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## Section 1: 10-Q (QUARTERLY REPORT)

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

### FORM 10-Q

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

For the quarterly period ended September 30, 2017

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 001-35898

**LINDBLAD EXPEDITIONS HOLDINGS, INC.**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

27-4749725

(I.R.S. Employer  
Identification No.)

**96 Morton Street, 9<sup>th</sup> Floor, New York, New York, 10014**

(Address of principal executive offices) (Zip Code)

**(212) 261-9000**

(Registrant's telephone number, including area code)

**NOT APPLICABLE**

(Former name, former address and former fiscal year, if changed since last report)

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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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

Non-accelerated filer  (Do not check if a smaller reporting company)

Accelerated filer

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 pursuant to Section 13(a) of the Exchange Act.

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of November 3, 2017, 45,433,152 shares of common stock, par value \$0.0001 per share, were issued and outstanding.

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**LINDBLAD EXPEDITIONS HOLDINGS, INC.**  
**Quarterly Report On Form 10-Q**  
**For The Quarter Ended September 30, 2017**

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**PART 1: FINANCIAL INFORMATION**

**ITEM 1: FINANCIAL STATEMENTS**

**LINDBLAD EXPEDITIONS HOLDINGS, INC. AND SUBSIDIARIES**

**Condensed Consolidated Balance Sheets**

(In thousands, except share data)

	As of	
	September 30, 2017	December 31, 2016
	(Unaudited)	
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 112,316	\$ 135,416
Restricted cash and marketable securities	8,704	9,015
Inventories	1,783	1,665
Marine operating supplies	4,539	4,142
Prepaid expenses and other current assets	22,887	20,782
Total current assets	150,229	171,020
Property and equipment, net	219,498	186,236
Goodwill	22,105	22,105
Intangibles, net	9,948	11,132
Other long-term assets	10,831	13,090
Deferred tax assets	7,916	4,118
Total assets	\$ 420,527	\$ 407,701
<b>LIABILITIES</b>		
Current Liabilities:		
Unearned passenger revenues	\$ 99,740	\$ 91,501
Accounts payable and accrued expenses	23,810	30,662
Long-term debt - current	1,750	1,750
Total current liabilities	125,300	123,913
Long-term debt, less current portion	164,165	164,128
Other long-term liabilities	703	681
Total liabilities	290,168	288,722
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>REDEEMABLE NONCONTROLLING INTEREST</b>	5,319	5,170
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock, \$0.0001 par value, 1,000,000 shares authorized; 0 shares issued and outstanding	-	-
Common stock, \$0.0001 par value, 200,000,000 shares authorized; 45,155,621 and 45,659,762 issued and outstanding as of September 30, 2017, and December 31, 2016, respectively	5	5
Additional paid-in capital	45,213	43,097
Retained earnings	79,822	70,707
Total stockholders' equity	125,040	113,809
Total liabilities, redeemable noncontrolling interest and stockholders' equity	\$ 420,527	\$ 407,701

The accompanying notes are an integral part of these condensed consolidated financial statements.

**LINDBLAD EXPEDITIONS HOLDINGS, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Income**  
(In thousands, except share and per share data)  
(Unaudited)

	<b>For the Three Months Ended September 30,</b>		<b>For the Nine Months Ended September 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Tour revenues	\$ 84,584	\$ 70,774	\$ 203,283	\$ 186,218
Cost of tours	38,480	32,446	99,780	87,111
Gross profit	46,104	38,328	103,503	99,107
Operating expenses:				
General and administrative	16,526	12,915	46,710	36,740
Selling and marketing	11,676	10,164	31,521	29,294
Depreciation and amortization	4,354	5,080	12,012	14,523
Total operating expenses	32,556	28,159	90,243	80,557
Operating income	13,548	10,169	13,260	18,550
Other income (expense):				
Gain (loss) on foreign currency	224	(5)	1,047	(291)
Other income (expense)	59	(38)	(97)	(38)
Interest expense, net	(2,802)	(2,476)	(7,192)	(7,914)
Total other expense	(2,519)	(2,519)	(6,242)	(8,243)
Income before income taxes	11,029	7,650	7,018	10,307
Income tax expense (benefit)	1,586	203	(473)	(3,113)
Net income	9,443	7,447	7,491	13,420
Net income (loss) attributable to noncontrolling interest	165	29	149	(119)
Net income attributable to Lindblad	\$ 9,278	\$ 7,418	\$ 7,342	\$ 13,539
Common stock				
Net income available to common stockholders	\$ 9,278	\$ 7,418	\$ 7,342	\$ 13,539
Weighted average shares outstanding				
Basic	44,457,656	45,776,443	44,528,878	45,639,608
Diluted	45,718,513	46,541,257	45,609,560	46,329,880
Net income per share attributable to Lindblad				
Basic	\$ 0.21	\$ 0.16	\$ 0.16	\$ 0.30
Diluted	\$ 0.20	\$ 0.16	\$ 0.16	\$ 0.29

The accompanying notes are an integral part of these condensed consolidated financial statements.

**LINDBLAD EXPEDITIONS HOLDINGS, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Redeemable Noncontrolling Interest and Stockholders' Equity**  
(In thousands, except share data)

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total Stockholders' Equity</u>	<u>Redeemable Noncontrolling Interest</u>
	<u>Shares</u>	<u>Amount</u>				
<b>Balance as of December 31, 2016</b>	<b>45,659,762</b>	<b>\$ 5</b>	<b>\$ 43,097</b>	<b>\$ 70,707</b>	<b>\$ 113,809</b>	<b>\$ 5,170</b>
Stock-based compensation	-	-	9,464	-	9,464	-
Option shares exercised and exchanged	103,233	-	(202)	-	(202)	-
Issuance of shares to board of directors	45,019	-	-	-	-	-
Repurchase of shares and warrants	(547,058)	-	(6,166)	-	(6,166)	-
Retirement of shares for employee taxes on vested shares/options	(105,335)	-	(980)	-	(980)	-
Retroactive application of ASU 2016-09	-	-	-	1,773	1,773	-
Net income	-	-	-	7,342	7,342	149
<b>Balance as of September 30, 2017</b>	<b>45,155,621</b>	<b>\$ 5</b>	<b>\$ 45,213</b>	<b>\$ 79,822</b>	<b>\$ 125,040</b>	<b>\$ 5,319</b>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**LINDBLAD EXPEDITIONS HOLDINGS, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Cash Flows**  
(In thousands)  
(Unaudited)

	<b>For the Nine Months Ended September 30,</b>	
	<b>2017</b>	<b>2016</b>
<b>Cash Flows From Operating Activities</b>		
Net income	\$ 7,491	\$ 13,420
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	12,012	14,523
Amortization of National Geographic fee	2,180	2,180
Amortization of debt discount, deferred financing and other, net	1,662	2,582
Stock-based compensation	9,464	3,982
Deferred income taxes	(2,017)	(3,709)
(Gain) loss on currency translation	(1,047)	291
Changes in operating assets and liabilities		
Inventories and marine operating supplies	(516)	1,505
Prepaid expenses and other current assets	(1,087)	1,098
Unearned passenger revenues	8,062	(8,620)
Other long-term assets	192	(3,159)
Other long-term liabilities	14	22
Accounts payable and accrued expenses	(6,964)	(8,430)
Net cash provided by operating activities	<u>29,446</u>	<u>15,685</u>
<b>Cash Flows From Investing Activities</b>		
Acquisition of Natural Habitat, Inc., net of \$4,904 cash acquired	-	(9,946)
Purchases of property and equipment	(44,089)	(50,598)
Redemption (purchase) of restricted cash and marketable securities	311	(1,907)
Net cash used in investing activities	<u>(43,778)</u>	<u>(62,451)</u>
<b>Cash Flows From Financing Activities</b>		
Payment of deferred financing costs	(312)	(1,565)
Repayments of long-term debt	(1,312)	(1,312)
Repurchase of employee shares as part of cashless exercise of options or vesting of restricted shares for tax purposes	(1,182)	(2,695)
Repurchase of warrants and common shares	(6,166)	(5,420)
Net cash used in financing activities	<u>(8,972)</u>	<u>(10,992)</u>
Effect of exchange rate changes on cash	<u>204</u>	<u>(128)</u>
Net decrease in cash and cash equivalents	(23,100)	(57,886)
Cash and cash equivalents as of beginning of period	<u>135,416</u>	<u>206,903</u>
Cash and cash equivalents as of end of period	<u>\$ 112,316</u>	<u>\$ 149,017</u>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the period for:		
Interest	<u>\$ 7,841</u>	<u>\$ 7,427</u>
Income taxes	<u>\$ 965</u>	<u>\$ 992</u>
<b>Non-cash investing and financing activities:</b>		
Additional paid-in capital exercise proceeds of option shares	\$ 168	\$ 1,123
Additional paid-in capital exchange proceeds used for option shares	(168)	(1,123)

The accompanying notes are an integral part of these condensed consolidated financial statements.

**Lindblad Expeditions Holdings, Inc.**  
**Notes to the Condensed Consolidated Financial Statements**  
**(Unaudited)**

**NOTE 1 – BUSINESS**

***Organization***

Lindblad Expeditions Holdings, Inc. and its consolidated subsidiaries (the “Company” or “Lindblad”) operate a fleet of seven owned expedition ships and five seasonal charter vessels under the Lindblad brand. A new coastal vessel, the *National Geographic Quest*, joined the fleet in the third quarter of 2017. The Company has contracted for two additional vessels, the *National Geographic Venture*, a coastal vessel, is expected to be completed in the fourth quarter of 2018, and a polar ice class vessel, targeted to be completed in January 2020, with potential accelerated delivery to November 2019.

Lindblad’s mission is to offer life-changing adventures on all seven continents and to pioneer innovative ways to allow its guests to connect with exotic and remote places. The Company’s expedition ships are customized, nimble and intimately-scaled vessels that are able to venture where larger cruise ships cannot, thus allowing Lindblad to offer up-close experiences in the planet’s wild and remote places and capitals of culture. Many of these expeditions involve travel to remote places with limited infrastructure and ports (such as Antarctica and the Arctic) or places that are best accessed by a ship (such as the Galápagos, Alaska, Baja’s Sea of Cortez, Costa Rica, and Panama), and foster active engagement by guests. Each expedition ship is designed to be comfortable and inviting, while being fully equipped with state-of-the-art tools for in-depth exploration. The Company has an alliance with the National Geographic Society (“National Geographic”), which often provides lecturers and National Geographic experts, including photographers, writers, marine biologists, naturalists, field researchers, and film crews. The arrangement with National Geographic extends through 2025.

***Natural Habitat Acquisition***

On May 4, 2016, the Company acquired an 80.1% ownership interest in Natural Habitat, Inc. (“Natural Habitat”), an adventure travel and ecotourism company based in Colorado. Natural Habitat was founded by Benjamin L. Bressler, who retains a 19.9% noncontrolling interest in Natural Habitat. With the acquisition of Natural Habitat, the Company expanded its land-based offerings around the globe. Natural Habitat’s expeditions include polar bear tours in Churchill, Canada, Alaskan grizzly bear adventures, small-group Galápagos tours and African safaris. In addition to its land offerings, Natural Habitat offers select itineraries on seven small chartered vessels for parts of the year. Natural Habitat has partnered with World Wildlife Fund (“WWF”) to offer conservation and sustainable travel that directly protects nature. This agreement with WWF extends through 2023.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The accompanying unaudited interim condensed consolidated financial statements and footnotes have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and applicable rules and regulations of the Securities and Exchange Commission (the “SEC”) regarding unaudited interim financial information. In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the Company’s Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Income, Condensed Consolidated Statements of Redeemable Noncontrolling Interest and Stockholders’ Equity, and Condensed Consolidated Statements of Cash Flows for the interim periods presented. Operating results for the interim periods presented are not necessarily indicative of the results of operations to be expected for the full year due to seasonality and other factors. Certain information and footnote disclosures normally included in the condensed consolidated financial statements in accordance with U.S. GAAP have been omitted in accordance with the rules and regulations of the SEC. All intercompany balances and transactions have been eliminated in the accompanying unaudited condensed consolidated financial statements. Accordingly, these unaudited interim condensed consolidated financial statements and footnotes should be read in conjunction with the audited consolidated financial statements and accompanying notes thereto for the year ended December 31, 2016 contained in the Annual Report on Form 10-K filed with the SEC on March 7, 2017.

***Principles of Consolidation***

The condensed consolidated financial statements of the Company as of September 30, 2017 and December 31, 2016 included Lindblad Expeditions Holdings, Inc. and its consolidated subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.



### ***Reclassifications***

Certain items in the condensed consolidated financial statements of the Company have been reclassified to conform to the 2017 classification. The reclassifications had no effect on previously reported results of operations or retained earnings.

### ***Use of Estimates***

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the condensed consolidated financial statements, and also affect the amounts of revenues and expenses reported for each period. Actual results could differ from those which result from using such estimates. Management utilizes various estimates, including but not limited to determining the estimated lives of long-lived assets, determining the fair value of assets acquired and liabilities assumed in business combinations, the fair value of the Company's common stock and related warrants, the valuation of securities underlying stock-based compensation, income tax expense, the valuation of deferred tax assets, the value of contingent consideration, and to assess its litigation, other legal claims and contingencies. The results of any changes in accounting estimates are reflected in the condensed consolidated financial statements in the period in which the changes become evident. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the period that they are determined to be necessary.

### ***Revenue Recognition***

Tour revenue consists of guest ticket revenue recognized from the sale of guest tickets and other tour revenues from the sale of pre- and post-expedition excursions, hotel accommodations, land-based expeditions, air transportation to and from the ships, goods and services rendered onboard that are not included in guest ticket prices, trip insurance, and cancellation fees. Revenue from the sale of guest tickets and other revenue are recognized gross, as the Company has the primary obligation in the arrangement, has discretion in supplier selection and is involved in the determination of the service specifications.

The Company's tour guests remit deposits in advance of tour embarkation. Guest tour deposits consist of guest ticket revenues as well as revenues from the sale of pre- and post-expedition excursions, hotel accommodations, land-based expeditions, air transportation to and from the ships, and trip insurance. Guest tour deposits represent unearned revenues and are initially included in unearned passenger revenue in the condensed consolidated balance sheet when received. Guest deposits are subsequently recognized as tour revenues on the date of embarkation. Tour expeditions average ten days in duration. For tours in excess of ten days, the Company recognizes revenue based upon expeditions days earned. Guest cancellation fees are recognized as tour revenues at the time of the cancellation. Revenues from the sale of additional goods and services rendered onboard are recognized upon purchase.

### ***Earnings per Common Share***

Earnings per common share are computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share are computed using the weighted average number of common shares and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of the dilutive incremental common shares issuable upon the exercise of stock, which may include options, warrants and vesting of restricted stock, which was accounted for utilizing the treasury stock method.

For the three and nine months ended September 30, 2017 and 2016, the Company calculated earnings per share in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 260 and 805-40-45 as follows:

(In thousands, except share and per share data)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income attributable to Lindblad for basic and diluted earnings per share	\$ 9,278	\$ 7,418	\$ 7,342	\$ 13,539
<b>Weighted average shares outstanding:</b>				
Total weighted average shares outstanding, basic	44,457,656	45,776,443	44,528,878	45,639,608
<b>Effect of dilutive securities:</b>				
Assumed exercise of stock options, treasury method	1,260,857	764,814	1,080,682	690,272
Total weighted average shares outstanding, diluted	45,718,513	46,541,257	45,609,560	46,329,880
<b>Common stock</b>				
Net income available to common stockholders	\$ 9,278	\$ 7,418	\$ 7,342	\$ 13,539
<b>Weighted average shares outstanding</b>				
Basic	44,457,656	45,776,443	44,528,878	45,639,608
Diluted	45,329,487	46,541,257	45,369,017	46,329,880
<b>Earnings per share attributable to Lindblad</b>				
Basic	\$ 0.21	\$ 0.16	\$ 0.16	\$ 0.30
Diluted	\$ 0.20	\$ 0.16	\$ 0.16	\$ 0.29

For the three and nine months ended September 30, 2017, the Company determined, using the treasury stock method, there were 1,260,857 and 1,080,682 dilutive common shares, respectively, related to stock options. For the three and nine months ended September 30, 2016 the Company determined, using the treasury stock method, there were 764,814 and 690,272 dilutive common shares, respectively, related to stock options.

As of September 30, 2017 and 2016 there were 10,673,015 and 12,040,937, respectively, warrants outstanding to purchase common stock at a price of \$11.50 per share. The Company determined these warrants were anti-dilutive and were not considered in the calculation of diluted weighted average shares outstanding.

#### ***Cash and Cash Equivalents***

The Company considers all highly liquid instruments with an original maturity of three months or less, as well as deposits in financial institutions, to be cash and cash equivalents.

#### ***Concentration of Credit Risk***

The Company maintains cash in several financial institutions in the U.S. and other countries which, at times, may exceed the federally insured limits. Accounts held in the U.S. are guaranteed by the Federal Deposit Insurance Corporation up to certain limits. The Company has not experienced any losses in such accounts. As of September 30, 2017 and December 31, 2016, the Company’s cash held in financial institutions outside of the U.S. amounted \$4.5 million and \$2.7 million, respectively.

### ***Restricted Cash and Marketable Securities***

“Restricted cash and marketable securities” on the accompanying condensed consolidated balance sheets consists of:

(In thousands)	As of	
	September 30, 2017	December 31, 2016
	(Unaudited)	
Credit negotiation and credit card processor reserves	\$ 1,530	\$ 5,030
Federal Maritime Commission escrow	5,823	2,571
Certificates of deposit and other restricted securities	1,351	1,414
Total restricted cash and marketable securities	<u>\$ 8,704</u>	<u>\$ 9,015</u>

The amounts held in restricted cash and marketable securities represent principally funds required to be held in certificates of deposit by certain vendors and regulatory agencies and are classified as restricted assets since such amounts cannot be used by the Company until the restrictions are removed by those vendors and regulatory agencies. Interest income is recognized when earned.

The Company has classified marketable securities, principally money market funds, as trading securities which are recorded at market value. Unrealized gains and losses are included in current operations. Gains and losses on the disposition of securities are recognized by the specific identification method in the period in which they occur.

During the first quarter of 2017, our required credit card reserves were permanently decreased by \$3.5 million to \$1.5 million for credit card deposits for our third-party credit card processors.

In order to operate guest tour expedition vessels from U.S. ports, the Company is required to post a performance bond with the Federal Maritime Commission or escrow all unearned guest deposits plus an additional 10% in restricted accounts. To satisfy this requirement, the Company entered into an agreement with a financial institution to escrow all unearned guest revenues collected for sailings from U.S. ports. Amounts in the escrow accounts include cash, certificates of deposit and marketable securities. Cost of these short-term investments approximates fair value.

### ***Inventories and Marine Operating Supplies***

Inventories consist primarily of gift shop merchandise and other items for resale and are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method.

Marine operating supplies consist primarily of fuel, provisions, spare parts, items required for maintenance, and supplies used in the operation of marine expeditions. Marine operating supplies are stated at the lower of cost or net realizable value. Cost is determined using the first-in first-out method.

### ***Prepaid Expenses and Other Current Assets***

The Company records prepaid expenses and other current assets at cost and expenses them in the period the services are provided or the goods are delivered. The Company’s prepaid expenses and other current assets consist of the following:

(In thousands)	As of	As of
	September 30, 2017	December 31, 2016
	(Unaudited)	
Prepaid tour expenses	\$ 10,334	\$ 11,593
Prepaid client insurance	2,167	2,141
Prepaid air expense	3,074	2,432
Prepaid port agent fees	1,457	1,038
Prepaid income taxes	929	824
Prepaid corporate insurance	1,748	931
Prepaid marketing, commissions and other expenses	3,178	1,823
Total prepaid expenses	<u>\$ 22,887</u>	<u>\$ 20,782</u>

### ***Property and Equipment, Net***

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization were computed using the straight line method over the estimated useful lives of the assets, as follows:

	<b>Years</b>
Vessels and vessel improvements	15-25
Furniture, vehicles and equipment	5
Computer hardware and software	5
Leasehold improvements, including port facilities	Shorter of lease term or related asset life

As of September 30, 2017, the Company owned and operated seven vessels. A new coastal vessel, the *National Geographic Quest*, joined the fleet in the third quarter of 2017. The Company has contracted for two additional vessels, the *National Geographic Venture*, a coastal vessel, is expected to be completed in the fourth quarter of 2018, and a polar ice class vessel, which is targeted to be completed in January 2020, with potential accelerated delivery to November 2019. The polar ice class contract includes options to build two additional ice class vessels, the first for delivery twelve months after the initial vessel and the second for delivery twelve months thereafter. The Company has a capital program for the improvement of its vessels and for asset replacements in order to enhance the effectiveness and efficiency of its operations; comply with, or exceed all relevant legal and statutory requirements related to health, environment, safety, security and sustainability; and gain strategic benefits or provide newer improved product innovations to its guests.

Vessel improvement costs that add value to the Company's vessels, such as those discussed above, are capitalized to the vessels and depreciated over the shorter of the improvements or the vessel's estimated remaining useful life, while costs of repairs and maintenance, including minor improvement costs and drydock expenses, are charged to expense as incurred and included in cost of tours. Drydock costs primarily represent planned maintenance activities that are incurred when a vessel is taken out of service. For U.S. flagged ships, the statutory requirement is an annual docking and U.S. Coast Guard inspections, normally conducted in drydock. Internationally flagged ships have scheduled dockings approximately every 12 months, for a period of up to three to six weeks.

The Company began to capitalize interest in January 2016 for its two new build coastal vessels under accounting guidance in ASC 835-20, which requires companies to capitalize interest cost incurred during the construction of assets. The capitalized interest has been and will continue to be added to the historical cost of the asset, and depreciate over its useful life. For the nine months ended September 30, 2017, and the year ended December 31, 2016, the Company recognized \$2.0 million and \$1.5 million, respectively, in capitalized interest in property and equipment on the condensed consolidated balance sheet.

### ***Goodwill***

Goodwill includes the cost of the acquired business in excess of the fair value of the tangible net assets recorded in connection with the acquisition of Natural Habitat (see Note 1 – Business). Accounting Standards Codification 350, “*Intangibles – Goodwill and Other*” (“ASC 350”), requires the Company to assess goodwill for impairment annually or more frequently if a triggering event occurs. Due to the acquisition of Natural Habitat on May 4, 2016, the Company recorded goodwill in the amount of \$22.1 million, in Natural Habitat's reporting unit. The Company's policy is to first perform a qualitative assessment to determine if that it was more likely or not if Natural Habitat's reporting unit's carrying value is less than the fair value of the reporting unit, indicating the potential for goodwill impairment. If the reporting unit fails the qualitative test then the Company proceeds with the quantitative two step goodwill impairment calculation. During the third quarter of 2017, the Company performed a qualitative assessment of Natural Habitat's fair value which included assessing the impact of certain factors such as general economic conditions, limitations on accessing capital, changes in forecasted operating results, and fluctuations in foreign exchange rates. Based on our qualitative assessment, we concluded that it was more-likely-than-not that the estimated fair value of Natural Habitat's reporting unit exceeded its carrying value and thus, we did not proceed to the two-step goodwill impairment test.

### ***Intangibles, net***

Intangibles, net include tradenames, customer lists and operating rights. Tradenames are words, symbols, or other devices used in trade or business to indicate the source of products and to distinguish it from other products and are registered with government agencies and are protected legally by continuous use in commerce. Customer lists are established relationships with existing customers that resulted in repeat purchases and customer loyalty. Based on the Company's analysis, amortization of the tradenames and customer lists was computed using the estimated useful lives of 15 and 5 years, respectively.

The Company operates two vessels year-round in the Galápagos National Park in Ecuador: the *National Geographic Endeavour II* with 95 berths and the *National Geographic Islander* with 47 berths. In order to operate these vessels within the park, the Company is required to have in its possession cupos (licenses) sufficient to cover the total available berths on each vessel.

In June 2015, a new Ecuadorian Special Law for Protected Areas was approved, and was updated in November 2015. A Presidential Decree issued by President Correa of Ecuador in November 2015 established that cupos, which were in effect as of July 2015, will have a validity of nine years so the Company's operating rights are up for renewal in July 2024. The current "owners" of the cupos will have the opportunity to re-apply for them, but any other enterprise or individual will have the opportunity to bid for the cupos. All bidders must present proof that they fulfill the conditions to properly utilize the license (access to a vessel, experience in tourism, proven environmental behavior, marketing, etc.). While the Company believes that, based on the expected criteria to retain cupos and its past operating history in the Galápagos, there is a strong possibility that the Company will retain its cupos, from an accounting perspective, it will assume they retain no value after July 2024. Once the renewal process has begun and if it can be determined that the Company will be successful in its bid, then the Company will adjust its amortization prospectively.

Upon the occurrence of a triggering event, the assessment of possible impairment of the Company's intangibles, net will be based on the Company's ability to recover the carrying value of its asset, which is determined by using the asset's estimated undiscounted future cash flows. If these estimated undiscounted future cash flows are less than the carrying value of the asset, an impairment charge is recognized for the excess, if any, of the asset's carrying value over its estimated fair value. A significant amount of judgment is required in estimating the future cash flows and fair values of its tradenames, customer lists and operating rights. As of September 30, 2017 and December 31, 2016, there was no triggering event and the Company did not record an impairment for intangible assets.

### ***Long-Lived Assets***

The Company reviews its long-lived assets, principally its vessels, for impairment whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be fully recoverable. Upon the occurrence of a triggering event, the assessment of possible impairment is based on the Company's ability to recover the carrying value of its asset, which is determined by using the asset's estimated undiscounted future cash flows. If these estimated undiscounted future cash flows are less than the carrying value of the asset, an impairment charge is recognized for the excess, if any, of the asset's carrying value over its estimated fair value. A significant amount of judgment is required in estimating the future cash flows and fair values of its vessels. As of September 30, 2017 and December 31, 2016, there was no triggering event that caused, nor did the Company record, an impairment of its long-lived assets.

### ***Accounts Payable and Accrued Expenses***

The Company records accounts payable and accrued expenses for the cost of such items when the service is provided or when the related product is delivered. The Company's accounts payable and accrued expenses consist of the following:

(In thousands)	As of September 30, 2017 <u>(Unaudited)</u>	As of December 31, 2016 <u></u>
Accounts payable	\$ 5,341	\$ 7,573
Accrued other expense	6,152	5,999
Bonus compensation liability	3,451	4,186
Employee liability	3,089	3,494
Income tax liabilities	1,554	884
New build liability	-	4,011
Travel certificate liability	1,147	1,218
Refunds and commissions payable	841	1,454
Royalty payable	1,881	1,468
Accrued travel insurance expense	354	375
<b>Total accounts payable and accrued expenses</b>	<b>\$ 23,810</b>	<b>\$ 30,662</b>

### ***Fair Value Measurements and Disclosure***

The Company applies ASC 820, "Fair Value Measurements and Disclosures," which expands disclosures for assets and liabilities that are measured and reported at fair value on a recurring basis. Fair value is defined as an exit price, representing the amount that would be received upon the sale of an asset or payment to transfer a liability in an orderly transaction between market participants. Fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability. A three-tier fair value hierarchy is used to prioritize the inputs in measuring fair value as follows:

- Level 1 Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at measurement date.
- Level 2 Quoted market prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable, either directly or indirectly. Fair value is determined through the use of models or other valuation methodologies.
- Level 3 Significant unobservable inputs for assets or liabilities that cannot be corroborated by market data. Fair value is determined by the reporting entity's own assumptions utilizing the best information available, and includes situations where there is little market activity for the investment.



The carrying amounts of cash and cash equivalents, accounts payable and accrued expenses, approximate fair value due to the short-term nature of these instruments.

The carrying value of long-term debt approximates fair value given that the terms of the agreement were comparable to the market as of September 30, 2017 and December 31, 2016. As of September 30, 2017 and December 31, 2016, the Company had no other liabilities that were measured at fair value on a recurring basis.

The asset's or liability's fair value measurement within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement.

### ***Income Taxes***

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The measurement of net deferred tax assets is reduced by the amount of any tax benefit that, based on available evidence, is not expected to be realized, and a corresponding valuation allowance is established. The determination of the required valuation allowance against net deferred tax assets was made without taking into account the deferred tax liabilities created from the book and tax differences on indefinite-lived assets.

The Company accounts for income taxes using the asset and liability method, under which it recognizes deferred income taxes for the tax consequences attributable to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities, as well as for tax loss carryforwards and tax credit carryforwards. The Company measures deferred tax assets and liabilities using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recoverable or settled. The Company recognizes the effect on deferred taxes of a change in tax rates in income in the period that includes the enactment date. The Company provides a valuation allowance against deferred tax assets if, based upon the weight of available evidence, the Company does not believe it is "more-likely-than-not" that some or all of the deferred tax assets will be realized. The Company will continue to evaluate the deferred tax asset valuation allowance balances in all of our foreign and U.S. companies to determine the appropriate level of valuation allowances.

The Company is subject to income taxes in both the U.S. and the non-U.S. jurisdictions in which it operates. The Company regularly assesses the potential outcome of current and future examinations in each of the taxing jurisdictions when determining the adequacy of the provision for income taxes. The Company has only recorded financial statement benefits for tax positions which it believes reflect the "more-likely-than-not" criteria of FASB's authoritative guidance on accounting for uncertainty in income taxes, and it has established income tax reserves in accordance with this guidance where necessary. Once a financial statement benefit for a tax position is recorded or a tax reserve is established, the Company adjusts it only when there is more information available or when an event occurs necessitating a change. While the Company believes that the amount of the recorded financial statement benefits and tax reserves reflect the more-likely-than-not criteria, it is possible that the ultimate outcome of current or future examinations may result in a reduction to the tax benefits previously recorded on its condensed consolidated financial statements or may exceed the current income tax reserves in amounts that could be material. As of September 30, 2017, and December 31, 2016, the Company had a liability for unrecognized tax benefits of \$0.4 million, included in other long-term liabilities on the Company's condensed consolidated balance sheets. The guidance also discusses the classification of related interest and penalties on income taxes. The Company's policy is to record interest and penalties on uncertain tax positions as a component of income tax expense. During the nine months ended September 30, 2017 and 2016, interest and penalties related to uncertain tax positions included in income tax expense are immaterial.

The Company is subject to tax audits in all jurisdictions for which it files tax returns. Tax audits by their very nature are often complex and can require several years to complete. Currently, there are no U.S. federal, state or foreign jurisdiction tax audits pending. The Company's corporate U.S. federal and state tax returns for the current year and the three prior years remain subject to examination by tax authorities and the Company's foreign tax returns for the current year and the four prior years remain subject to examination by tax authorities.

## ***Stock-Based Compensation***

The Company accounts for equity instruments issued to employees, non-employee Directors or other service providers in accordance with accounting guidance that requires that awards are recorded at their fair value on the date of grant and are amortized over the service period of the award. The Company recognizes compensation costs on a straight-line basis over the requisite service period of the award, which is generally the vesting term of the equity instrument issued. To the extent that an equity award later becomes eligible to be put back to the Company, then the fair value of that award or those exercised shares are transferred out of additional paid-in-capital to a liability account and is thereafter marked-to-market annually to fair value.

## ***Segment Reporting***

We are an expedition and adventure travel operator with operations in two segments, Lindblad and Natural Habitat. We evaluate the performance of our business based largely on the results of our operating segments. We provide discrete financial information in total, by ship and type of ship. The chief operating decision maker, or CODM, and management review operating results monthly, and base operating decisions on the total results at a consolidated level, as well as at a segment level. Our reports provided to the Board of Directors are at a consolidated level and also contain information regarding the separate results of both segments. Management performance and related compensation is primarily based on total results. While both segments have similar characteristics, the two operating and reporting segments cannot be aggregated because they fail to meet the ASC 280 requirements for aggregation.

## ***Recent Accounting Pronouncements***

In August 2017, FASB issued accounting Standards Update ASU No. 2017-12, Derivatives and Hedging (Topic 815) Targeted Improvements to Accounting for Hedging Activities. The FASB's new guidance will make more financial and nonfinancial hedging strategies eligible for hedge accounting. It also amends the presentation and disclosure requirements and changes how companies assess effectiveness. It is intended to more closely align hedge accounting with companies' risk management strategies, simplify the application of hedge accounting, and increase transparency as to the scope and results of hedging programs. The requirement is for public business entities to apply this update prospectively for all new awards after annual reporting periods beginning December 15, 2018 with early adoption permitted, including in current period. Management is currently assessing the impact this guidance will have on the condensed consolidated financial statements of the Company.

In May 2017, FASB, issued Accounting Standards Update ASU No. 2017-09, Compensation-Stock Compensation (Topic 718) Scope of Modification Accounting. An entity may change the terms or conditions of a share-based payment award for many different reasons, and the nature and effect of the change can vary significantly. The FASB Accounting Standards Codification currently defines the term modification as "a change in any of the terms or conditions of a share-based payment award". Under the new guidance, modification accounting treatment will be utilized unless all three of the following criteria have been met; the fair value of the original award is the same as the fair value of the modified award; vesting period did not change; and the classification of the award has not changed. The requirement is for public business entities to apply this update prospectively for all new awards after annual reporting periods beginning December 15, 2017. The Company plans to adopt this ASU in the first quarter of 2018 as per guidance and does not expect the prospective application to have a material impact to the Company's condensed consolidated financial statements.

In January 2017, FASB issued Accounting Standards Update ASU No. 2017-04, Intangibles and Other (Topic 350): Simplifying the Test for Goodwill Impairment. The pronouncement eliminates Step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities (including unrecognized assets and liabilities). Now the entity compares the fair value of the reporting unit with its carrying amount. The requirement is for public business entities to apply the guidance to annual reporting periods beginning after December 15, 2019. Early adoption is permitted for interim or annual impairment tests after January 1, 2017. The Company does not believe the adoption of this ASU will have a material impact prospectively, to the Company's condensed consolidated financial statements.

In January 2017, FASB issued Accounting Standards Update ASU No. 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business". The amendment was issued to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendments in this ASU provide a screen to determine when a set (inputs and processes that produce an output) is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. This screen reduces the number of transactions that need to be further evaluated. The requirement is for public business entities to apply the guidance to annual reporting periods beginning after December 15, 2017. The Company does not believe the adoption of this ASU will have a material impact prospectively, to the Company's condensed consolidated financial statements.



**NOTE 3 – LONG-TERM DEBT**

(In thousands)	As of September 30, 2017			As of December 31, 2016		
	(Unaudited)					
	Principal	Discount and Deferred Financing Costs, net	Balance, net of discount	Principal	Discount and Deferred Financing Costs, net	Balance, net of discount
Note payable	\$ 2,525	\$ -	\$ 2,525	\$ 2,525	\$ -	\$ 2,525
Credit Facility	171,063	(7,673)	163,390	172,375	(9,022)	163,353
Total long-term debt	173,588	(7,673)	165,915	174,900	(9,022)	165,878
Less current portion	(1,750)	-	(1,750)	(1,750)	-	(1,750)
Total long-term debt, non-current	\$ 171,838	\$ (7,673)	\$ 164,165	\$ 173,150	\$ (9,022)	\$ 164,128

**Note Payable**

On May 4, 2016, in connection with the Natural Habitat acquisition, Natural Habitat issued an unsecured promissory note to Mr. Bressler with an outstanding principal amount of \$2.5 million due at maturity on December 31, 2020. The promissory note accrues interest at a rate of 1.44% annually, with interest payable every six months.

**Credit Facility**

On March 7, 2016, the Company entered into a second amended and restated credit agreement with Credit Suisse (“Restated Credit Agreement”), amending its senior secured credit facility with Credit Suisse (“Restated Credit Facility”). The Restated Credit Facility provides for \$175.0 million senior secured first lien term loan facility (consisting of a \$155.0 million U.S. term loan (the “U.S. Term Loan”) and a \$20.0 million Cayman term loan for the benefit of the Company’s foreign subsidiaries (the “Cayman Loan”, and together with the U.S. Term Loan, (the “Loans”)) and a \$45.0 million senior secured incremental revolving credit facility (“Revolving Credit Facility”), which includes a \$5.0 million letter of credit subfacility. The Company’s obligations under the Restated Credit Facility are secured by substantially all the assets of the Company.

Borrowings under the Loans bear interest at an adjusted ICE Benchmark Administration LIBO Rate (subject to a floor of 1.00%) plus a spread of 4.50%. As of September 30, 2017, the interest rate was 5.95%. The U.S. Term Loan and the Cayman Loan both mature on May 8, 2021. Borrowings under the Revolving Credit Facility bear interest at an adjusted ICE Benchmark Administration LIBO Rate plus a spread of 4.00%, or, at the option of the Company, an alternative base rate plus a spread of 3.00%. The Company is also required to pay a 0.50% annual commitment fee on undrawn amounts under the Revolving Credit Facility, which matures on May 8, 2020. As of September 30, 2017, the Company had no borrowings under the Revolving Credit Facility.

The Restated Credit Agreement (i) requires the Company to satisfy certain financial covenants; (ii) limits the amount of indebtedness the Company may incur; (iii) limits the amount the Company may spend in connection with certain types of investments; (iv) requires the delivery of certain periodic financial statements and an operating budget and (v) requires the mortgaged vessels and related inventory to be maintained in good working condition. As of September 30, 2017, the Company was in compliance with the financial covenants.

For the three months ended September 30, 2017 and 2016, total debt discount and deferred financing costs charged to interest expense was \$0.6 million and \$0.5 million, respectively. For the nine months ended September 30, 2017 and 2016, total debt discount and deferred financing costs charged to amortization and interest expense was \$1.7 million and \$1.7 million.

#### NOTE 4 – ACQUISITION

On May 4, 2016, the Company acquired an 80.1% ownership interest in Natural Habitat, an adventure travel and ecotourism company based in Colorado. The acquisition provided the Company with a platform to expand our land-based expeditions with a strong, trusted brand complementary to Lindblad. In 2016, the Company incurred \$1.0 million of acquisition costs related to the acquisition of Natural Habitat, which is included in general and administrative expenses in the Company's condensed consolidated statements of income for the nine months ended September 30, 2016.

The Company recorded this transaction using the acquisition method for business combinations. The Company measured the identifiable assets, liabilities and non-controlling interest of Natural Habitat at their fair market value as of the acquisition date and separately measured goodwill at its fair market value as of the acquisition date. Goodwill is an intangible asset arising as a result of name, reputation, customer loyalty, location, products, and similar factors not separately identified. The recorded goodwill has no tax basis and is therefore not tax deductible.

Mr. Bressler's noncontrolling interest in the remaining 19.9% interest in Natural Habitat is subject to a put/call arrangement. Mr. Bressler has a put option under certain conditions and subject to providing notice by October 31, 2020, that enables him, but does not obligate him, to sell his remaining interest in Natural Habitat to the Company on December 31, 2020. The Company has a call option, but not an obligation, with an expiration of December 31, 2025, for which it can buy Mr. Bressler's remaining interest at a similar fair value measure as Mr. Bressler's put option.

#### Acquisition of Natural Habitat, Inc.: (In thousands)

	<b>As of Acquisition Date</b>
Cash consideration	\$ 14,850
Long-term debt - non-cash	2,525
Lindblad restricted shares (264,208 shares) - non-cash	2,650
<b>Total purchase price</b>	<b>\$ 20,025</b>
<b>Assets acquired:</b>	
Cash and cash equivalents	\$ 4,904
Prepaid expenses and other current assets	9,623
Property and equipment	2,068
Goodwill and other intangibles	28,305
<b>Total assets</b>	<b>\$ 44,900</b>
<b>Liabilities assumed:</b>	
Accounts payable and accrued expenses	\$ 2,472
Unearned passenger revenues	15,000
Deferred tax liability	2,428
Noncontrolling interest in consolidated subsidiaries	4,975
<b>Total liabilities</b>	<b>\$ 24,875</b>
<b>Total cash price paid upon acquisition and fair value of existing equity interest</b>	<b>\$ 20,025</b>

Natural Habitat contributed revenues of \$17.1 million and operating income of \$1.5 million to Lindblad Expeditions for the three months ended September 30, 2017, and revenues of \$35.4 million and operating income of \$0.8 million for the nine months ended September 30, 2017. For the three months ended September 30, 2016, Natural Habitat contributed revenues of \$14.6 million and operating income of \$0.3 million and revenues of \$20.3 million and operating loss of \$0.5 million for the acquisition period beginning May 5, 2016 to September 30, 2016.

The following unaudited pro forma summary presents consolidated information of Lindblad Expeditions for the nine period ended September 30, 2016 as if the business combination with Natural Habitat had occurred on January 1, 2016:

(In thousands)	<b>Pro Forma for Nine Month Period Ended September 30, 2016</b>
	<u>Unaudited</u>
Revenues	\$ 197,845
Operating income	\$ 19,915

These pro forma amounts have been calculated after applying the Company's accounting policies and adjusting the results of Natural Habitat to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had been applied from January 1, 2016, with tax effects.

#### **NOTE 5 – EMPLOYEE BENEFIT PLAN**

The Company has a 401(k) profit sharing plan and trust for its employees. The Company matches 30% of employee contributions up to the annual maximum of \$2,100 and \$1,800 as of September 30, 2017 and 2016, respectively. For the three months ended September 30, 2017 and 2016, the Company's benefit plan contribution amounted to \$0.1 million. For the nine months ended September 30, 2017 and 2016, the Company's benefit plan contribution amounted to \$0.3 million and \$0.2 million, respectively. The benefit plan contribution is recorded within general and administrative expenses on the accompanying condensed consolidated statements of income.

#### **NOTE 6 – STOCKHOLDERS' EQUITY**

The Company's common stock and warrants are listed on the NASDAQ Capital Market under the symbols "LIND" and "LINDW," respectively. As of September 30, 2017 and December 31, 2016, there were 45,155,621 and 45,659,762 shares of common stock outstanding, respectively, and 10,673,015 and 11,186,387 warrants outstanding (inclusive of certain warrants issued to the Company's founders on substantially the same terms as all other warrants), respectively.

##### *Capital Stock*

The Company has a total of 201,000,000 authorized shares of capital stock, consisting of 1,000,000 shares of preferred stock, \$0.0001 par value and 200,000,000 shares of common stock, \$0.0001 par value.

##### *Stock and Warrant Repurchase Plan*

In November 2015, the Company's Board of Directors approved a \$20.0 million stock and warrant repurchase plan and in November 2016, increased the authorization by \$15.0 million to a total of \$35.0 million. This Repurchase Plan authorizes the Company to purchase from time to time the Company's outstanding common stock and warrants through open market repurchases in compliance with Rule 10b-18 of the Securities Exchange Act of 1934, as amended, and/or in privately negotiated transactions based on market and business conditions, applicable legal requirements and other factors. Any shares and warrants repurchased will be retired. The Repurchase Plan has no time deadline and will continue until otherwise modified or terminated at the sole discretion of the Company's Board of Directors at any time. During the three months ended September 30, 2017, the Company did not repurchase shares of common stock or warrants. During the nine months ended September 30, 2017 the Company repurchased 547,058 shares of common stock for \$5.1 million and 513,372 warrants for \$1.1 million. The Company has cumulatively repurchased 855,776 shares of common stock for \$8.1 million and 5,426,985 warrants for \$13.9 million, since plan inception.

##### *2017 Long-Term Incentive Compensation*

In March 2017, the Company's compensation committee (or a subcommittee thereof) approved awards of restricted stock units ("RSUs") and performance share units ("PSUs") to key employees under the Company's 2015 Long-Term Incentive Plan.

The Company granted 171,393 RSUs on April 3, 2017 at a grant price of \$8.98. The RSU's will vest in three equal annual installments following the April 2017 grant date, subject to the recipient's continued employment or service with us or our subsidiaries on the applicable vesting date.

The PSUs are performance-vesting equity incentive awards that will be earned based on our performance against metrics relating to annual Adjusted EBITDA, annual revenue, and guest satisfaction. Awards will vest after a three-year performance period and may be earned at a level ranging from 0%-200% of the number of PSUs granted, depending on performance. On April 3, 2017, the Company awarded 126,953 of targeted PSUs with the number of shares determined based upon the closing price of our common stock on March 31, 2017 of \$8.96. Based on the financial statements as of September 30, 2017, the Company assessed the applicable metrics related to the PSU grants, determined the blended probability of achieving the performance metrics and valued the awards based on the fair value at the date of grant with the amount of stock compensation expense determined based on the number PSU's expected to vest.



## **2016 CEO Share Allocation Plan**

In April 2016, the Company's Board of Directors adopted the 2016 CEO Share Allocation Plan and in June 2016, the Company's stockholders approved the 2016 CEO Share Allocation Plan, pursuant to which the Company may grant awards covering up to 1,000,000 shares of the Company's common stock in the form of restricted stock, restricted stock units, and/or other stock- or cash- based awards to eligible employees and other service providers of the Company. The 2016 CEO Share Allocation Plan was adopted in connection with a contribution agreement that the Company entered into with Sven-Olof Lindblad, Chief Executive Officer and President of the Company, pursuant to which Mr. Lindblad is authorized to transfer up to 1,000,000 shares from his holdings of the Company's common stock (i.e., an equivalent number of shares as is reserved for issuance under the 2016 CEO Share Allocation Plan) (the "Contribution Shares") to the Company as a contribution to the capital of the Company. Mr. Lindblad will not receive any consideration in exchange for the Contribution Shares. However, as a condition to the contribution of any Contribution Shares, the Company must grant awards under the 2016 CEO Share Allocation Plan, such that the number of Contribution Shares that Mr. Lindblad actually contributes to the Company will equal the number of shares corresponding to awards granted under the plan. The contribution of the Contribution Shares by Mr. Lindblad to the Company will effectively reduce the number of shares of the Company's common stock that are outstanding by the same number of shares that are issued under the 2016 CEO Share Allocation Plan (or a lesser number in the event awards are settled in cash). Such contributions will be effective as of the date the Company grants corresponding awards under the 2016 CEO Share Allocation Plan. The administrator may amend, suspend or terminate the 2016 CEO Share Allocation Plan at any time.

On January 10, 2017, Mr. Lindblad contributed to the Company and the Company thereafter granted, 716,550 restricted shares at a grant price of \$9.65. The grants vest in three equal installments with the first vesting date of January 10, 2017 and the remaining two vesting dates of January 10, 2018 and 2019, respectively. On January 10, 2017, 238,850 restricted shares vested, with 93,320 of such shares withheld and retired by the Company in order to pay the payroll withholdings to cover the transactions.

### ***Stock Options***

On August 2, 2017, 95,542 options were exercised at a market price on the date of exercise of \$9.76 per share and a grant price of \$1.76 per share, 17,229 shares were withheld by the Company to provide the \$0.2 million required to exercise the options. In addition, 28,192 shares were withheld by the Company in order to pay the payroll withholding taxes for the transactions. The balance of 50,121 option shares were issued as a result of the transaction.

During March 2017, an additional 95,542 options were exercised. Using the market price at the date of exercise of \$8.72 per share and the grant price of \$1.76 per share, 19,284 shares were withheld by the Company to provide the \$0.2 million required to exercise the options. In addition, 23,145 of such shares were withheld by the Company in order to pay the payroll withholding taxes for the transactions. The balance of 53,113 option shares were issued as a result of the transaction.

## **NOTE 7 – COMMITMENTS AND CONTINGENCIES**

### ***Fleet Expansion***

On December 2, 2015, the Company entered into two separate Vessel Construction Agreements, (collectively, the "Agreements") with Ice Floe, LLC, a Washington limited liability company doing business as Nichols Brothers Boat Builders (the "Builder"). The Agreements provide for the Builder to construct two new 236-foot 100-passenger cruise vessels.

The company paid Ice Floe \$53.6 million related to the *National Geographic Quest* and the vessel was delivered in July of 2017. The Company amended the agreement for the second vessel, the *National Geographic Venture*, in October 2017. The current contract price is \$57.0 million and the vessel is scheduled to be completed in the fourth quarter of 2018, subject to extension for certain events, such as change orders. As of September 30, 2017, the Company has paid Ice Floe, LLC \$18.1 million related to the *National Geographic Venture*. The Company may terminate the applicable Agreement in the event the Builder fails to deliver the vessel within one hundred eighty days of the applicable due date or the Builder becomes insolvent or otherwise bankrupt. The Agreement also contains customary representations, warranties, covenants and indemnities.

In November 2017, the Company entered into an agreement with Ulstein Verft to construct a polar ice class vessel with a total purchase price of 1,066.0 million Norwegian Kroner (NOK). Subsequently, LME exercised its right to make payments in United States Dollars, which resulted in a purchase price of \$134.6 million, including hedging costs. The purchase price is subject to potential adjustments from contract specifications for variations in speed, deadweight, fuel consumption and delivery date, and is due in installments. The first twenty percent of the purchase price is to be paid shortly after execution of the Agreement with the remaining eighty percent due upon delivery and acceptance of the vessel. The vessel is targeted to be delivered in January 2020, with potential accelerated delivery to November 2019. The contract also includes options to build two additional ice class vessels, the first for delivery twelve months after the initial vessel and the second for delivery twelve months thereafter.

#### ***Royalty Agreement – National Geographic***

The Company is engaged in an alliance and license agreement with National Geographic, which allows the Company to use the National Geographic name and logo. In return for these rights, the Company is charged a royalty fee. The royalty fee is included within selling and marketing expense on the accompanying condensed consolidated statements of income. The amount is calculated based upon a percentage of ticket revenue less travel agent commission, including the revenue received from cancellation fees and any revenue received from the sale of voyage extensions. A voyage extension occurs when a guest extends their trip with pre- or post-voyage hotel nights and is included within tour revenues on the accompanying condensed consolidated statements of income. The royalty expense is recognized at the time of revenue recognition. See Note 2 for a description of the Company’s revenue recognition policy. Royalty expense for the three and nine months ended September 30, 2017 totaled \$1.6 million and \$3.9 million, respectively, and for the three and nine months ended September 30, 2016 totaled \$1.2 million and \$3.6 million, respectively.

The balances outstanding to National Geographic as of September 30, 2017 and December 31, 2016 are \$1.9 million and \$1.5 million, respectively, and are included in accounts payable and accrued expenses on the accompanying condensed consolidated balance sheets.

#### ***Royalty Agreement – World Wildlife Fund***

Natural Habitat has a license agreement with WWF, which allows it to use the WWF name and logo. In return for these rights, Natural Habitat is charged a royalty fee and a fee based on annual gross sales. The fees are included within selling and marketing expense on the accompanying consolidated statements of income. For the three and nine months ended September 30, 2017, these fees totaled \$0.2 million and \$0.4 million, respectively. For the three months ended September 30, 2016 and the acquisition period beginning May 5, 2016 to September 30, 2016, these fees totaled \$0.2 million and \$0.3 million, respectively.

#### ***Charter Commitments***

From time to time, the Company enters into agreements to charter vessels on which it holds its tours and expeditions. Future minimum payments on its charter agreements are as follows:

<b>For the Years Ended December 31,</b>	<b>Amount</b>
<b>(Unaudited)</b>	<b>(In thousands)</b>
2017 (Three Months)	1,946
2018	10,450
2019	6,570
2020	272
<b>Total</b>	<b>\$ 19,238</b>

#### ***Insurance Revenue***

During the first quarter, the Company recorded \$1.9 million of insurance revenue related to cancelled voyages on the *National Geographic Orion*. During the three months ended September 30, 2017 an additional \$0.2 million of insurance claims were received and recorded as insurance revenue related to those cancelled voyages from the *National Geographic Orion*. Recorded revenue does not include any contested claims, and the amount recognized is recorded in tour revenues in the Company’s condensed consolidated statements of income.

## NOTE 8 – SEGMENT INFORMATION

During the second quarter of 2016, the Company completed its acquisition of Natural Habitat. As a result of the acquisition, the Company updated its reporting information and its operating segments to add Natural Habitat as a separate operating and reporting segment.

The Company evaluates the performance of its business segments based largely on operating income results of the segments without allocating other income and expenses, net, income taxes, and interest expense, net. For the three and nine months ended September 30, 2017 and 2016, the operating results were as follows:

(In thousands)	For the Three Months Ended				For the Nine Months Ended			
	September 30,				September 30,			
	2017	2016	Change	%	2017	2016*	Change	%
<b>Tour revenues:</b>								
Lindblad	\$ 67,451	\$ 56,175	\$ 11,276	20%	\$ 167,891	\$ 165,936	\$ 1,955	1%
Natural Habitat	17,133	14,599	2,534	17%	35,392	20,282	15,110	74%
Total tour revenues	<u>\$ 84,584</u>	<u>\$ 70,774</u>	<u>\$ 13,810</u>	20%	<u>\$ 203,283</u>	<u>\$ 186,218</u>	<u>\$ 17,065</u>	9%
<b>Operating (loss) income:</b>								
Lindblad	\$ 12,070	\$ 9,863	\$ 2,207	22%	\$ 12,386	\$ 19,038	\$ (6,652)	(35%)
Natural Habitat	1,479	306	1,173	383%	873	(488)	1,361	(279%)
Total operating income	<u>13,549</u>	<u>10,169</u>	<u>3,380</u>	33%	<u>13,259</u>	<u>18,550</u>	<u>(5,291)</u>	(29%)

\* 2016 results for Natural Habitat represent activity from the acquisition date of May 2016 through September 30, 2016.

Amortization expense related to tradename and customer list amortization for the three months ended September 30, 2017 and 2016 is \$0.2 million in the Natural Habitat segment. For the nine months ended September 30, 2017 and the acquisition period from May 5, 2016 through September 30, 2016, amortization expense in Natural Habitat segment related to the same acquisition related intangibles is \$0.6 million and \$0.3 million, respectively. For more information, see Note-2 regarding the Company's policy regarding amortization of intangible assets.

(In millions)	As of	
	September 30, 2017	December 31, 2016
<b>Total Assets</b>		
Lindblad Segment	\$ 372	\$ 366
Natural Habitat Segment	\$ 49	\$ 42
Total Assets	<u>\$ 421</u>	<u>\$ 408</u>
<b>Goodwill</b>		
Natural Habitat Segment	\$ 22	\$ 22
Total Goodwill	<u>\$ 22</u>	<u>\$ 22</u>
<b>Intangibles, net</b>		
Lindblad Segment	\$ 5	\$ 5
Natural Habitat Segment	\$ 5	\$ 6
Total Intangibles, net	<u>\$ 10</u>	<u>\$ 11</u>

## ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis addresses material changes in the financial condition and results of operations of the Company for the periods presented. This discussion and analysis should be read in conjunction with its unaudited condensed consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q ("Form 10-Q"), as well as its audited consolidated financial statements and related notes included in the Company's Annual Report for the year ended December 31, 2016 on Form 10-K filed with the Securities and Exchange Commission on March 7, 2017.*

### Cautionary Note Regarding Forward-Looking Statements

Any statements in this Form 10-Q about our expectations, beliefs, plans, objectives, prospects, financial condition, assumptions or future events or performance are not historical facts and are "forward-looking statements" as that term is defined under the federal securities laws. These statements are often, but not always, made through the use of words or phrases such as "believe," "anticipate," "should," "intend," "plan," "will," "expects," "estimates," "projects," "positioned," "strategy," "outlook" and similar words. You should read the statements that contain these types of words carefully. Such forward-looking statements are subject to a number of risks, uncertainties and other factors that could cause actual results to differ materially from what is expressed or implied in such forward-looking statements. There may be events in the future that we are not able to predict accurately or over which we have no control. Potential risks and uncertainties include, but are not limited to:

- general economic conditions;
- unscheduled disruptions in our business due to weather events, mechanical failures, or other events;
- changes adversely affecting the business in which we are engaged;
- management of our growth and our ability to execute on our planned growth;
- delays in construction of initial voyages of new vessels;
- unexpected loss of voyages;
- our business strategy and plans;
- compliance with laws and regulations;
- compliance with the financial and/or operating covenants in our Second Amended & Restated Credit Agreement ("Restated Credit Agreement");
- adverse publicity regarding the cruise industry in general;
- loss of business due to competition;
- the result of future financing efforts;
- the inability to meet revenue and Adjusted EBITDA projections; and
- those risks discussed in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2016.

Given these risks readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. We do not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect events or uncertainties after the date hereof or to reflect the occurrence of unanticipated events.

Unless the context otherwise requires, in this Form 10-Q, "Company," "Lindblad," "we," "us," "our," and "ours" refer to Lindblad Expeditions Holdings, Inc. and its subsidiaries.

### Business Overview

Lindblad provides expedition cruising and adventure travel experiences that include itineraries that feature up-close encounters with wildlife and nature, history and culture and promote guest empowerment and interactivity. Our mission is offering life-changing adventures on all seven continents and pioneering innovative ways to allow our guests to connect with exotic and remote places.

We operate a fleet of seven owned expedition ships and five seasonal charter vessels under the Lindblad brand. A new coastal vessel the *National Geographic Quest* joined the fleet in the third quarter of 2017. The Company has contracted for two additional vessels, the *National Geographic Venture*, a coastal vessel, expected to be completed in the fourth quarter of 2018, and a polar ice class vessel targeted to be completed in January 2020, with potential accelerated delivery to November 2019. The polar ice class contract includes options to build two additional ice class vessels, the first for delivery twelve months after the initial vessel and the second for delivery twelve months thereafter. We have a strategic business alliance with the National Geographic Society ("National Geographic") founded on a shared interest in exploration, research, technology, and conservation. This relationship includes a co-selling, co-marketing and branding arrangement whereby our owned vessels carry the National Geographic name and National Geographic sells our expeditions through its internal travel division. We collaborate with National Geographic on voyage planning to enhance the guest experience by having National Geographic experts, including photographers, writers, marine biologists, naturalists, field researchers, and film crews, join our expeditions. Guests have the ability to interface with these experts through lectures, excursions, dining, and other experiences throughout their voyage. Our arrangement with National Geographic extends through 2025.





We deploy chartered vessels for various seasonal offerings and continually seek to optimize our charter fleet to balance our inventory with demand and maximize yields. We use our charter inventory as a mechanism to both increase travel options for our existing and prospective guests and also to test demand for certain areas and seasons to understand the potential for longer term deployments and additional vessel needs.

On May 4, 2016, we expanded our land-based offerings by acquiring an 80.1% ownership interest in Natural Habitat, Inc. (“Natural Habitat”), an adventure travel and ecotourism company based in Colorado. Natural Habitat was founded by Benjamin L. Bressler, who retains a 19.9% noncontrolling interest in Natural Habitat. Examples of Natural Habitat’s expeditions include African safaris in Botswana, grizzly bear adventures in Alaska and polar bear tours in Canada. Since 2003, Natural Habitat has partnered with the World Wildlife Fund (“WWF”) to offer conservation and sustainable travel that directly protects nature. This agreement with WWF extends through 2023.

In December 2015, we entered into two separate contracts with Ice Floe LLC, to build the *National Geographic Quest* and the *National Geographic Venture*. Management considers this investment to be an important step to meet increasing demand for our expedition cruise offerings. The *National Geographic Quest* launched in the third quarter of 2017 and operates in Alaska and British Columbia during the summer before voyaging to Costa Rica and Panama to provide expeditions for the Northern Hemisphere winter season. There were four highly booked voyages cancelled during 2017 due to the delayed delivery of the vessel. Excluding the impact of these voyage cancellations the Company estimates that total tour revenues would have increased by approximately \$3.6 million and Adjusted EBITDA by approximately \$3.0 million.

In the fourth quarter of 2016, the *National Geographic Orion* experienced an issue with its main engine and as a result we cancelled four voyages during the first quarter of 2017 for necessary engine repairs. In addition, in the first quarter of 2017, the *National Geographic Sea Lion* cancelled two voyages to repair the onboard air conditioning system. It is estimated that the impact of the cancellations was approximately \$8.9 million in tour revenues and \$6.5 million in Adjusted EBITDA.

Our Annual Report on Form 10-K for the year ended December 31, 2016 provides additional information about our business operations and financial condition.

The discussion and analysis of our financial condition and results of operations are organized as follows:

- a description of certain line items and operational and financial metrics we utilize to assist us in managing our business;
- results and a comparable discussion of our consolidated and segment results of operations for the three and nine months ended September 30, 2017 and 2016;
- a discussion of our liquidity and capital resources, including future capital and contractual commitments and potential funding sources; and
- a review of our critical accounting policies.

## **Financial Presentation**

### *Description of Certain Line Items*

#### *Tour revenues*

Tour revenues consist of the following:

- Guest ticket revenues recognized from the sale of guest tickets; and
- Other tour revenues from the sale of pre- or post-expedition excursions, hotel accommodations, and land-based expeditions; air transportation to and from the ships, goods and services rendered onboard that are not included in guest ticket prices, trip insurance, and cancellation fees.

#### *Cost of tours*

Cost of tours includes the following:

- Direct costs associated with revenues, including cost of pre- or post-expedition excursions, hotel accommodations, and land-based expeditions, air and other transportation expenses, and cost of goods and services rendered onboard;
- Payroll costs and related expenses for shipboard and expedition personnel;
- Food costs for guests and crew, including complimentary food and beverage amenities for guests;

- Fuel costs and related costs of delivery, storage and safe disposal of waste; and
- Other tour expenses, such as land costs, port costs, repairs and maintenance, equipment expense, drydock, ship insurance, and charter hire costs.

### *Selling and marketing*

Selling and marketing expenses include commissions and a broad range of advertising and promotional expenses.

### *General and administrative*

General and administrative expenses include the cost of shore side vessel support, reservations and other administrative functions, including salaries and related benefits, credit card commissions, professional fees and rent.

### *Operational and Financial Metrics*

We use a variety of operational and financial metrics, including non-GAAP financial measures, such as Adjusted EBITDA, Net Yields, and Net Cruise Costs, to enable us to analyze our performance and financial condition. We utilize these financial measures to manage our business on a day-to-day basis and believe that they are the most relevant measures of performance. Some of these measures are commonly used in the cruise and tourism industry to evaluate performance. We believe these non-GAAP measures provide expanded insight to assess revenue and cost performance, in addition to the standard GAAP-based financial measures. There are no specific rules or regulations for determining non-GAAP measures, and as such, they may not be comparable to measures used by other companies within the industry.

**The presentation of non-GAAP financial information should not be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. You should read this discussion and analysis of our financial condition and results of operations together with the condensed consolidated financial statements and the related notes thereto also included within.**

**Adjusted EBITDA** is net income (loss) excluding depreciation and amortization, net interest expense, other income (expense), income tax benefit (expense), and other supplemental adjustments. Other supplemental adjustments include certain non-operating items such as stock-based compensation, executive severance costs, the National Geographic fee amortization, merger-related expenses, and acquisition-related expenses. We believe Adjusted EBITDA, when considered along with other performance measures, is a useful measure as it reflects certain drivers of the business, such as sales growth and operating costs. We believe Adjusted EBITDA can provide a more complete understanding of the underlying operating results and trends and an enhanced overall understanding of our financial performance and prospects for the future. While Adjusted EBITDA is not a recognized measure under GAAP, management uses this financial measure to evaluate and forecast business performance. Adjusted EBITDA is not intended to be a measure of liquidity or cash flows from operations or a measure comparable to net income as it does not take into account certain requirements, such as unearned passenger revenues, capital expenditures and related depreciation, principal and interest payments, and tax payments. Our use of Adjusted EBITDA may not be comparable to other companies within the industry. Management compensates for these limitations by using Adjusted EBITDA as only one of several measures for evaluating our business performance.

### *The following metrics apply to our Lindblad segment:*

**Adjusted Net Cruise Cost** represents Net Cruise Cost adjusted for Non-GAAP other supplemental adjustments which include certain non-operating items such as stock-based compensation, the National Geographic fee amortization, merger-related expenses, and acquisition-related expenses.

**Available Guest Nights** is a measurement of capacity and represents double occupancy per cabin (except single occupancy for a single capacity cabin) multiplied by the number of cruise days for the period. We also record the number of guest nights available on our limited land programs in this definition.

**Gross Cruise Cost** represents the sum of cost of tours plus merger-related expenses, selling and marketing expenses, and general and administrative expenses.

**Gross Yield** represents tour revenues less insurance proceeds divided by Available Guest Nights.

**Guest Nights Sold** represents the number of guests carried for the period multiplied by the number of nights sailed within the period.

**Maximum Guests** is a measure of capacity and represents the maximum number of guests in a period and is based on double occupancy per cabin (except single occupancy for a single capacity cabin).

**Net Cruise Cost** represents Gross Cruise Cost excluding commissions and certain other direct costs of guest ticket revenues and other tour revenues.

**Net Cruise Cost Excluding Fuel** represents Net Cruise Cost excluding fuel costs.

**Net Revenue** represents tour revenues less insurance proceeds, commissions and direct costs of other tour revenues.

**Net Yield** represents Net Revenue divided by Available Guest Nights.

**Number of Guests** represents the number of guests that travel with us in a period.

**Occupancy** is calculated by dividing Guest Nights Sold by Available Guest Nights.

**Voyages** represent the number of ship expeditions completed during the period.

### Foreign Currency Translation

The U.S. dollar is the functional currency in our foreign operations and re-measurement adjustments and gains or losses resulting from foreign currency transactions are recorded as foreign exchange gains or losses in the condensed consolidated statements of income.

### Seasonality

Lindblad tour revenues from the sale of guest tickets are mildly seasonal, historically larger in the first and third quarters. The seasonality of our operating results increases due to our vessels being taken out of service for scheduled maintenance or drydocking, which is typically during non-peak demand periods, in the second and fourth quarters. Our drydock schedules are subject to cost and timing differences from year to year due to the availability of shipyards for certain work, drydock locations based on ship itineraries, operating conditions experienced especially in the polar regions, and the applicable regulations of class societies in the maritime industry, which require more extensive reviews periodically. Drydocking impacts operating results by reducing tour revenues and increasing cost of tours. Natural Habitat is a seasonal business, with the majority of its tour revenue recorded in the fourth quarter from polar bear tours.

### Results of Operations – Consolidated

We reported consolidated tour revenues, cost of tours, operating expenses, operating income, and net (loss) income for the three and nine months ended September 30, 2017 and 2016 as shown in the following table:

(In thousands, except per share data)	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2017	2016	Change	%	2017	2016	Change	%
Tour revenues	\$ 84,584	\$ 70,774	\$ 13,810	20%	\$ 203,283	\$ 186,218	\$ 17,065	9%
Cost of tours	38,480	32,446	6,034	19%	99,780	87,111	12,669	15%
Gross profit	46,104	38,328	7,776	20%	103,503	99,107	4,396	4%
General and administrative	16,526	12,915	3,611	28%	46,710	36,740	9,970	27%
Selling and marketing	11,676	10,164	1,512	15%	31,521	29,294	2,227	8%
Depreciation and amortization	4,354	5,080	(726)	(14%)	12,012	14,523	(2,511)	(17%)
Operating income	\$ 13,548	\$ 10,169	\$ 3,379	33%	13,260	18,550	\$ (5,290)	(29%)
Net income	9,443	7,447	1,996	27%	7,491	13,420	(5,929)	(44%)
Earnings per share attributable to Lindblad								
Basic	\$ 0.21	\$ 0.16			\$ 0.16	\$ 0.30		
Diluted	0.20	0.16			0.16	0.29		

## Comparison of Three and Nine Months Ended September 30, 2017 to Three and Nine Months Ended September 30, 2016 – Consolidated

### ***Tour Revenues***

Tour revenues for the three months ended September 30, 2017 increased \$13.8 million, or 20%, to \$84.6 million compared to \$70.8 million for the three months ended September 30, 2016. The Lindblad segment increased tour revenues by \$11.3 million primarily driven by guest ticket revenue from the launch of the *National Geographic Quest* in July 2017. At the Natural Habitat segment tour revenues increased \$2.5 million primarily due to additional guests. It is estimated that tour revenues would have increased approximately \$16.7 million or 24% over the prior year period to \$87.4 million excluding the cancellation of four highly booked voyages of the *National Geographic Quest* due to its delayed launch and additional insurance proceeds received related to the *National Geographic Orion*.

Tour revenues for the nine months ended September 30, 2017 increased \$17.1 million, or 9%, to \$203.3 million compared to \$186.2 million for the nine months ended September 30, 2016. The Lindblad segment increased tour revenues by \$2.0 million driven primarily by the launch of the *National Geographic Quest* partially offset by the cancellation of four highly booked voyages on the *National Geographic Orion* and two highly booked voyages on the *National Geographic Sea Lion*. Tour revenues at the Natural Habitat segment, which was acquired in the second quarter of 2016, increased \$15.1 million primarily as a result of a full nine months of results in 2017. It is estimated for the nine months ended September 30, 2017 that tour revenues would have increased approximately \$29.5 million or 16% over the prior year period to \$215.7 million excluding the voyage cancellations and additional insurance proceeds received related to the *National Geographic Orion*.

### ***Cost of Tours***

Total cost of tours for the three months ended September 30, 2017 increased \$6.0 million, or 19%, to \$38.5 million compared to \$32.5 million for the three months ended September 30, 2016. The increase was primarily due to a \$5.1 million increase at the Lindblad segment mainly from the launch of the *National Geographic Quest* and an increase of \$0.9 million at the Natural Habitat segment due to additional departures.

Total cost of tours for the nine months ended September 30, 2017 increased \$12.7 million, or 15%, to \$99.8 million compared to \$87.1 million for the nine months ended September 30, 2016. At the Lindblad segment cost of tours increased \$4.3 million primarily related to the launch of the *National Geographic Quest* as well as additional charter expeditions, partially offset by lower drydock and fuel expense. The Natural Habitat segment increase of \$8.4 million was primarily due to a full nine months of results in 2017.

### ***General and Administrative Expenses***

General and administrative expenses for the three months ended September 30, 2017 increased by \$3.6 million, or 28%, to \$16.5 million compared to \$12.9 million for the three months ended September 30, 2016 primarily due to a \$3.2 million increase at the Lindblad segment as a result of \$1.7 million in higher stock based compensation, mainly associated with the CEO Allocation grant, as well as \$1.4 million in executive severance costs. At the Natural Habitat segment general and administrative expenses increased \$0.5 million primarily due to an increase in personnel costs.

General and administrative expenses for the nine months ended September 30, 2017 increased by \$10.0 million, or 27%, to \$46.7 million compared to \$36.7 million for the nine months ended September 30, 2016 primarily due to a \$6.2 million increase at the Lindblad segment as a result of \$5.5 million in higher stock based compensation mainly associated with the CEO Allocation grant, as well as \$1.4 million in executive severance costs. At the Natural Habitat segment general and administrative expenses increased \$3.8 million primarily due to a full nine months of results in 2017.

### ***Selling and Marketing Expenses***

Selling and marketing expenses for the three months ended September 30, 2017 increased \$1.5 million, or 15%, to \$11.7 million compared to \$10.2 million for the three months ended September 30, 2016 primarily due to a \$1.5 million increase at the Lindblad segment due to increased commission and royalty expense associated with the higher tour revenues. Sales and marketing expense at the Natural Habitat segment was comparable to the prior year.

Selling and marketing expenses for the nine months ended September 30, 2017 increased \$2.2 million, or 8%, to \$31.5 million compared to \$29.3 million for the nine months ended September 30, 2016 primarily due to a \$1.1 million increase at the Lindblad segment as result of increased commission and royalty expense associated with the higher tour revenues. The Natural Habitat segment increased \$1.1 due to a full nine months of results in 2017.

## Depreciation and Amortization Expenses

Depreciation and amortization expenses for the three months ended September 30, 2017 was \$4.4 million, as compared with \$5.1 million for the three months ended September 30, 2016. Depreciation and amortization for the nine months ended September 30, 2017 was \$12.0 million, as compared with \$14.5 million for the nine months ended September 30, 2016. The decreases in each period versus the prior year period were primarily related to accelerated depreciation associated with the retirement of the *National Geographic Endeavour* in 2016.

## Other Expense (Income)

Other expenses were \$2.5 million for the three months ended September 30, 2017 compared to \$2.5 million for the three months ended September 30, 2016.

Other expenses were \$6.3 million for the nine months ended September 30, 2017 as compared to \$8.3 million for the nine months ended September 30, 2016. The decrease of \$2.0 million was primarily due to a \$1.3 million foreign currency translation gain due to the strength of the U.S dollar in relation to the Canadian dollar and the Euro. In addition, a decrease of \$0.7 million in interest expense is due to capitalized interest related to the *National Geographic Quest* and the *National Geographic Venture*.

## Results of Operations – Segments

Selected information for our segments is below. **The presentation of non-GAAP financial information should not be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.**

(In thousands)	For the Three Months Ended				For the Nine Months Ended			
	September 30,				September 30,			
	2017	2016	Change	%	2017	2016*	Change	%
<b>Tour revenues:</b>								
Lindblad	\$ 67,451	\$ 56,175	\$ 11,276	20%	\$ 167,891	\$ 165,936	\$ 1,955	1%
Natural Habitat	17,133	14,599	2,534	17%	35,392	20,282	15,110	74%
Total tour revenues	\$ 84,584	\$ 70,774	\$ 13,810	20%	\$ 203,283	\$ 186,218	\$ 17,065	9%
Impact of voyage cancellations	2,860	-	2,860	NA	12,478	-	12,478	NA
Total tour revenues excluding voyage cancellations	\$ 87,444	\$ 70,774	\$ 16,670	24%	\$ 215,761	\$ 186,218	\$ 29,543	16%
<b>Operating (loss) income:</b>								
Lindblad	\$ 12,070	\$ 9,863	\$ 2,207	22%	\$ 12,386	\$ 19,038	\$ (6,652)	(35%)
Natural Habitat	1,479	306	1,173	383%	873	(488)	1,361	(279%)
Total operating income	13,549	10,169	3,380	33%	13,259	18,550	(5,291)	(29%)
Impact of voyage cancellations	1,981	-	1,981	NA	8,923	-	8,923	NA
Total operating income excluding voyage cancellations	\$ 15,530	\$ 10,169	\$ 5,360	53%	\$ 22,182	\$ 18,550	\$ 3,632	20%

\* 2016 results for Natural Habitat represent activity from the acquisition date of May 2016 through September 30, 2016.

The impact of the cancelled voyages on tour revenues was calculated as booked tour revenue at the time of cancellation less insurance proceeds. The impact of the cancelled voyages on operating income was calculated as booked tour revenue at the time of cancellation less insurance proceeds and estimated operating costs.

## Results of Operations – Lindblad Segment

The following tables set forth our Guest Metrics for the Lindblad segment. Please refer to our *Description of Certain Line Items* above for the specific definition by line item and segment.

The following table sets forth our Available Guest Nights, Guest Nights Sold, Occupancy, Maximum Guests, Number of Guests and Voyages for the three and nine months ended September 30, 2017 and 2016:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Available Guest Nights	56,398	48,595	142,291	141,665
Guest Nights Sold	51,122	44,139	124,951	129,633
Occupancy	90.6%	90.8%	87.8%	91.5%
Maximum Guests	7,518	6,177	17,727	17,118
Number of Guests	6,846	5,632	15,758	15,742
Voyages	97	84	244	231

The following table shows the calculations of Gross Yield and Net Yield for the three and nine months ended September 30, 2017 and 2016. Gross Yield is calculated by dividing tour revenues less insurance proceeds, by Available Guest Nights. Net Yield is calculated by dividing Net Revenue by Available Guest Nights:

### Lindblad Segment

#### Calculation of Gross Yield and Net Yield - Lindblad Segment

(In thousands, except for Available Guest Nights, Gross and Net Yield)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Guest ticket revenues	\$ 61,715	\$ 50,089	\$ 147,504	\$ 146,613
Other tour revenues	5,736	6,086	20,387	19,323
<b>Tour Revenues</b>	<b>67,451</b>	<b>56,175</b>	<b>167,891</b>	<b>165,936</b>
Less: Orion Insurance Proceeds	(248)	-	(2,148)	-
<b>Adjusted Tour Revenues</b>	<b>67,203</b>	<b>56,175</b>	<b>165,743</b>	<b>165,936</b>
Less: Commissions	(4,559)	(3,957)	(12,321)	(11,725)
Less: Other tour expenses	(3,532)	(3,211)	(10,622)	(11,757)
<b>Net Revenue</b>	<b>\$ 59,112</b>	<b>\$ 49,007</b>	<b>\$ 142,800</b>	<b>\$ 142,454</b>
Available Guest Nights	56,398	48,595	142,291	141,665
<b>Gross Yield</b>	<b>\$ 1,192</b>	<b>\$ 1,156</b>	<b>\$ 1,165</b>	<b>\$ 1,171</b>
<b>Net Yield</b>	<b>1,048</b>	<b>1,008</b>	<b>1,004</b>	<b>1,006</b>

The following table shows the calculations of Gross Cruise Cost per Available Guest Night and Net Cruise Costs per Available Guest Night for the three and nine months ended September 30, 2017 and 2016:

(In thousands, except for Available Guest Nights,  
Gross and Net Cruise Cost)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Cost of tours	\$ 27,374	\$ 22,239	\$ 76,915	\$ 72,632
Plus: Selling and marketing	10,358	8,848	28,629	27,511
Plus: General and administrative	13,656	10,464	38,972	32,762
<b>Gross Cruise Cost</b>	<b>51,388</b>	<b>41,551</b>	<b>144,516</b>	<b>132,905</b>
Less: Commission expense	(4,559)	(3,957)	(12,321)	(11,725)
Less: Other tour expenses	(3,532)	(3,211)	(10,622)	(11,757)
<b>Net Cruise Cost</b>	<b>43,297</b>	<b>34,383</b>	<b>121,573</b>	<b>109,423</b>
Less: Fuel expense	(1,894)	(1,645)	(4,858)	(5,307)
<b>Net Cruise Cost Excluding Fuel</b>	<b>41,403</b>	<b>32,738</b>	<b>116,715</b>	<b>104,116</b>
<b>Non-GAAP Adjustments:</b>				
Stock-based compensation	(3,057)	(1,359)	(9,464)	(3,982)
National Geographic fee amortization	(727)	(727)	(2,180)	(2,180)
Acquisition-related expenses	-	(31)	-	(924)
Executive severance costs	(1,400)	-	(1,400)	-
<b>Adjusted Net Cruise Cost Excluding Fuel</b>	<b>\$ 36,220</b>	<b>\$ 30,621</b>	<b>\$ 103,671</b>	<b>\$ 97,030</b>
<b>Adjusted Net Cruise Cost</b>	<b>\$ 38,114</b>	<b>\$ 32,266</b>	<b>\$ 108,529</b>	<b>\$ 102,337</b>
<b>Available Guest Nights</b>	<b>56,398</b>	<b>48,595</b>	<b>142,291</b>	<b>141,665</b>
Gross Cruise Cost per Available Guest Night	\$ 911	\$ 855	\$ 1,016	\$ 938
Net Cruise Cost per Available Guest Night	768	708	854	772
Net Cruise Cost Excl. Fuel per Available Guest Night	734	674	820	735
Adj. Net Cruise Cost Excl. Fuel per Avail. Guest Night	642	630	729	685
<b>Adjusted Net Cruise Cost per Available Guest Night</b>	<b>676</b>	<b>664</b>	<b>763</b>	<b>722</b>

#### Comparison of Three and Nine Months Ended September 30, 2017 to Three and Nine Months Ended September 30, 2016 – Lindblad Segment

##### Tour Revenues

Tour revenues for the three months ended September 30, 2017 increased \$11.3 million, or 20%, to \$67.5 million compared to \$56.2 million for the three months ended September 30, 2016. The change was primarily related to guest ticket revenue from the launch of the *National Geographic Quest* in July of 2017, as well as higher yields across the fleet. Net Yield for the three months ended September 30, 2017 increased to \$1,048 compared to \$1,008 for the three months ended September 30, 2016 primarily driven by price increases and changes in itineraries. It is estimated that tour revenues would have increased approximately \$14.1 million or 25% over the prior year period to \$70.3 million excluding the cancellation of four highly booked voyages of the *National Geographic Quest* due to its delayed launch and additional insurance proceeds received on the *National Geographic Orion*.

Tour revenues for the nine months ended September 30, 2017 increased \$2.0 million, or 1%, to \$167.9 million compared to \$165.9 million for the nine months ended September 30, 2016 primarily due to guest ticket revenue from the launch of the *National Geographic Quest*, as well as from additional charter expeditions, partially offset by a decrease in guest ticket revenue due to the cancellation of four highly booked voyages of the *National Geographic Orion* and two highly booked voyages of the *National Geographic Sea Lion*. It is estimated tour revenues would have increased approximately \$14.4 million or 9% over the prior year period to \$180.4 million excluding the voyage cancellations.



## Operating Income

Operating income for the three months ended September 30, 2017 increased \$2.2 million to \$12.1 million compared to \$9.9 million for the three months ended September 30, 2016. This increase was primarily due to the higher revenues, partially offset by a \$5.1 million increase in cost of tours primarily due to the launch of the *National Geographic Quest* and a \$3.2 million increase in general and administrative expenses mainly due to \$1.7 million in higher stock based compensation primarily associated with the 2016 CEO Allocation Plan and \$1.4 million in executive severance costs.

Operating income for the nine months ended September 30, 2017 decreased \$6.6 million to \$12.4 million compared to \$19.0 million for the nine months ended September 30, 2016 primarily related to the voyage cancellations on the *National Geographic Orion* and *National Geographic Sea Lion* during the first quarter of 2017. The operating income decrease also reflects higher general and administrative expenses of \$6.2 million mainly due to \$5.5 million in higher stock based compensation primarily associated with the 2016 CEO Allocation Plan, as well as \$1.4 million in executive severance costs. The current year also included higher charter expenses, which were partially offset by lower drydock and fuel costs, as well as the impact from the launch of the *National Geographic Quest* in July 2017. Excluding the impact of cancelled voyages, it is estimated that operating income would have increased approximately \$2.3 million or 12% over the prior year period to \$21.3 million.

## Comparison of Three and Nine Months Ended September 30, 2017 to Three Months Ended September 30, 2016 and the Acquisition Period of May 2016 through September 30, 2016 – Natural Habitat Segment

### Tour Revenues

Tour revenues for the three months ended September 30, 2017 increased \$2.5 million, or 17%, to \$17.1 million compared to \$14.6 million for the three months ended September 30, 2016 due to an increase in guests as compared to the same period in 2016.

Tour revenues for the nine months ended September 30, 2017 increased \$15.1 million, or 74%, to \$35.4 million compared to \$20.3 million for the acquisition period ended September 30, 2016 due primarily to a full nine months of results in 2017.

### Operating (Loss) Income

Operating income for the three months ended September 30, 2017 increased \$1.1 million to \$1.5 million compared to \$0.3 million for the three months ended September 30, 2016 and for the nine months ended September 30, 2017 operating income increased \$1.3 million to \$0.8 million compared to a loss of \$0.5 million for the acquisition period ended September 30, 2016 due primarily to the revenue growth partially offset by higher costs for additional guests.

### Adjusted EBITDA – Consolidated

The following table outlines the reconciliation to Net income and calculation of consolidated Adjusted EBITDA for the three and nine months ended September 30, 2017 and 2016. **The presentation of non-GAAP financial information should not be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.**

### Reconciliation of Net Income to Adjusted EBITDA Consolidated

(In thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016*
Net income	\$ 9,443	\$ 7,447	\$ 7,491	\$ 13,420
Income tax expense (benefit)	1,586	203	(473)	(3,113)
Interest expense, net	2,802	2,476	7,192	7,914
Depreciation and amortization	4,354	5,080	12,012	14,523
Gain (loss) on foreign currency	(224)	5	(1,047)	291
Other (income) expense, net	(59)	38	97	38
Stock-based compensation	3,057	1,359	9,464	3,982
National Geographic fee amortization	727	727	2,180	2,180
Reorganization costs	29	-	346	-
Acquisition-related expenses	-	31	-	924
Executive severance costs	1,400	-	1,400	-
<b>Adjusted EBITDA - Consolidated</b>	<b>23,114</b>	<b>17,366</b>	<b>38,662</b>	<b>40,159</b>
Impact of voyage cancellations	2,230	-	9,172	-
<b>Adjusted EBITDA - Consolidated excluding impact of voyage cancellations</b>	<b>\$ 25,344</b>	<b>\$ 17,366</b>	<b>\$ 47,834</b>	<b>\$ 40,159</b>

\* 2016 results for Natural Habitat represent activity from the acquisition date of May 2016 through September 30, 2016.

The following tables outline the reconciliation for each segment from operating income to Adjusted EBITDA for the three and nine months ended September 30, 2017 and 2016.

**Reconciliation of Operating Income to Adjusted EBITDA  
Lindblad Segment**

(In thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
	Operating income	\$ 12,070	\$ 9,863	\$ 12,387
Depreciation and amortization	3,994	4,761	10,989	13,993
Stock-based compensation	3,057	1,359	9,464	3,982
National Geographic fee amortization	727	727	2,180	2,180
Reorganization costs	29	-	346	-
Acquisition-related expenses	-	31	-	924
Executive severance costs	1,400	-	1,400	-
<b>Adjusted EBITDA - Lindblad segment</b>	<b>21,276</b>	<b>16,741</b>	<b>36,766</b>	<b>40,117</b>
Impact of voyage cancellations	2,230	-	9,172	-
<b>Adjusted EBITDA - Lindblad segment excluding impact of voyage cancellations</b>	<b>\$ 23,506</b>	<b>\$ 16,741</b>	<b>\$ 45,938</b>	<b>\$ 40,117</b>

The impact of the cancelled voyages on Adjusted EBITDA was calculated as booked tour revenue at the time of cancellation less insurance proceeds and estimated operating costs.

**Reconciliation of Operating Income to Adjusted EBITDA  
Natural Habitat Segment**

(In thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016*
	Operating income (loss)	\$ 1,478	\$ 306	\$ 873
Depreciation and amortization	360	319	1,023	530
<b>Adjusted EBITDA - Natural Habitat segment</b>	<b>\$ 1,838</b>	<b>\$ 625</b>	<b>\$ 1,896</b>	<b>\$ 42</b>

\* 2016 results for Natural Habitat represent activity from the acquisition date of May 2016 through September 30, 2016.

**Liquidity and Capital Resources**

**Sources and Uses of Cash for the Nine Months Ended September 30, 2017 and 2016**

*Net cash provided by operating activities* was \$29.4 million in the nine months ended September 30, 2017 compared to \$15.7 million in the comparable period in 2016. The \$13.7 million increase was primarily due to improved operating results and an increase in collections of customer deposits recognized in unearned passenger revenues.

*Net cash used in investing activities* was \$43.7 million in the nine months ended September 30, 2017 compared to \$62.5 million in the comparable period in 2016. The improvement was a result of the acquisition of Natural Habitat in the prior year, as well as a decrease in capital expenditures of \$6.5 million and a decrease in purchases of restricted cash reserves and marketable securities of \$2.2 million.

*Net cash used in financing activities* was \$9.0 million in the nine months ended September 30, 2017 compared to of \$11.0 million in the comparable period in 2016. The \$2.0 million difference is primarily the result of lower deferred financing costs and equity purchases.

### ***Funding Needs and Sources***

We have historically relied on a combination of cash flows provided by operations and the incurrence of additional debt and/or the refinancing of existing debt to fund obligations. Similar to others in the industry, we have historically operated with a meaningful working capital deficit. This historical deficit is mainly attributable to the fact that, under our business model, a vast majority of guest ticket receipts are collected in advance of the applicable sailing date. These advance passenger receipts remain a current liability until the sailing date and the cash generated from these advance receipts is used interchangeably with cash on hand from other cash from operations. The cash received as advanced receipts can be used to fund operating expenses for the applicable future sailing or otherwise, pay down credit facilities, invest in long-term investments or any other use of cash. As a result of the proceeds from the Restated Credit Agreement and the merger, we had net working capital of \$24.9 million and \$47.1 million as of September 30, 2017 and December 31, 2016, respectively. As of September 30, 2017, we had \$112.3 million in cash and cash equivalents, excluding restricted cash.

In November 2015, the Company's Board of Directors approved a \$20.0 million stock and warrant repurchase plan and in November 2016, increased the authorization by \$15.0 million to a total of \$35.0 million. This Repurchase Plan authorizes the Company to repurchase from time to time the Company's outstanding common stock and warrants through open market repurchases in compliance with Rule 10b-18 of the Securities Exchange Act of 1934, as amended, and/or in privately negotiated transactions based on market and business conditions, applicable legal requirements and other factors. Any shares and warrants repurchased will be retired. The Repurchase Plan has no time deadline and will continue until otherwise modified or terminated at the sole discretion of the Company's Board of Directors at any time. During the three months ended September 30, 2017, the Company did not repurchase shares of common stock or warrants. During the nine months ended September 30, 2017 the Company repurchased 547,058 shares of common stock for \$5.1 million and 513,372 warrants for \$1.1 million. The Company has cumulatively repurchased 855,776 shares of common stock for \$8.1 million and 5,426,985 warrants for \$13.9 million, since plan inception.

In December 2015, we executed definitive agreements for the construction of two new coastal vessels for delivery targeted in 2017 and 2018. The *National Geographic Quest* was delivered in July 2017 and the Company has paid \$53.6 on the contract. The *National Geographic Venture* is expected to be completed by the fourth quarter of 2018 and as of September 30, 2017 we have paid approximately \$18.1 million. In November 2017, the Company executed a contract to build a polar ice class vessel targeted to be completed in January 2020, with potential accelerated delivery to November 2019, with a total purchase price of 1,066.0 million Norwegian Kroner (NOK). Subsequently, LME exercised its right to make payments in United States Dollars, which resulted in a purchase price of \$134.6 million, including hedging costs. The first twenty percent of the purchase price is to be paid shortly after execution of the Agreement with the remaining eighty percent due upon delivery and acceptance of the vessel. The polar ice class contract includes options to build two additional ice class vessels, the first for delivery twelve months after the initial vessel and the second for delivery twelve months thereafter. The new build process exposes us to certain risks typically associated with new ship construction, which we manage through detailed planning and close monitoring by our internal marine team. The repurchase of the ships has been funded through a combination of cash available on our balance sheet, our revolving credit facility and excess cash flows generated by our existing operations.

As of September 30, 2017, we had \$173.6 million in long-term debt obligations, including the current portion of long-term debt and excluding debt discounts and deferred financing costs. We believe that our cash on hand, our revolving credit facility (described below) and expected future operating cash inflows will be sufficient to fund operations, debt service requirements, capital expenditures for our newbuilds and other assets and acquisitions, and our Repurchase Plan. However, there can be no assurance that cash flows from operations will be available in the future to fund future obligations.

### ***Debt Covenants***

On March 7, 2016, we entered into a second amended and restated credit agreement with Credit Suisse as Administrative Agent and Collateral Agent ("Restated Credit Agreement"), amending our existing senior secured credit facility with Credit Suisse ("Restated Credit Facility"). The Restated Credit Facility provides for our existing \$175.0 million senior secured first lien term loan facility and a \$45.0 million senior secured incremental revolving credit facility, which includes a \$5.0 million letter of credit sub facility. Borrowings under the term loan facility bear interest at an adjusted ICE Benchmark Administration LIBO Rate (subject to a floor of 1%) plus a spread of 4.50% and mature on May 8, 2021. Borrowings under the revolving credit facility will bear interest at an adjusted ICE Benchmark administration LIBO Rate plus a spread of 4.00%, or, at our option, an alternative base rate plus a spread of 3.00%. We are also required to pay a 0.50% annual commitment fee on undrawn amounts under the revolving credit facility, which matures on May 8, 2020. Our obligations under the Restated Credit Facility are secured by substantially all of our assets. As of September 30, 2017, the Company had no borrowings under the revolving credit facility.

The Restated Credit Agreement contains financial covenants that, among other things, (i) require us to maintain a total net leverage ratio (defined as on any date of determination, the ratio of total debt on such date, less up to \$25.0 million of the unrestricted cash and cash equivalents to Adjusted EBITDA (as defined in the Restated Credit Agreement) for the trailing 12-month period) of 4.75 to 1.00 initially, with 0.25 equal reductions annually thereafter until March 31, 2020, when the total net leverage ratio shall be 3.50 to 1.00 thereafter; (ii) limit the amount of indebtedness we may incur generally and specifically for intercompany debt, debt incurred to finance acquisitions and improvements, for capital and synthetic lease obligations, for standby letters of credit, and in connection with refinancings; (iii) limit the amount we may spend in connection with certain types of investments; and (iv) require the delivery of certain periodic financial statements and an operating budget. As of September 30, 2017, the net leverage ratio was 4.25 to 1 and we were in compliance with the financial covenants.

### ***Critical Accounting Policies***

For a detailed discussion of the Critical Accounting Policies, please see the Company's Annual Report on Form 10-K filed on March 7, 2017 with the Securities and Exchange Commission.

### ***Off-Balance Sheet Arrangements***

The Company did not have any off-balance sheet arrangements as of September 30, 2017 and December 31, 2016.

### **ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There have been no material changes in our exposure to market risk from the information set forth in the "Quantitative and Qualitative Disclosures About Market Risk" sections contained in the Company's Annual Report on Form 10-K.

### **ITEM 4: CONTROLS AND PROCEDURES**

#### ***Evaluation of Disclosure Controls and Procedures***

Under the supervision and with the participation of our management, including our principal executive officer and principal financial and accounting officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the fiscal quarter ended September 30, 2017, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based on this evaluation, our principal executive officer and principal financial and accounting officer have concluded that during the period covered by this report, our disclosure controls and procedures were effective.

Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

#### ***Changes in Internal Control over Financial Reporting***

There was no change in our internal control over financial reporting that occurred during the fiscal quarter covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART 2: OTHER INFORMATION

### ITEM 1: LEGAL PROCEEDINGS

The Company is involved in various claims, legal actions and regulatory proceedings arising from time to time in the ordinary course of business. In the opinion of management, there are no outstanding proceedings that are expected to have a material adverse effect on our financial position, results of operations or cash flows.

### ITEM 1A: RISK FACTORS

We operate in a rapidly changing environment that involves a number of risks that could materially affect our business, financial condition or future results, some of which are beyond our control. The risks and uncertainties that we believe are most important for you to consider are discussed under the heading “Risk Factors” in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016, filed on March 7, 2017.

### ITEM 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

#### Recent Sales by the Company of Unregistered Securities

There were no unregistered sales of equity securities during the quarter ended September 30, 2017.

#### Repurchases of Securities

There were no purchases by us of our common stock or warrants during the three months ended September 30, 2017.

### ITEM 3: DEFAULTS UPON SENIOR SECURITIES

Not applicable.

### ITEM 4: MINE SAFETY DISCLOSURES

Not applicable.

### ITEM 5: OTHER INFORMATION

Not applicable.

### ITEM 6: EXHIBITS

Number	Description	Included	Form	Filing Date
31.1	<a href="#">Certification of Chief Executive Officer of Lindblad Expeditions Holdings, Inc. pursuant to Rule 13a-14(a) or Rule 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended.</a>	Herewith		
31.2	<a href="#">Certification of Chief Financial Officer of Lindblad Expeditions Holdings, Inc. pursuant to Rule 13a-14(a) or Rule 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended.</a>	Herewith		
32.1	<a href="#">Certification of Chief Executive Officer of Lindblad Expeditions Holdings, Inc. pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>	Herewith		
32.2	<a href="#">Certification of Chief Financial Officer of Lindblad Expeditions Holdings, Inc. pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>	Herewith		
101.INS	XBRL Instance Document	Herewith		
101.SCH	Taxonomy extension schema document	Herewith		
101.CAL	Taxonomy extension calculation linkbase document	Herewith		
101.LAB	Taxonomy extension label linkbase document	Herewith		
101.PRE	Taxonomy extension presentation linkbase document	Herewith		

## SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on November 7, 2017.

**LINDBLAD EXPEDITIONS HOLDINGS, INC.**  
(Registrant)

By /s/ Sven-Olof Lindblad  
Sven-Olof Lindblad  
Chief Executive Officer and President

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## Section 2: EX-31.1 (CERTIFICATION)

**Exhibit 31.1**

### Certification

I, Sven-Olof Lindblad, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lindblad Expeditions Holdings, Inc. (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as identified in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: November 7, 2017

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## Section 3: EX-31.2 (CERTIFICATION)

Exhibit 31.2

### Certification

I, Craig I. Felenstein, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lindblad Expeditions Holdings, Inc. (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as identified in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: November 7, 2017

/s/ Craig I. Felenstein  
Craig I. Felenstein  
Chief Financial Officer

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## Section 4: EX-32.1 (CERTIFICATION)

Exhibit 32.1

**As Adopted Pursuant To  
Section 906 Of The Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q for the period ended September 30, 2017 of Lindblad Expeditions Holdings, Inc., a Delaware corporation (the "Company"), as filed with the Securities and Exchange commission on the date hereof (the "Report"), I, Sven-Olof Lindblad, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

- 1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2017

/s/ Sven-Olof Lindblad  
Sven-Olof Lindblad  
Chief Executive Officer and President

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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## **Section 5: EX-32.2 (CERTIFICATION)**

**Exhibit 32.2**

**Certification of CFO Pursuant To  
18 U.S.C. Section 1350,  
As Adopted Pursuant To  
Section 906 Of The Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q for the period ended September 30, 2017 of Lindblad Expeditions Holdings, Inc., a Delaware corporation (the "Company"), as filed with the Securities and Exchange commission on the date hereof (the "Report"), I, Craig I. Felenstein, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

- 1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2017

/s/ Craig I. Felenstein  
Craig I. Felenstein  
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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