ 132,000	\$ 37,400	\$ 179,300		\$ 14,500	\$ 363,200

Senior Vice President,	2008	\$	100,000	\$	6,100	\$	4,900	\$	13,600	\$	119,700
Legal Affairs	2007	\$	98,100	\$	19,400	\$	8,900	\$	13,800	\$	140,200

Robert M. Brown

Chief Financial Officer	2008	\$	150,000				14,600	\$	9,500	\$	174,100
	2007	\$	142,700				\$ 26,700	\$	8,700	\$	178,100

(1)

Reflects options awarded under our Stock Incentive Plan. These options vest and become exercisable in 20% increments starting on the grant date and 20% on each anniversary of the grant date, except that all of Mr. Hackett's unvested options as of December 14, 2007 were accelerated based on the Company's completion of its initial public offering of common stock. These amounts represent the financial reporting expense recognized by the Company in 2007 and 2008 in accordance with SFAS 123R, and not the amounts that may be eventually realized by the named executive officers.

Agreements with Named Executive Officers

David F. Hackett

On March 14, 2006, Mr. Hackett and our wholly-owned subsidiary, Gulfstream International Airlines, Inc. (Gulfstream), entered into an Executive Employment Agreement, pursuant to which, among other things, Mr. Hackett is to serve as President of Gulfstream for an initial term of two years, subject to automatic one-year extensions absent mutual amendment of the terms or termination by either party as set forth therein. Mr. Hackett is entitled to a base salary of \$132,000 (as increased to reflect increases in the consumer price index and at the discretion of the board of directors) and a bonus determined at the discretion of the board of directors. In the event of Mr. Hackett's death during the term of the agreement,

Mr. Hackett's salary and any bonus will be paid to his designated beneficiary, estate or other legal representative for six months following his death. In the event of Mr. Hackett's disability during the term of the agreement, Mr. Hackett will be entitled to receive no less than six months' salary and any bonus following such disability. This disability payment is in addition to other long-term disability benefits provided by us to Mr. Hackett. For the purposes of this agreement, disability is deemed to have occurred if Mr. Hackett is unable by reason of sickness, disease or accident to substantially perform his duties under the agreement for an aggregate of six months in any one-year period, or if he has a guardian of his person or estate appointed by a court.

Upon termination of the agreement without cause by Gulfstream, Mr. Hackett will be entitled to benefits for the remainder of the initial or then-current renewal term of the agreement and compensation in the form of base salary and bonus payments for one year thereafter. For the purposes of this agreement, cause is defined as (i) repeated failure or refusal to reasonably cooperate with a governmental investigation of Gulfstream; (ii) willfully committing or participating in any act or omission which constitutes willful misconduct, fraud, misrepresentation, embezzlement or dishonesty that is materially injurious to Gulfstream; (iii) committing or participating in any other act or omission wantonly, willfully, recklessly or in a manner which was grossly negligent that is materially injurious to the company, monetarily or otherwise; (iv) engaging in a criminal enterprise involving moral turpitude; (v) any crime resulting in a conviction, which constitutes a felony in the jurisdiction involved (other than a motor vehicle felony that does not result in his incarceration); (vi) any loss of any state or federal license required for Mr. Hackett to perform his material duties or responsibilities for Gulfstream; or (vii) any material breach of the employment agreement by Mr. Hackett.

Mr. Hackett has the right to terminate the agreement upon 30 days notice for one year after any change in control. Our obligations to make payments to Mr. Hackett following such a termination are described more fully in Potential Payments Upon Termination or Change In Control, beginning on page 17. Pursuant to his employment agreement, Mr. Hackett agrees to a covenant not to compete during the term of the agreement and for a period of one year thereafter in the territory of Florida, the Bahamas and portions of Cuba. Mr. Hackett also agrees to maintain the confidentiality of certain information in certain circumstances.

Thomas P. Cooper

On August 7, 2003, Mr. Thomas P. Cooper and Gulfstream entered into an Executive Employment Agreement, pursuant to which, among other things, Mr. Cooper serves as Senior Vice President, Legal Affairs, or such other position as the board of directors of Gulfstream determines, for an initial term of three years, subject to automatic one-year extensions absent mutual amendment of the terms or termination by either party as set forth therein. Mr. Cooper is entitled to a base salary of \$100,000 (as increased to reflect increases in the consumer price index or at the discretion of the board of directors of Gulfstream) and to a bonus equal to 1% of Gulfstream's annual pre-tax income which amount is paid quarterly on a trailing twelve month basis, excluding non-recurring gains and losses. In the event of Mr. Cooper's death during the term of the agreement; Mr. Cooper's salary and incentive bonus will be paid to his designated beneficiary, estate or other legal representative for six months following his death. In the event of Mr. Cooper's disability during the term of the agreement, Mr. Cooper will be entitled to receive no less than six months' salary following such disability. This disability payment is in addition to other long-term disability benefits provided by us to Mr. Cooper. For the purposes of this agreement, disability is deemed to have occurred if Mr. Cooper is unable by reason of sickness, disease or accident to substantially perform his duties under the agreement for an aggregate of six months in any one year period, or if he has a guardian of his person or estate appointed by a court.

Upon termination of the agreement without cause by Gulfstream, Mr. Cooper will be entitled to benefits for the remainder of the initial or then-current renewal term of the agreement and base salary for one year plus one month for each year of service with Gulfstream. For the purposes of this agreement, cause is defined as (i) willfully committing or participating in any act or omission which constitutes willful misconduct, fraud, misrepresentation, embezzlement or dishonesty that is materially injurious to Gulfstream; (ii) committing or participating in any other act or omission wantonly, willfully, recklessly or in a manner which was grossly negligent that is materially injurious to the company, monetarily or otherwise; (iii) engaging in a criminal enterprise involving moral turpitude; (iv) any crime resulting in a

conviction, which constitutes a felony in the jurisdiction involved (other than a motor vehicle felony that does not result in his incarceration); (v) any loss of any state or federal license required for Mr. Cooper to perform his material duties or responsibilities for Gulfstream; or (vi) any material breach of the employment agreement by Mr. Cooper.

Mr. Cooper has the right to terminate the agreement upon 30 days notice for one year after any change in control. Our obligations to make payments to Mr. Cooper following such a termination are described more fully in Potential Payments Upon Termination or Change In Control, beginning on page 10. Pursuant to his employment agreement,

Mr. Cooper agrees to a covenant not to compete during the term of the agreement and for a period of six months thereafter in the territory of Florida and the Bahamas (unless terminated without cause by the Gulfstream, in which case the noncompetition obligations of Mr. Cooper will end upon his termination). Mr. Cooper also agrees to maintain the confidentiality of certain information in certain circumstances.

Employee Benefit Plans

Stock Incentive Plan. Our Stock Incentive Plan was adopted by our board of directors and approved by our stockholders in 2006. Our plan provides for the granting of incentive stock options, non-incentive stock options, SARs, cash-based awards, or other stock-based awards to those of our employees, directors or consultants who are selected by our board of directors. The plan authorizes 350,000 shares of our common stock to be issued under the plan. As of the date of this prospectus, we have awarded options to certain of our officers, employees and directors for an aggregate of 348,324 shares of our common stock. The compensation committee administers the plan.

On the date of the grant, the exercise price must equal at least 100% of the fair market value in the case of incentive stock options, or 110% of the fair market value with respect to optionees who own at least 10% of the total combined voting power of all classes of stock. The fair market value is determined by computing the arithmetic mean of our high and low stock prices on a given determination date. The exercise price on the date of grant is determined from time to time by the board of directors in the case of non-qualified stock options. This price needs not be uniform for all recipients of non-qualified stock options and must not be less than 100% of the fair market value.

SARs granted under the plan are subject to the same terms and restrictions as the option grants and may be granted independent of, or in connection with, the grant of options. The board of directors determines the exercise price of SARs. A SAR granted independent of an option entitles the participant to payment in an amount equal to the excess of the fair market value of a share of our common stock on the exercise date over the exercise price per share, times the number of SARs exercised. A SAR granted in connection with an option entitles the participant to surrender an unexercised option and to receive in exchange an amount equal to the excess of the fair market value of a share of our common stock over the exercise price per share for the option, times the number of shares covered by the option which is surrendered. Fair market value is determined in the same manner as it is determined for options.

The board of directors may also grant awards of stock, restricted stock and other awards valued in whole or in part by reference to the fair market value of our common stock. These stock-based awards, in the discretion of the board of directors, may be, among other things, subject to completion of a specified period of service, the occurrence of an event or the attainment of performance objectives. Additionally, the board of directors may grant awards of cash, in values to be determined by the compensation committee. If any awards are in excess of \$1,000,000 such that Section 162(m) of the Internal Revenue Code applies, the board of directors must alter its compensation practices to ensure that compensation deductions are permitted.

Awards granted under the plan are generally not transferable by the participant except by will or the laws of descent and distribution, and each award is exercisable, during the lifetime of the participant, only by the participant or his or her guardian or legal representative, unless permitted by the board of directors.

Options granted under the plan will vest as provided by the board of directors at the time of the grant. The board of directors may provide for accelerated vesting or termination in exchange for cash of any outstanding awards or the issuance of substitute awards upon consummation of a change in control, as defined in the plan. The currently outstanding options vest 20% on the date of grant and then ratably at 20% per year over the next four years. The options expire on the date determined by the board of directors but may not extend more than ten years from the grant date. Incentive stock options also include certain other terms necessary to assure compliance with the Internal Revenue Code of 1986, as amended. For the purposes of the plan, a change in control is defined as (i) the purchase or other acquisition (other than from the Company) by any person, entity or group of persons, within the meaning of §

13(d) or § 14(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act) (excluding, for this purpose, the Company or its subsidiaries or any employee benefit plan of the Company or its subsidiaries), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 51% or more of either the outstanding shares of our common stock or the combined voting power our outstanding voting securities entitled to vote generally in the election of directors, each as of the time the Stock Incentive Plan was entered into; or (ii) individuals who constituted the board of directors at the time the Stock Incentive Plan was entered into cease for any reason to constitute at least a majority of the board of directors, except for the election of any person who becomes a director subsequent to such date whose election, or nomination for election by our stockholders, was approved by a vote of at least a majority of the directors then comprising the incumbent board of directors (other than an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the

election of directors); or (iii) approval by our stockholders of a reorganization, merger or consolidation, in each case with respect to which persons who were the stockholders of the Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than 50% of, respectively, the common stock and the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated corporation's then outstanding voting securities, or of a liquidation or dissolution of the Company or of the sale of all or substantially all of the assets of the Company.

The plan may be amended, altered, suspended or terminated by the administrator at any time. We may not alter the rights and obligations under any award granted before amendment of the plan without the consent of the affected participant. Unless terminated sooner, the plan will terminate automatically in 2016.

401(k) Plan. We established a 401(k) retirement savings plan in 1996. Each of our participating employees may contribute to the 401(k) plan, through payroll deductions, up to 50% on a pre-tax basis of his or her compensation, subject to limits imposed by federal law. Beginning on July 1, 2006, we matched 25% of the first 4% contributed by participants. We may make additional contributions to the 401(k) plan in amounts determined by our board of directors. Employees may elect to invest their contributions in various established mutual funds. All amounts contributed by employee participants are fully vested at all times. The amounts matched by the Company are vested 25% in the first year of employment, 50% in the second year of employment, 75% in the third year of employment, and 100% in and after the fourth year of employment. For the year ended December 31, 2008, administrative expenses paid to our third-party provider related to the 401(k) plan were approximately \$7,300.

Outstanding Equity Awards At Fiscal Year-End

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Awards		
			Equity Incentive		
			Plan Awards:		
			Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date
David F. Hackett	104,324			\$5.00	May 31, 2016
Robert M. Brown	12,000	18,000		\$5.00	January 26, 2017
Thomas P. Cooper	4,000	6,000		\$5.00	January 26, 2017

Potential Payments Upon Termination Or Change-In-Control

The named executive officers are entitled to payments upon termination or change-in-control as set forth in their respective employment agreements, with the exception of Robert Brown. The board of directors provides payments to named executive officers upon termination or change of control in order to give them some degree of financial

protection in the event of certain events occurring. The payments to which each named executive officer is eligible is roughly proportionate to such named executive officer's level of total compensation.

Payments Made Upon Termination

In the event that a named executive officer's employment terminates for reasons of voluntary termination, early retirement, involuntary not-for-cause termination, termination following a change of control of the Company and in the event of disability or death of the executive, he is entitled to receive amounts earned during his term of employment. Such amounts include:

- .
- quarterly bonus earned for any completed fiscal quarter for Mr. Thomas P. Cooper;
- .
- vested options awarded under our Stock Incentive Plan;
- .
- vested amounts contributed under our 401(k) plan; and
- .
- pay in lieu of unused vacation.

Payments Made Upon Death or Disability

In the event of the death or disability of a named executive officer, each named executive officer is entitled to certain benefits as described in their employment agreements described in Agreements with Named Executive Officers. The Company does not maintain a disability plan.

Payments Made Upon a Change in Control

Change in Control of the Company. In the event of a change in control, our board of directors or a committee thereof may provide for accelerated vesting or termination of any outstanding stock options issued under the Stock Incentive Plan in exchange for a cash payment, or the issuance of substitute awards to substantially preserve the terms of any option awards previously granted under the Stock Incentive Plan. A description of the events giving rise to a change in control for purposes of the Stock Incentive Plan is set forth in Executive Compensation Employee Benefit Plans on page 7.

Change in Control of Gulfstream. Pursuant to the employment agreements between us and each named executive officer, with the exception of Robert Brown, we are obligated to make certain payments to such executive if his employment is terminated following a change in control of Gulfstream (as defined below) (other than termination by Gulfstream for cause or by reason of death or disability) or if he terminates his employment within one year after the occurrence of a change in control of Gulfstream, as follows:

continued payment of base salary and incentive bonus payments, in the case of Mr. Hackett one year following termination of the executive's employment, and in the case of Mr. Thomas P. Cooper one year following termination of executive's employment plus one additional month for each year of service to the Company; and

continued medical and life insurance benefits for the balance of the initial term of the applicable employment agreement.

Generally, pursuant to the agreements, a change in control of Gulfstream means a change in control (A) as set forth in Section 280G of the Internal Revenue Code; or (B) of a nature that would be required to be reported in response to Item 2.01 of a current report on Form 8-K pursuant to Section 13 or 15(d) of the Securities Exchange Act, as in effect on the date of the relevant agreement, including upon any of the following:

any person (as such term is used in Section 13(d) and 14(d) of the Exchange Act) other than the executive is or becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the combined voting power of the Company's outstanding securities then having the right to vote as elections of directors;

the individuals who at the effective date of the applicable employment agreement constitute the board of directors cease for any reason to constitute a majority thereof, unless the election, or nomination for election, of each new director was approved by a vote of at least two-thirds (2/3) of the directors then in office who were directors at the effective date of the applicable employment agreement;

there is a failure to elect a majority of the board of directors from candidates nominated by management of the Company to the board of directors; or

the business of Gulfstream for which the executive's services are principally performed is disposed of by Gulfstream pursuant to a partial or complete liquidation of Gulfstream, a sale of assets (including stock of a subsidiary of Gulfstream) or otherwise.

A change in control is deemed not to have occurred on either of the following circumstances:

.

where all or any portion of the stock of Gulfstream is offered through an initial or subsequent public offering; and/or

.

where the executive gives his explicit written waiver stating that for the purposes of the relevant portions of his employment agreement, a change in control shall not be deemed to have occurred.

In the event that the executive's employment is terminated for any reason other than cause within one year following an attempted change in control, the executive shall be entitled to the same benefits and compensation as though he was terminated in the year following a change in control. An attempted change in control is deemed to have occurred if any substantial attempt, accompanied by significant work efforts and expenditures of money, is made to accomplish a change in control, whether or not such attempt is made with the approval of a majority of the board of directors.

DIRECTORS COMPENSATION

The Company uses a combination of cash and stock-based incentive compensation to attract and retain qualified candidates to serve on the board of directors. In setting director compensation, the Company considers the significant amount of time that Directors expend in fulfilling their duties to the Company as well as the skill level required by the Company with respect to members of the board of directors.

Compensation for our directors in 2008 was as follows:

Name	Fees Earned or Paid in Cash	Stock Awards	Non-Equity		Nonqualified Deferred Compensation		Total
			Option Awards	Incentive Plan Compensation	Earnings	All Other Compensation	
Thomas A. McFall(2)							
Gary P. Arnold	\$ 31,000						\$ 31,000
Daniel H. Abramowitz	\$ 15,000						\$ 15,000
David F. Hackett(1)							
Douglas E. Hailey(2)							\$ 31,000
Barry S. Lutin	\$ 31,000						
Richard R. Schreiber	\$ 31,000						\$ 31,000

(1)

Mr. Hackett is not compensated for his service as a director. Our compensation of Mr. Hackett as President and Chief Executive Officer is disclosed in the Summary Compensation Table above.

(2)

Mr. McFall and Mr. Hailey chose to forego compensation for service as directors prior to the initial public offering.

Following our initial public offering in December 2007, each director receives an annual fee of \$20,000. Each director receives an additional \$5,000 for each committee on which he serves as Chairman per year, \$3,000 for each committee on which he serves as a member (but not as a Chairman) per year and \$500 for each meeting such director attends that is not in conjunction with a regularly scheduled meeting of the board of directors. We reimburse members of our board for travel related expenditures related to their services to us. Each director will also be entitled to participate in our Stock Incentive Plan. It is expected that new directors will be granted options on the date that they begin service exercisable at the then-current market value.

Limitation of Liability and Indemnification

Our bylaws provide that we have the power to indemnify our directors, officers and employees against claims arising in connection with their actions in such capacities. We currently have a directors and officers liability insurance policy that insures such persons against the costs of defense, settlement or payment of a judgment under certain circumstances. We believe that these indemnification and liability provisions are essential to attracting and retaining qualified persons as officers and directors.

In addition, our certificate of incorporation provides that the liability of our directors for monetary damages relating to breach of fiduciary duty will be eliminated to the fullest extent permissible under the General Corporation Law of the State of Delaware. Each director will continue to be subject to liability for any breach of the director's duty of loyalty to us, for acts or omissions not in good faith or involving intentional misconduct or knowing violations of law, for unlawful stock purchases or redemptions and for any transaction from which the director derived an improper personal benefit. This provision does not affect a director's responsibilities under any other laws, such as the federal securities laws or state or federal environmental laws.

We have entered into separate indemnification agreements with each of our directors and officers. Under these agreements, we are required to indemnify against all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred, in connection with any actual, or any threatened, proceeding if any of them may be made a party because he or she is or was one of our directors or officers. We are obligated to pay these amounts only if the officer or director acted in good faith and in a manner that he or she reasonably believed to be in or not opposed to our best interests. With respect to any criminal proceeding, we are obligated to pay these amounts only if the officer or director had no reasonable cause to believe that his or her conduct was unlawful. The indemnification agreements also set forth procedures that will apply in the event of a claim for indemnification under such agreements.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee is comprised of Mr. Lutin, Mr. Arnold and Mr. Schreiber, none of whom are employees or current or former officers of the Company, and none of whom had any relationship with the Company required to be disclosed under CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS. None of the Company's Compensation Committee members and none of the Company's executive officers have a relationship that would constitute an interlocking relationship with executive officers or directors of another entity or insider participation in compensation decisions.

Item 12.

Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The securities authorized for issuance under equity compensation plans as of December 31, 2008 are as follows:

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLAN

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	210,324	\$ 5.00	139,676
Equity compensation plans not approved by security holders			
Total	210,324	\$ 5.00	139,676

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following tables set forth certain information known to us with respect to beneficial ownership of our Common Stock as of April 24, 2009, by:

- .
each person known by us to own beneficially more than 5% of the Company's outstanding Common Stock;
- .
each of the Company's directors;
- .
each named executive officer; and

all of the Company's directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission (SEC) and generally includes voting or investment power over securities. The table below includes the number of shares underlying options and warrants that are currently exercisable or exercisable within 60 days of April 24, 2009. It is therefore based on 2,959,460 shares of common stock outstanding as of April 24, 2009. Shares of Common Stock subject to options and warrants that are currently exercisable or exercisable within 60 days of April 24, 2009 are considered outstanding and beneficially owned by the person holding the options or warrants for the purposes of computing beneficial ownership of that person but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. To our knowledge, except as set forth in the footnotes to this table and subject to applicable community property laws, each person named in the table has sole voting and investment power with respect to the shares set forth opposite such person's name. Except as otherwise indicated, the address of each of the persons in this table is as follows: c/o Gulfstream International Group, Inc., 3201 Griffin Road, 4th Floor, Ft. Lauderdale, Florida 33312.

Beneficial Owners of More Than Five Percent

Name of Beneficial Owner	Number of Shares	Percent
<u>Five percent stockholders</u>	Beneficially Owned	Beneficially Owned
Daniel H. Abramowitz (1)		
110 North Washington Street, Suite 401 Rockville, Maryland 20850	231,350	